

Item 1. Cover Page

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

PCP MANAGERS, L.P.

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This brochure provides information about the qualifications and business practices of PCP Managers, L.P. and PCP Managers II, L.P. (together, “Parthenon” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at 415-913-3900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Parthenon is registered as an investment adviser with the SEC. This registration does not imply a certain level of skill or training.

Additional information about Parthenon also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes.

The date of the Firm's last filed amendment to our brochure was March 2022. The Firm routinely makes updates throughout the brochure to improve and clarify the description of its business practices, compliance policies and procedures, as well as to respond to evolving industry best practices.

Investors are encouraged to review this brochure in its entirety. The information set forth in this brochure is qualified in its entirety by the offering and organizational documents of the applicable Fund. In the event of a conflict between the information set forth herein and the applicable offering and organizational documents, the information set forth in the applicable offering and organizational documents shall control.

Item 3. Table of Contents

Item 1. Cover Page.....	1
Item 2. Material Changes.....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business	4
Item 5. Fees and Compensation	5
Item 6. Performance-Based Fees and Side-By-Side Management	19
Item 7. Types of Clients.....	19
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	20
Item 9. Disciplinary Information	45
Item 10. Other Financial Industry Activities and Affiliations	45
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	46
Item 12. Brokerage Practices	85
Item 13. Review of Accounts.....	86
Item 14. Client Referrals and Other Compensation.....	86
Item 15. Custody	86
Item 16. Investment Discretion.....	86
Item 17. Voting Client Securities.....	87
Item 18. Financial Information	87

Item 4. Advisory Business

General Information

This brochure is prepared in accordance with the requirements of Rule 203-1 under the Investment Advisers Act of 1940 (“**Advisers Act**”) and Form ADV. The information herein responds to specific information required by the rule, and Form ADV, and does not contain all of the terms of an investment in any of the Funds (as defined below). Investors should refer to the information in the Organizational Documents (as defined below) for additional information on an investment in any of the Funds.

Our Firm

For purposes of this brochure, “**Parthenon**” or the “**Firm**” means PCP Managers, L.P., a Delaware limited partnership, PCP Managers II, L.P., a Delaware limited partnership, and PCap Company, LLC, a Delaware limited liability company, together (where the context permits) with our affiliated general partners of the Funds (as defined below) and other affiliates that provide investment advisory services to the Funds. Parthenon is the successor to Parthenon Capital, Inc., an investment firm founded in 1998 in Boston. The principal owners of Parthenon are David J. Ament and Brian P. Golson (the “**Managing Partners**”). The Firm is led by the Managing Partners.

Parthenon makes private equity investments in growth oriented middle market companies. The Firm seeks investments primarily through equity recapitalizations that are executed in close partnership with strong, well-aligned management teams and in which the Firm may have significant influence. The Firm conducts its investment advisory services through PCP Managers, L.P. and PCP Managers II, L.P. and their respective officers and employees.

Parthenon also provides non-discretionary investment sourcing services to institutional clients through separate accounts (“**SMAs**”) and may in the future provide discretionary advisory services to SMAs. As of the date of this brochure, Parthenon provides non-discretionary sourcing services to one SMA that seeks investments structured primarily as originations, participations or assignments of secured and unsecured loans and equity co-investment opportunities in middle market growth companies (collectively, “**Loan Transactions**”).

The Firm focuses on the following industry sectors: financial services; healthcare services; and business and technology services.

Nature of Our Clients

Parthenon provides discretionary investment management services through affiliated general partners of private investment funds (“**Funds**”). The Funds are typically United States (“**U.S.**”) limited partnerships and other investment vehicles that are not registered or required to be registered under the U.S. Investment Company Act of 1940 (“**Investment Company Act**”) and the securities of which are not registered or required to be registered under the U.S. Securities Act of 1933 (“**Securities Act**”), and are privately placed to qualified investors in the U.S. and elsewhere. Persons and entities that invest in the Funds are referred to in this brochure as “**investors**” or “**limited partners.**” Parthenon provides investment advice and other services directly to the Funds and not individually to the investors in such Funds.

Parthenon also provides non-discretionary investment sourcing services to institutional clients.

Parthenon does not currently participate as manager in any wrap fee programs.

Types of Advisory Services Offered

Discretionary investment management services are provided to the Funds in accordance with the terms of private placement memoranda and relevant offering materials and organizational documents, including limited partnership agreements, advisory agreements and/or side letter agreements negotiated with investors in the applicable Fund (such documents collectively, a Fund's "**Organizational Documents**"). The terms upon which Parthenon or its affiliates serve as investment manager of a Fund are established at the time each Fund is established and are generally set out in the Organizational Documents. These terms may vary among each Fund and potentially restrict investments in accordance with the Organizational Documents of the applicable Fund.

Parthenon also provides non-discretionary investment sourcing services to institutional clients and may offer similar services to SMAs on a discretionary basis in the future. The terms on which investment sourcing services are provided to a SMA are determined with the underlying client at the time a SMA is established and are generally set out in the advisory agreement with the underlying client ("**SMA Agreement**"). SMAs overseen by Parthenon have investment strategies or investment objectives similar to or different from the investment strategies and objectives of one or more Funds. For example, Parthenon currently provides non-discretionary investment sourcing services with respect to a SMA that invests primarily in Loan Transactions with the portfolio companies of the Funds. The investment strategy, investment objectives and general terms of a SMA arrangement may vary from other SMA arrangements or the terms of any Funds, including, for example, some arrangements are non-discretionary or otherwise restrict investments in accordance with the terms of the SMA Agreement.

Assets Under Management

As of December 31, 2022, Parthenon managed \$7,104,989,699 of client assets on a discretionary basis. This includes approximately \$1.6 billion of committed capital that may be called by the Funds from their investors as of such date.

Item 5. Fees and Compensation

General

Parthenon, including the general partners of the Funds, generally receives from each such Fund a Management Fee and Carried Interest (each as defined below) in connection with the investment management and other services the Firm provides to the Funds. A Fund and/or its portfolio companies typically also make other payments to Parthenon or its affiliates for services provided to the portfolio companies which, in certain circumstances, may reduce the Management Fees payable by a Fund to Parthenon. Additionally, consistent with the Organizational Documents of a Fund, the Fund (or its portfolio companies) typically bears all out-of-pocket expenses incurred by Parthenon in connection with the services provided to such Fund and/or the portfolio companies. Management Fees, Carried Interest and/or any other compensation payable to Parthenon or its affiliates by a Fund and its investors are generally negotiated with the applicable

underlying investors and will depend upon, among other things, the level of capital committed to the relevant Fund or the amount of capital invested by the relevant Fund.

Management Fees

As compensation for investment supervisory services rendered to the Funds, Parthenon receives from certain Funds a management fee (each, a “**Management Fee**”), the specific terms of which are specified in the Organizational Documents of the applicable Fund that are received by each investor prior to investing in such Fund. Management Fees with respect to Funds focused primarily on private equity investments generally are calculated based upon a specified percentage of aggregate commitments during the investment period of the relevant Fund or the date on which a successor equity fund commences operations and is paying Managements Fees, whichever is earlier, and, following the investment period, based upon certain methods as specified in the Organizational Documents of the respective Fund.

Management Fees are paid semi-annually, in advance, in accordance with provisions of the respective Organizational Documents, subject to certain reductions as described in “**Other Fees**” below.

The Firm does not deduct fees directly from investors’ capital accounts. The general partner of each Fund generally makes capital calls on investors in the Fund that are payable in installments for the amount of the Management Fees and pays the amount received to the Firm. In order to facilitate prompt payment of installments of capital commitments, investors who are not institutional investors may be required in the sole discretion of the general partner of the respective Fund to contribute all or a significant portion of the investors’ capital commitments to the respective Fund or to keep sufficient liquid assets on hand to cover capital calls at a financial institution designated by the general partner.

Management Fees are paid in advance with respect to a Fund and are not repaid if the Firm’s management services terminate prior to the end of the relevant payment period.

The Management Fees and other fees and distributions described above are generally subject to waiver or reduction by Parthenon in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letters and other arrangements, which may not be disclosed to other investors in the same Fund. The fee structures described above may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

Certain investors in or that invest alongside the Funds and that are current or former members, partners, employees, business associates of Parthenon, its affiliates or their personnel (including the Fund’s general partner, any related entity, such as estate planning vehicles and charitable programs) (collectively, “**Parthenon Investors**”) will not typically pay Management Fees in connection with their investment in or alongside a Fund.

The Management Fees paid by a Fund will generally be reduced by a percentage of: (1) the amount of fees paid by such Fund to persons acting as a placement agent in connection with the offer and sale of interests in such Fund to certain potential investors, (2) the amount paid by such Fund to reimburse Parthenon for the fees incurred by Parthenon in connection with the organization of such Fund and its related entities that exceed a limit specified in such Fund’s Organizational

Documents and/or (3) certain Ancillary Fees (as discussed below) received by Parthenon or its affiliates from the portfolio companies in which the applicable Fund holds (or will hold) an interest. The amount and manner of such reduction, if any, is set forth in the Organizational Documents of the applicable Fund. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds.

Parthenon may agree with investors of a Fund to waive a portion of Management Fees in satisfaction of capital contribution obligations of Parthenon or Parthenon Investors to the Fund (“**Deemed Contributions**”). In these circumstances, investors in the Fund are required to make additional capital contributions to fund such Deemed Contributions. Waived amounts are applied to determine the Management Fee due by the Fund before the application of any other reductions. However, the amount called to fund Deemed Contributions are not otherwise subject to the reductions described above.

Performance-Based Fees

With respect to certain Funds a portion of the net profits realized by each such Fund from the disposition of investments is allocated to its general partner as “carried interest” (“**Carried Interest**”). Carried Interest may be subject to hurdles and/or claw-backs.

Management Fees, Carried Interest, and/or other compensation payable to the Firm (including the applicable general partner) by the Funds are established at the time of the establishment of such Fund. The details of such compensation and expenses and the method of calculation are set forth in the Organizational Documents of the relevant Fund. Please see Item 6 below for additional information regarding Carried Interest that Funds may pay.

Other Fees

Ancillary Fees and Other Fees Payable by the Portfolio Companies

Parthenon and its affiliates may perform transaction-related, financial advisory, consulting, monitoring, management and other services for actual and prospective portfolio companies. Parthenon’s services may include but are not limited to: structuring a Fund’s investment in a portfolio company, support of portfolio company management personnel, board and committee participation, advice with respect to development and implementation of strategies for the operating, marketing and financial performance of a portfolio company and its affiliates, evaluation of acquisition opportunities, if any, evaluation of corporate initiatives, assistance in obtaining financing and operations under any financing agreements, including refinancings, due diligence reviews, executive search/compensation services, pre-investment merger integration and planning, and exit planning, including preparation for public offerings, sales, divestments or other dispositions and similar transactions with respect to portfolio companies. Any such services provided to portfolio companies from time to time are referred to as “**Related Services**”. Parthenon receives Ancillary Fees (as defined below) for the Related Services, which may be in the form of cash compensation, options, profits interests or other equity incentive compensation from actual or prospective portfolio companies or other investment vehicles of the Funds. Ancillary Fees that are structured as equity securities or profits interests often include various contractual rights, such as voting rights alongside other equity holders, including the Funds, an interest in the profits of the relevant portfolio company, holding company or successors thereof,

redemption rights, equity conversion rights, warrants and other rights to additional equity securities, tax distributions and tax receivable payments for so long as the interest is held. The financial effects of certain of these rights can be substantial and the Funds and their investors generally do not have a direct interest in the rights associated with Ancillary Fees.

Parthenon receives transaction-related services fees, monitoring fees and director's fees from portfolio companies in which the Funds and co-investors participate with respect to the provision of Related Services, as well as break-up fees from unconsummated transactions. The fees charged for Related Services (net of expenses) are referred to as "**Ancillary Fees**". Parthenon and its affiliates enter into management services agreements and similar agreements with the portfolio companies governing the provision of Related Services, and other services provided by Parthenon, including by Operations Support Providers (as defined below). The terms of such agreements include (among other things) annual automatic renewals; the calculation of Operations Expenses and Ancillary Fees, which may be fixed fees or calculated as a percentage of invested capital, the equity value of a Fund's (and other co-investors') investment in the portfolio company, aggregate gross value of a particular transaction, earnings, or similar performance metric; the deferment of such fees; and the acceleration of payment of such fees upon certain termination events, including the occurrence of an initial public offering or strategic exit. For example, an accelerated Ancillary Fee may be calculated as the present value of hypothetical future payments, which may be based on an assumed growth in performance, based on an assumed growth in earnings, revenue or similar metric, and may be calculated using a discount rate as low as the risk-free rate, as determined by Parthenon. Since the management services agreements may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), the financial effect of such acceleration can be substantial, particularly in the event circumstances occur early in the life of a Fund's investment in such portfolio company. In addition, Ancillary Fees may continue to be paid to Parthenon following an initial public offering or other partial exit if the relevant Fund continues to hold an interest in such portfolio company.

The structure, terms or timing of payment of Ancillary Fees (particularly accelerated fees) and Operations Expenses may result in the applicable portfolio companies not fully availing themselves of the services initially anticipated at the time of entering into a services agreement with Parthenon and, in such cases, any such fees paid by the applicable portfolio companies may not represent the value of the services actually rendered. Moreover, Ancillary Fees are in addition to any Management Fees or carried interest paid by the relevant Fund.

The amount and timing of Ancillary Fees, Operations Expenses and reimbursement of expenses received by Parthenon are generally specified in the agreement or other documentation governing the transaction or the associated services provided to the portfolio company. These fees are often substantial. Parthenon may also elect to require a portfolio company to pay interest on any fees or expense reimbursement that remain unpaid when due.

A portion of Ancillary Fees attributable to a Fund's investment in a portfolio company are offset against the Management Fees such Fund pays to the Firm only to the extent provided in that Fund's Organizational Documents. Ancillary Fees do not offset any Access Fees or Closing Fees (each as defined below) owed to the Firm with respect to any SMA. Funds that do not pay Management Fees, co-investors and separate accounts generally are not entitled to receive any benefit from Ancillary Fees, and instead the portion of Ancillary Fees that may be attributable to the investment

activities of such non-fee-paying entities may be allocated to fee-paying Funds or retained by the Firm, as the Firm determines in its sole discretion. Ancillary Fees attributable to more than one such fee-paying Funds' investments in a portfolio company will be allocated in the manner that Parthenon determines is appropriate under the particular circumstances. For example, Ancillary Fees earned in connection with an initial investment are allocated among participating fee-paying Funds based on the Funds' respective initial invested capital in such investment, whereas Ancillary Fees earned in connection with a recapitalization transaction may be allocated among participating fee-paying Funds based on the equity value of the Funds' interest in the recapitalized company.

Generally, under the terms of the applicable Organizational Documents pertaining to a Fund, for purposes of calculating any Management Fee offset applicable to such Fund, Ancillary Fees are net of out-of-pocket costs and expenses incurred by Parthenon (including Operations Expenses as described below) on behalf of such Fund in connection with consummated or unconsummated transactions or in connection with generating any such fees from the portfolio companies in which such Fund holds (or will hold) an interest.

Any break-up fees or similar termination fees paid to or for the benefit of a portfolio company will not offset the Management Fee owed by a Fund or offset any Access Fees or Closing Fees owed to the Firm with respect to any SMA.

Due to the amount of waived or offset Management Fees and the timing of payment of Ancillary Fees relative to the payment date for Management Fees, investors may not receive the full benefit of these potential fee offsets. In particular, Ancillary Fees paid in the form of securities or contractual rights will only offset Management Fees when converted to cash and, only to the extent a Management Fee is owed or accruing at such time. The holder of such securities (including Parthenon) will determine the timing of the disposition or conversion of such securities or contractual rights. Any unused portion of the aggregate fee offset amount will not be paid to a Fund's investors at the end of the Fund's Management Fee paying period or upon termination of the Fund. In addition, Parthenon retains any Ancillary Fees paid by a current or former portfolio company (or converted into cash) after the applicable Fund ceases to pay Management Fees, for services provided after a Fund has exited such portfolio company or the Fund has terminated as such fees are not considered "Ancillary Fees" under the terms of the applicable Organizational Documents.

The payment of Ancillary Fees by portfolio companies creates a conflict of interest between Parthenon and its affiliates and the Funds and their investors because the amounts of these Ancillary Fees are substantial, and the Funds and their investors generally do not have a direct interest in these fees. Subject to the terms of the applicable Organizational Documents, the amount of such fees is not (except in connection with the reductions described above) disclosed to investors in the Funds.

From time to time, Parthenon agrees to pay a portion of an Ancillary Fee received from an actual or prospective portfolio company to a third party ("**Third Party Fee**"), such as a consultant, advisor, finder, broker, investment bank, lender and/or co-investor. In such event, the Third Party Fee is not a fee that Parthenon is entitled to retain and therefore, Parthenon is not required under the terms of the applicable Organizational Documents to share such Third Party Fee with the Funds.

Payment Made to Providers of Operations Support

Parthenon, on behalf of certain Funds, and the portfolio companies will from time to time retain (i) certain specialists, which may include Parthenon affiliates, their respective employees and independent contractors who work exclusively with Parthenon (which we refer to as “**Specialists**”), as well as (ii) other independent contractors, portfolio companies, third party consultants, external executives, individuals on Parthenon’s Industry Advisory Council, other “operating partners” and “senior advisors” who have a close working relationship with Parthenon (collectively, with Parthenon’s Specialists, the “**Operations Support Providers**”). The Operations Support Providers are engaged to provide various operational support services (discussed in more detail in Item 11 below) (“**Operations Support Services**”). Operations Support Providers will receive fees from the Funds’ portfolio companies for Operations Support Services. The fees and other compensation charged on behalf of Operations Support Providers and expenses associated with Operations Support Services are referred to as “**Operations Expenses**”. Operations Expenses may be substantial. Operations Expenses (including Operations Expenses charged by Parthenon’s Specialists) may be determined at the discretion of the Firm taking into account the particular Operations Support Services, may include salaries and employment related benefits, an annual fee or retainer, a fixed or “flat” fee for anticipated services, a discretionary bonus, profits or equity interest in the portfolio company or other incentive-based compensation, and may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of the investment in which case such expenses generally are paid by the portfolio company at the closing or by the participating Funds to the extent not paid or reimbursed by the portfolio company (including with respect to unconsummated investments). Operations Expenses are not considered “Ancillary Fees” under the terms of the applicable Organizational Documents and such fees are not subject to the offset arrangements described above and will not be shared with a Fund or its investors. For a discussion of material conflicts of interest created by the engagement of such persons, please see “Providers of Operations Support” in Item 11 below.

Expense Reimbursement from Portfolio Companies

Portfolio companies typically reimburse Parthenon for expenses incurred by Parthenon in connection with its due diligence efforts in anticipation of an acquisition of the portfolio company as well as Parthenon’s performance of services for such portfolio company (both before and after an investment in the portfolio company), including without limitation travel expenses, which may include travel relating to transactions, attendance at industry conferences, board service and other monitoring activities, Operations Support Services (discussed above), and attendance at social or entertainment events (such as closing dinners), and may be in the form of “black car” or premium on-demand-driver services, private and chartered aircraft, first class, business class or other travel airfare and any related upgrades, first class lodging and meals and related gratuities, internet access fees, travel agent fees, and expenses related to social and entertainment events (including, as applicable, closing dinners and mementos) with management, customers, clients, suppliers, vendors, brokers, bankers and service providers, meals for employees working after normal

business hours, expenses related to training programs or similar events for portfolio company personnel, industry conference fees, expenses relating to personnel searches and recruitment efforts (such as background searches, relocation expenses and other perks used in connection with recruitment efforts), deal specific research and due diligence expenses, research and software expenses, subscriptions and license fees and other expenses in connection with data services providing market data, news feeds, company and industry information, indemnification expenses, investment banking fees, finder's fees, legal (including legal costs associated with reviewing financing documents and agreements, whether on behalf of a portfolio company borrower or a lender), consulting, accounting, tax advisory fees and expenses, escrow agent fees and expenses, fees and expenses related to legal or regulatory filings, administrative expenses, which may include postage, express delivery and courier fees, fees for audio and visual conference services, electronic data room services, server hosting and internet access) and other out-of-pocket expenses related to the provision of services to the portfolio company. Because these expenses are often reimbursed by portfolio companies, Parthenon may not necessarily seek out the lowest cost options when incurring such expenses. These and other expenses incurred by Parthenon prior to the time of an investment in a portfolio company are typically capitalized into the cost basis of the investment in such portfolio company. Any reimbursed expenses are not included in the definition of "Ancillary Fees" under the terms of the applicable Organizational Documents, and such reimbursements are not subject to the offset arrangements described above and will not be shared with a Fund or its investors. Investors in the Funds will indirectly bear a portion of these expenses as a result of their indirect investments in the portfolio companies. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below.

Occasionally, officers or employees of Parthenon may utilize temporary office space, personnel and incidental administrative resources of a current or former portfolio company for activities that may be unrelated to the portfolio company's day-to-day business, without reimbursement and without offsetting Portfolio Company Fees owed by the portfolio company. Typically, these resources are used on a limited or temporary basis and do not result in meaningful expense for the portfolio company.

Parthenon from time to time may cause the Funds to bear the full cost and expense of engaging Operations Support Providers and other service providers on behalf of a portfolio company to the extent the portfolio company does not bear such expense. In the event a Fund is not the sole shareholder of the portfolio company, other shareholders will benefit from the costs incurred by such Fund and will not reimburse the Fund for its pro rata portion of such expenses.

The Firm also receives access fees ("**Access Fees**") and closing fees ("**Closing Fees**") from SMAs, the specific terms of which are specified in the applicable SMA Agreement negotiated with the underlying client. Access Fees with respect to SMAs focused on Loan Transactions are calculated based upon a specified percentage of the aggregate amount of the SMA's daily outstanding balances of invested capital for certain specified Loan Transactions sourced by the Firm. Access Fees are paid quarterly, in arrears, in accordance with the provisions of the respective SMA Agreement. Closing Fees with respect to SMAs focused on Loan Transactions are calculated based upon a specified percentage of all deal fees paid or otherwise earned by the underlying client from its participation in a Loan Transaction. Closing Fees are due promptly after the underlying client's receipt of its fees from the Loan Transaction. The Firm does not deduct any fees from an underlying client account. Access Fees and Closing Fees are billed to the SMA's underlying client

and are due promptly upon receipt. Access Fees and Closing Fees payable by the SMA's underlying client are not reduced by any compensation received by Parthenon or its affiliates or employees, including any fees earned from any Fund's portfolio companies. Similarly, the Management Fees paid by a Fund will not be reduced by any Access Fees and Closing Fees paid by any SMA underlying client.

Expenses

Parthenon Expenses

Parthenon generally pays for certain expenses and costs associated with the performance of its investment advisory services on account of rent, utilities, insurance (other than with respect to insurance for persons entitled to indemnification from the Funds and insurance related to the investments by a Fund, such as representation and warranties insurance and litigation-related insurance), office supplies, office equipment, non-transaction-related travel, and compensation and employee benefits of its officers, directors and employees (other than Carried Interest described in Item 6 below), and other normal operating expenses directly relating to the performance of investment advisory services to the Firm's investment advisory clients.

Fund Expenses

Each Fund will bear all other fees and expenses relating to it to the extent not borne by its portfolio companies, which generally include, without limitation (but subject to any restrictions in the applicable Organizational Document) fees, costs and expenses in connection with:

- the organization of the Fund (and any SPVs (as defined below) and alternative investment vehicles to the extent not borne by the investors of such vehicle) and a proportionate share of similar expenses related to any parallel investments vehicles or investment vehicles that invest in the Fund ("**Feeder Funds**"), and their respective general partners; all expenses relating to the offering of interests in the Fund, including legal and accounting fees, printing, travel and marketing expenses; the preparation and negotiation of the Fund's Organizational Documents and offering materials, and all amendments and modifications thereto;
- Management Fees and other fees relating to the administration of the Fund's books and records, including the fees and expenses of third-party administrators;
- the sourcing, identifying, evaluating, structuring, negotiating, acquiring, financing, holding, monitoring and disposing of, investments, whether or not consummated, and to the extent not reimbursed by portfolio companies or capitalized into the cost basis of the investment, whether or not consummated; and the preparation of purchase agreements, loan agreements, management services agreements between Parthenon and portfolio companies, shareholders' agreements, directors' or officers' indemnification rights agreements, registration rights agreements, tax receivable agreements, and other documents and instruments related to investments;
- all expenses relating to Parthenon's performance of services to a Fund's portfolio companies, including the expenses discussed above in "*Expense Reimbursement from Portfolio Companies*";

- termination fees, reverse termination fees and other dead deal costs associated with investments that are not consummated;
- startup costs relating to potential holding companies established to make investments, whether or not such investments are pursued or consummated, including salaries and other compensatory arrangements for management teams of the holding company;
- fees and expenses incurred in connection with hosting business and professional development activities, including hotel accommodations, meals and entertainment expenses for attendees, whether or not attributable to a specific investment opportunity;
- fees and expenses incurred pursuing secondary transaction opportunities on behalf of a Fund;
- all legal, accounting, tax specialists, consulting (including subject matter or industry experts), third-party valuations, investment banking, third-party administration and reporting, knowledge management systems, and all due diligence and other professional services to the Funds (including, but not limited to, consulting fees incurred by the applicable Fund for the benefit of its portfolio company) and specialists (including Firm employees) engaged on behalf of the applicable Fund or a portfolio company (to the extent not borne by such portfolio company);
- research and software expenses, subscriptions and license fees and other expenses in connection with data services providing market data, news feeds, company and industry information, subscriptions to support portfolio risk analysis, quantitative analytics, quotations, statistics and pricing services, software and databases and other technical services used in due diligence and the investment management process, whether or not such products benefit the Fund;
- all entity-level taxes, tax filings, and related fees and penalties levied against a Fund or any of its alternative investment vehicles (to the extent such expenses are not borne by the investors in such vehicles), and expenses incurred in connection with any audit, investigation, review and settlement of such tax or penalty, including fees and expenses of a Fund's "partnership representative" or "designated individual" for U.S. Federal tax purposes;
- all custody, transfer, registration and similar services;
- fees and expenses associated with a Fund's compliance with applicable laws and regulations, such as regulatory filings, licenses, approvals, and permits in connection with acquisitions and dispositions and other periodic regulatory filings, licenses, approvals and permits, as well as expenses incurred to preserve and protect confidential information from public disclosure;
- brokerage and finder's services and their related fees, commissions and discounts incurred in connection with the purchase or sale of securities,
- the retention of escrow agents or other third-party agents responsible for holding all or any portion of any sale proceeds (including securities) in connection with the acquisition or disposition of any investment;

- the Fund's reporting obligations and other services to investors, such as the preparation and delivery of periodic financial statements and the audit or other examination thereof, if any, including the cost of software used to prepare and electronically distribute such reports, other reports, presentations, preparation of tax returns, Schedule K-1s, tax withholding and treaty forms for the Fund, any alternative investment vehicle (to the extent such expenses are not borne by the investors in such vehicles) and the Fund's general partner, and other tax or other information requested from time to time by any investor;

- all premiums for insurance covering indemnified persons, and indirectly benefits co-investment vehicles and SMAs;

- relating to meetings and the administration of the Fund's advisory board, including the fees and expenses of any legal counsel, accountants, auditors, other advisors or experts or other service providers retained to advise the advisory board on matters reasonably related to the affairs of the Fund;

- all transaction-related travel expenses (including, for the avoidance of doubt, "black car" or premium on-demand-driver services and expenses pertaining to private and chartered aircraft, first class, business class or other travel airfare and any related upgrades, lodging, meals and entertainment);

- expenses incurred by attendees and Parthenon employees in connection with planning, hosting and attending annual or special meetings of the partners and one-on-one meetings between the general partner and an investor or group of investors and the attendance of prospective investors at annual meetings (to the extent not borne by a future Fund), including set-up costs, travel-related expenses (as described above), meals, entertainment and lodging expenses, rental fees, service fees and costs of event planners and space providers for such meetings, and all related hotel or other conference facility charges;

- legal and other costs incurred to comply with the provisions of investors' side letters, such as out-of-pocket costs to respond to custom information requests, transaction structures and the development of policies and procedures to monitor compliance with such side letters;

- fees and expenses incurred in connection with implementing policies and procedures designed to comply with industry-recognized frameworks or standards for the selection and oversight of investments, reporting investment performance and other portfolio metrics and measurements to the extent such frameworks or standards are adopted by the Firm;

- all commitment fees, upfront fees, permanent debt fees, banking fees and other lender fees, interest, closing fees, related legal and other third-party fees and expenses and any other expenses related to any indebtedness or guarantees of the Fund or any direct or indirect subsidiary, including loan servicer expenses and financing sources for investments and under a Fund's subscription facility or other credit agreement;

- any extraordinary expenses, including, without limitation, the Fund's exculpation and indemnification obligations, litigation, arbitration and dispute resolution fees and costs (including attorneys' fees), including if not covered by any liability insurance;

- the winding up, liquidation or termination of the Fund, any direct or indirect subsidiary thereof or the general partner of any such entity, including the fees and expenses of any liquidating trustee retained to administer the liquidation of such entities;
- any transfer of any investor's interest in the Fund (to the extent not borne by the parties to such transfer);
- the collection of amounts due to the Fund, including arising out of a default of any capital contribution when due and not recoverable from the defaulting investor;
- the organization, maintenance, operations, wind-up, liquidation, termination and any other expenses relating to any Fund subsidiaries, holding companies or SPVs, such as alternative investment vehicles or similar structuring vehicles, which if they were incurred by the Fund directly would qualify as Fund Expenses (to the extent such expenses are not borne by the investors in such vehicles);
- all organizational and other expenses related to special purpose co-investment vehicles formed in anticipation of investments, including those that are not consummated, including a co-investment vehicle's anticipated share of all transaction related expenses;
- expenses associated with the third-party examination, audit or similar review or investigation of a Fund or Parthenon attributable to the operations of such Fund, or if the general partner of a Fund has agreed to undergo such examinations upon the request of one or more investors in a Fund or in response to an inquiry by a Fund's advisory board;
- other expenses incurred in connection with the administration of the Fund and not specifically set forth above as being paid by Parthenon.

Non-investment related expenses attributable to investment vehicles constituting a Fund and not specifically set forth above as being paid by Parthenon generally are borne by such investment vehicles on a pro rata basis according to their respective capital subscriptions to the Fund as a whole. However, expenses specifically attributable to the maintenance or administration of a particular investment vehicle generally will be borne by the investors in such entity, unless the applicable general partner determines in good faith that an alternative allocation of such expenses among such investment vehicles is fair and reasonable under the circumstances. Similarly, such non-investment related expenses attributable to investment vehicles that are not part of a Fund and not specifically set forth above as being paid by Parthenon generally will be borne by those investment vehicles pro rata according to the aggregate cost basis of their respective remaining investment portfolios, unless the Firm determines in good faith that an expense should be borne by a particular investment vehicle. For example, research conducted by Parthenon from time to time generally enhances Parthenon's general understanding and knowledge of industries in which the Funds invest, financial and other markets, portfolio company competitors and their business models and products, as well as comparable transactions used to facilitate the valuation of existing and prospective investments, all of which potentially benefits various portfolio companies over time and therefore indirectly benefits more than one Fund over time. Research expenses generally are allocated to the Funds managed by Parthenon at the time such expenses are incurred, but generally such expenses are not allocated to co-investment vehicles. The portion of research

expenses allocated to a Fund may not reflect the relative benefit derived by it from such expense in any particular instance.

Investment related expenses attributable to more than one Fund and not borne by the relevant portfolio company (or capitalized into the cost basis of the investment) generally will be allocated among those Funds on a pro rata basis according to their respective capital contributions for such investment, unless the firm reasonably determines that an expense should be borne by a particular Fund. However, please see “*Co-investment Vehicle Expenses*” below for a discussion of the allocation of expenses related to investments that are not consummated where a co-investment vehicle was anticipated to participate alongside a Fund.

Taxes (including withheld amounts) incurred by a Fund that are not directly attributable to an investor in such Fund generally will be borne by such Fund, unless the applicable general partner determines in good faith that an alternative allocation among such entities is fair and reasonable under the circumstances.

Subject to the applicable Organizational Documents, investment vehicles that “feed” into underlying Funds may bear their own organizational expenses and other expenses of the type described above as Fund Expenses, and will indirectly bear a portion of the expenses of such underlying Fund in its capacity as a limited partner of the underlying Fund. Alternatively, the Organizational Documents of a Fund may provide that expenses of such Feeder Funds will be borne by the underlying Fund.

From time to time, the general partner of a Fund may create certain “special purpose vehicles” or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors (“SPVs”). In the event the general partner creates an SPV, consistent with the Organizational Documents of the Fund, the SPV, and indirectly, the investors thereof, will typically bear all expenses related to its organization and formation, registration with any applicable regulatory authority, and other expenses incurred solely for the benefit of the SPV, unless substantially all of the investors of the Fund participate (directly or indirectly) in such SPV in which case the Fund will bear such expenses. SPVs may include so-called “alternative investment vehicles” that are organized in accordance with the Organizational Documents of a particular Fund, as well as entities formed to aggregate the investments of a Fund, its Related Funds and certain other investment vehicles or investors in connection with an investment that will be allocated among such clients and entities.

SMA Expenses

An SMA for which the Firm provides non-discretionary investment sourcing services generally will be responsible for its own expenses in connection with the underlying client’s consideration and completion of Loan Transactions that it elects to participate in, such as due diligence expenses, negotiation and preparation of documentation pertaining to the Loan Transaction, all Access Fees and Closing Fees owed to the Firm, fees and costs of third-party professionals retained by the underlying client in connection with the Loan Transaction, all fees, costs and expenses related to holding, monitoring and disposing of such investments, and extraordinary expenses, such as litigation fees and expenses to enforce the underlying client’s rights with respect to collateral and otherwise exercise any rights in connection with any loan default. To the extent provided in a

SMA Agreement, an underlying client may also be required to reimburse the Firm for certain out-of-pocket expenses incurred in connection with the Firm's origination efforts on behalf of the SMA. SMA clients generally are not responsible for any expenses incurred by the Funds or any other SMA except as otherwise expressly agreed with the SMA client.

Co-Investment Vehicle Expenses

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside a Fund may be formed in connection with the consummation of a transaction. Consistent with the Organizational Documents of a Fund, in the event a co-investment vehicle is created to invest alongside a Fund, certain expenses (including those related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle, as well as expenses incurred in connection with making and holding an investment) are generally borne by the investors in such co-investment vehicle. In addition, a co-investment vehicle will also generally bear its pro rata portion of expenses incurred in connection with the making of an investment.

Fees and expenses incurred in the course of evaluating and making investments that are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals ("**Dead Deal Costs**"), will be allocated among Funds that invest on a parallel basis, on a pro rata basis according to their respective intended capital contributions for such investments, but not to other Accounts, co-investors and other third parties unless such other Accounts, co-investors or other third parties have agreed to bear their proportionate share of such expenses. Co-investment vehicles (and co-investors) are not typically allocated any share of Break-Up Fees paid (or received) in connection with such an unconsummated transaction. As a general matter, no co-investor will bear Dead Deal Costs or receive (or pay) any portion of Break-Up Fees until they are contractually committed to invest in the prospective investment. The Funds and any Friends Funds (as defined below) established to co-invest alongside one or more Funds will bear their share of Dead Deal Costs of unconsummated investments on a pro rata basis according to their respective intended capital contributions for such investments. Dead Deal Costs may include, among other things, travel-related expenses incurred by Parthenon personnel and service providers, fees and expenses incurred for legal, accounting, tax, regulatory and other due diligence and in connection with the negotiation, structuring and documentation of the proposed transaction, including similar expenses incurred by financing sources, co-sponsors and co-investors, fees and expenses of consultants, investment banks and other advisors and the related fees and expenses of their service providers, termination fees, costs of negotiating co-investment documentation (including non-disclosure agreements with counterparties), the costs from onboarding (i.e., KYC) investment entities with a financial institution, expenses incurred in connection with any tax audit, investigation, settlement or review of the Funds, extraordinary expenses such as litigation costs and judgments and other similar expenses, as well as non-refundable deposits and other forfeited amounts.

From time to time, certain Funds will incur certain ongoing expenses that benefit a co-investment vehicle or co-investor (for instance, insurance premiums). In such instances, these ongoing expenses will be borne solely by the applicable Fund or Funds and will not be borne by any benefiting co-investment vehicle or co-investor.

Allocation of Expenses

From time to time, Parthenon will be required to decide whether certain fees, costs and expenses should be borne by a Fund, on the one hand, or Parthenon on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among multiple Funds and/or other parties. Certain expenses may be the obligation of one particular Fund and may be borne by such Fund or, expenses may be allocated among multiple Funds and other parties. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

To the extent not paid by a portfolio company, Parthenon will allocate fees and expenses incurred in the course of evaluating and making an investment that is consummated between Funds in accordance with each Fund's Organizational Documents or, to the extent not addressed in such Organizational Documents, pro rata based on their respective capital contributions for such investment, unless the Firm reasonably determines that an expense should be borne by a particular Fund or that an alternative allocation method is more appropriate under the circumstances. Parthenon typically requires reimbursement for these and other transaction related expenses from the relevant portfolio company. In such instances, the Funds participating in an investment indirectly will bear their share of any such expenses that are paid by the relevant portfolio company, even if such expenses are not specifically related to a particular Fund's investment in such company.

The appropriate allocation between Funds, Parthenon Investors and/or individuals and entities that are not investors in any Funds of Dead Deal Costs and Break-Up Fees (if relevant) will be determined by Parthenon and its affiliates in their good faith discretion, consistent with the Organizational Documents of the Funds, as applicable. If multiple Funds evaluate a potential investment that is not consummated, Parthenon generally allocates fees and expenses generated in the course of evaluating such investment among such Funds based on the anticipated investment of each Fund. Such expenses typically are not allocated to co-investment vehicles or co-investors unless such co-investors have contractually committed to invest in the prospective investment.

For administrative convenience, Parthenon or one Fund (the "**Payor Fund**") pays an expense common to multiple funds, co-investors and other third parties (the "**Allocated Funds**") (such as legal expenses for a transaction in which all such funds participate). On such occasions, each Allocated Fund will reimburse Parthenon or the Payor Fund for its share of such expense (which may include interest), promptly after the payment is made by Parthenon or the Payor Fund. While highly unlikely, it is possible that one of the Allocated Funds could default on its obligation to reimburse the Payor Fund.

With respect to allocating other expenses among Fund(s), co-investment vehicles, Parthenon Investors and/or third parties, as appropriate, to the extent not addressed in the Organizational Documents of a Fund, Parthenon will make any such allocation determination in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. Parthenon will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to a Fund or a co-investment vehicle for a particular service may not reflect the relative benefit derived by such Fund from that service in any particular instance.

Parthenon incurs travel, research and due diligence expenses over several years in connection with the identification, evaluation and investigation of investment opportunities, including as a result of Parthenon's "deep dive" efforts. Research and due diligence expenses are allocated to the Funds managed by Parthenon at the time incurred. Similarly, investment-related expenses are typically borne by the Funds for whom the investment is under consideration, even if the investment is ultimately rejected on behalf of a Fund or is not consummated for other reasons. The Firm may subsequently determine to pursue the investment opportunity on behalf of another Fund or SMA. A conflict arises because one Fund or SMA may benefit from the costs incurred in connection with the initial evaluation, investigation and due diligence undertaken by the Firm on behalf of another Fund or SMA. In such circumstances, the benefiting Fund or SMA will not be required to reimburse the Fund that incurred such expenses.

Similarly, fees and expenses relating to equity investment opportunities allocated to the Funds generally will not be allocated to SMAs focused on Loan Transactions because such SMAs in general are not investing in equity securities. However, a SMA may benefit indirectly from the evaluation, investigation, due diligence and other fees and expenses incurred in connection with the Firm's sourcing and consideration of equity investment opportunities on behalf of the Funds to the extent the SMA enters into Loan Transactions with such issuers.

Brokerage Fees

Neither the Firm nor any of its supervised persons accepts compensation for the sale of securities or other investment products. When a broker is used in connection with an investment by a Fund or a portfolio company, such Fund or portfolio company will incur the related brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

Item 6. Performance-Based Fees and Side-By-Side Management

As described in Item 5, certain Funds allocate a portion of the net profits from the disposition of investments to the Fund's general partner as Carried Interest. Each general partner of a Fund is a related person of Parthenon. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and investors in such Funds may incur lower or no Carried Interest. The payment by some, but not all, Funds of Carried Interest or at varying rates creates an incentive for Parthenon to disproportionately allocate time, services or functions to Funds paying Carried Interest, or allocate investment opportunities to such Funds. Please also see Item 11 below for additional information relating to how conflicts of interests are generally addressed by Parthenon.

Item 7. Types of Clients

Funds

As described in Item 4, Parthenon provides investment supervisory services the Funds in accordance with the terms of the Organizational Documents. Investment advice is provided

directly to the Funds (subject to the direction and control of the general partner of each such Fund, if applicable) and not individual to investments in such Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investment in the Funds is generally only available to institutional investors and certain high net worth investors that are “accredited investors” and/or “qualified purchasers,” within the meaning of the Securities Act, and the Investment Company Act, respectively.

Limited partnership interest holders may include, among others, governmental and corporate pension and profit-sharing plans, endowments, private investment funds, banks, insurance companies, sovereign wealth funds, funds of funds, high net worth individuals or their related family offices, trusts, estates, charitable organizations, corporations, limited partnerships, and limited liability companies or other entities. In addition, employees and other persons associated with Parthenon and/or its affiliates, including the general partner, may make capital contributions to the Funds.

An affiliate of Parthenon serves as the general partner of each Fund and the general partner will make specific capital commitments to the Funds, with such general partner capital commitments subject to specific terms as set forth in the Organizational Documents.

The Funds generally have a specified minimum investment as set forth in the Organizational Documents. The general partner of each Fund may, in its sole discretion, accept investment commitments of lesser amounts than the stated minimum. As a general matter, there is no minimum capital commitment amount for investors in certain co-investment vehicles.

SMA Arrangements

As described in Item 4, Parthenon also provides non-discretionary investment sourcing services to institutional clients in accordance with the terms of the applicable SMA Agreement, and may in the future provide discretionary investment advisory services to SMAs. SMA institutional clients may include, among others, governmental and corporate pension and profit-sharing plans, endowments, private investment funds, banks, insurance companies, sovereign wealth funds, funds of funds, high net worth individuals or their related family offices, trusts, estates, charitable organizations, corporations, limited partnerships, and limited liability companies or other entities. These institutional clients generally are “accredited investors” within the meaning of the Securities Act and may be “qualified purchasers” within the meaning of the 1940 Act.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

The Organizational Documents for each Fund set forth the terms of such investment and identify the Fund’s investment objectives along with risk factors. The Organizational Documents contain additional information on the risks associated with an investment in the respective Fund, and should be reviewed by any prospective investor.

Investment Strategies and Methods of Analysis

The Firm generally seeks to make private equity investments in growth-oriented middle-market companies located primarily in the U.S., Canada and the United Kingdom. The Firm seeks to invest in businesses which have strong and sustainable competitive positions, sufficient scale to attract professional management and the ability to demonstrate continued significant growth.

Parthenon seeks to invest capital and strategic resources for acquisitions, internal growth strategies and shareholder liquidity. The Firm seeks to drive value through hands-on transformation of portfolio companies in niche industry sectors. The three industry sectors where the Firm focuses are: financial services; healthcare services; and business and technology services.

Parthenon seeks investments primarily through equity recapitalizations that are executed in close partnership with management teams. The Firm targets investments in which it expects to have significant influence and seeks to build portfolio companies to \$200+ million in annual revenues. Generally, the Funds seeks to invest between \$40 million and \$200 million in equity per portfolio company, but may also pursue smaller investments in situations that could allow for a differentiated trade-off between risk and reward. Parthenon expects management to invest a meaningful amount of capital. Parthenon seeks investment opportunities in certain high- growth niches within its target industry sectors that have unique and complex cycles, market dynamics, business models and accounting methods. The Firm's investment strategy is predicated on five key tenants:

- Thesis-driven industry expertise in niche sectors, developed through research and networking, often for years before committing capital to an investment.
- Transformational capabilities that address what we refer to as “discount criteria” and drive significant business change during the investment period.
- Partnership orientation and focus on transaction dynamics where the Firm's resource-intensive partnership model is most appealing and valuable.
- Proactive, niche-focused sourcing leading to proprietary/preferred deals and management teams.
- Reliance on growth and margin improvement with less leverage than typical buyouts.

The Firm's investment strategies do not include frequent trading.

Parthenon has developed certain principles for responsible investing (“**RI Principles**”) that reflect the Firm's own investment values. The RI Principles are not part of a Fund's investment strategy in that the presence (or absence) of any particular environmental, governance, social or other similar factors (“**ESG**”) in a prospective investment will not necessarily result in the selection or exclusion of such opportunity for such Fund. While Parthenon's RI Principles guide its investment activities, the RI Principles do not represent any commitment to invest solely in companies that create positive ESG impact. Investment decisions for any Account will not be based on whether a prospective portfolio company achieves an ESG “score” or “rating” endorsed by any recognized standards or frameworks. Parthenon will consider such factors as it determines in its sole discretion to be relevant to a particular investment opportunity, but with a particular focus on the likelihood of the potential investment's profitability. Further, generally no consideration is required to be given as to the adverse impacts of investment decisions on sustainability factors

within the meaning of the European Union Sustainable Finance Disclosure Regulation (“SFDR”). If Parthenon engages with a Fund’s portfolio companies on ESG-related practices and potential enhancements thereto, such engagements are not expected to be implemented with any specific targets or other easily measurable goals. Parthenon may not have (or be able to obtain) sufficient information in order for an investor to adequately assess a Fund’s or any portfolio company’s compliance with any particular ESG standards or frameworks or otherwise fulfill the investor’s own ESG reporting requirements, particularly in circumstances where the Fund holds a minority interest in the underlying portfolio company.

As noted in Item 4 above, the Firm provides non-discretionary sourcing services to one SMA that seeks investments structures as Loan Transactions.

Risk Factors Pertaining to Private Equity Investments Generally

Private equity investing involves significant risks. Investment in the Funds involve a significant degree of risk, relating both to the types of investments contemplated by the Funds, and Firm’s ability to achieve its investment objectives. The discussion below of risks associated with an investment in any of the Funds does not contain an exhaustive list of all such risks. You should review the confidential offering memoranda of the relevant Fund for a more detailed discussion of risks.

Risk of Loss

An investment in any of the Funds is speculative in part because the Fund’s portfolio is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. There can be no assurance that the Funds will achieve their investment objectives or any particular level of returns, or that investors will receive any distributions from the Funds. An investor may lose money by investing in the Funds.

Highly Competitive Market for Investments

The business of identifying, structuring and completing transactions of the nature contemplated by the Funds is highly competitive and involves a high degree of uncertainty, especially with respect to timing. The Funds will be competing for investments with other private equity investment vehicles as well as other institutional investors. The availability of attractive investment opportunities generally will be subject to market conditions. The size and number of private equity investment vehicles has grown dramatically in recent years, and it is likely that these trends will continue in the future. It is possible that competition for investment opportunities may increase, thus reducing the number of investment opportunities available to the Funds and adversely affecting the terms upon which investments can be made, and result in the Funds incurring bid, due diligence, negotiating, consulting and other costs on investments that may not be successful. Other investors may make competing offers for investment opportunities that are identified, and even after an agreement in principle has been reached with respect to an investment, consummating the transaction is subject to a myriad of uncertainties, only some of which are foreseeable or within the control of the Funds. There can be no assurance that the Funds will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve any rate of return, or fully invest its committed capital.

Concentration of Investments

The Funds generally do not have diversified investment portfolios. The Funds generally focus on equity investments in growth-oriented middle market companies primarily in the financial services, healthcare services, and business and technology services industries (“**Targeted Sectors**”), and the Management Company intends to make investments opportunistically when constructing a Fund’s investment portfolio. As a result, each Fund’s portfolio is generally more concentrated, both in terms of the types of securities a Fund acquires and the Targeted Sectors in which a Fund seeks to invest, than would be the case if a Fund were required to maintain a wide diversification among types of securities, issuers, industries and geographic areas. As a result, unfavorable performance by a small number of investments or of a particular Targeted Sector could substantially adversely affect the aggregate returns realized by a Fund. Further, the number and size of a Fund’s investment portfolio depends in part on the capital raised by a Fund. If less capital is raised than the targeted amount, the Fund may invest in fewer portfolio companies and be even less diversified. A Fund has no obligation to hold investments in order to reach or maintain its intended investment composition, and the disposition of investments may result in less diversification in the remainder of the portfolio.

Challenges with Growth Oriented Investments

The Funds generally invest in companies in relatively early stages of development. These companies are sometimes characterized by the creation of management teams that may have limited experience working together, often lack boards of directors and internal control policies and procedures typically found in more established businesses, are focused on relatively new or evolving markets, and that are not accustomed to the financing arrangements for private equity investments, all of which enhance the difficulty of evaluating these investment opportunities and managing them after investment. The management of these companies will need to implement and maintain successful marketing, finance and other operational strategies in order to become and remain successful. Many prospective portfolio companies do not have dedicated resources in several of these areas (if at all) and will need to rely on the shared operational support services offered by our Specialists and other Operations Support Providers (each as defined below). Investments in these kinds of companies should be viewed as highly speculative.

Further, portfolio companies may have, or may develop, only a regional market for specific revenue streams and may be adversely affected by purely local market conditions. To the extent there is any public market for the securities held by the Funds, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Such companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial stress or failure, and the risk of bankruptcy or insolvency is often higher. Such companies also may have shorter operating histories on which the Funds can judge future performance when making the decision to invest. Lastly, such companies may face intense competition from larger companies and could entail a greater risk to the Funds than investment in larger companies.

Many portfolio companies will operate with substantial variations in operating results from period to period. Many of these companies will need substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition,

including from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. The nature of such companies described herein may require Parthenon to allocate a disproportionate amount of time, effort and capital towards such companies that could otherwise be allocated to other portfolio companies. This allocation of resources may have an adverse effect on the performance of portfolio companies that did not receive such resources.

Limitations of Parthenon's Due Diligence Efforts

Parthenon conducts due diligence and analysis of investment opportunities that it deems reasonable and appropriate to such investment based on the facts and circumstances known at that time. Due diligence and analysis may entail evaluation of complex business, financial, legal tax, accounting and regulatory risks applicable to the investment. When making an assessment regarding a potential investment, Parthenon relies on the resources available to it, including information provided by the target's management and shareholders. While Parthenon seeks to obtain assurances as to the veracity of the information, there is no assurance that such information is accurate or complete. The scope and time available to conduct a due diligence review of an investment may be limited, particularly in situations in which an investment decision must be made on an expedited basis. On the other hand, investments sourced on a proprietary basis may not have the benefit of an orderly process, and financial and other relevant information regarding the target may not be as readily available as information typically provided in an auction process. Third parties engaged to conduct due diligence may not uncover all risks associated with a prospective portfolio company, and Parthenon's internal diligence efforts likewise may not identify all relevant facts that may be necessary or helpful in evaluating such investment opportunity. No assurance can be given that Parthenon will have knowledge of all circumstances that could adversely affect an investment. As a result, the due diligence process is highly subjective and will not necessarily result in the investment being successful.

Outside consultants, legal advisors, accountants, investment banks and other third parties are likely to be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to a Fund's reduced control of the functions that are outsourced. Parthenon relies on the findings of these third-party advisors or consultants in making investment and management decisions. Such third parties do not owe any fiduciary duties to the Fund or its limited partners, yet may be entitled to indemnification under the terms of their respective service contracts or other arrangements made with Parthenon, and the costs and expenses of such indemnification would be borne by the Fund. In addition, if the Fund is unable to timely engage third-party providers, its ability to evaluate and acquire more complex targets could be adversely affected.

Fund Leverage

The Funds may incur debt for any purpose that the applicable general partner considers appropriate, including without limitation borrowings to pay expenses or liabilities of the Funds, cover any shortfall in capital contributions from investors, fund investments pending take-downs of capital, fund investments by subsidiaries of the Funds, including SPVs and holding companies, and in connection with credit support to portfolio companies (such as guarantees and letters of credit). We refer to these borrowings generally as "**Fund-level borrowings.**" While certain of

these arrangements may result in a lower cost of capital for an SPV, holding company or portfolio company, the applicable Funds are directly exposed to the credit risk of these entities if the entity is unable to repay its obligations. Amounts borrowed by a Fund are typically secured by pledges of the applicable general partner's right to call capital from the Fund's limited partners when such borrowings must be repaid. Limited Partners may be required to contribute capital more quickly or in larger installments, including directly to the lender or an agent thereof, in order to repay such borrowed amounts.

Fund-level borrowing will result in additional expenses incurred by a Fund that will be borne by its investors and, accordingly, will decrease net returns of the Fund. These expenses typically include interest, commitment fees paid to lenders to reserve the unfunded portion of subscription facilities, upfront fees paid to establish, amend or otherwise modify the terms of subscription facilities, the fees and expenses of counsel to the Funds and the lenders to negotiate and prepare the documentation for such facilities and any additional documentation necessary for portfolio company guarantees, letters of credit and borrowing arrangements by a Fund's subsidiaries or alternative investment vehicles.

The terms of the subscription facilities for certain Funds will depend in part on the creditworthiness of the Fund and its underlying investors, and their respective capital subscriptions to the relevant Fund. Lenders typically have complete discretion to exclude the capital subscription of any investor for purposes of determining the amount available to lend to a Fund at any time. The exclusion of one or more investors' capital subscriptions at any point in time may increase the overall cost of the available credit, may result in the Fund having limited borrowing capacity and could trigger unexpected mandatory repayment obligations. In addition, if a limited partner's cost of capital is lower than a Fund's cost of borrowing, Fund-level borrowing can negatively impact the limited partner's overall individual financial returns, even if the borrowing increases the relevant Fund's reported net returns.

Leveraged Investments

While investments in highly leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Some of the Funds' investments may involve high degrees of leverage, including without limitation as a result of borrowing at one or more levels of the investment structure or implicit leverage as a result of derivative transactions, as a result of which recessions, operating problems and other general business and economic risks can have a more pronounced effect on the profitability or survival of the Funds' portfolio companies. A Fund's ability to achieve attractive rates of return on investments will depend on the ability of its portfolio companies to access sufficient sources of debt at attractive rates, including at the time of disposition. However, availability of capital from the debt markets is subject to volatility from time to time, and there may be times when the Funds might not be able to access those markets at attractive rates, or at all, when completing an investment. Also, increased interest rates generally increase portfolio company interest expenses. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, the Funds are likely to suffer a partial or total loss of capital invested in the portfolio company.

Financial Market Fluctuations

General fluctuations in the market prices of securities and economic conditions generally may affect the Funds' ability to make investments and the value of the investments held by the Funds. Instability in the securities markets and economic conditions generally increase the risks inherent in the Funds' investments. While adverse market conditions at a particular moment in time may create opportunities for the Funds to make investments at prices that the general partner and Parthenon believe are attractive at such time, such conditions create a number of risks. The ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. There can be no assurance that the public securities market will be sufficiently liquid at the time of a desired sale of a portfolio company or at any other time. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy. There can be no assurance that Funds will be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. Volatility in the financial sector may have an adverse material effect on the ability of the Funds to buy, sell and partially dispose of their portfolio company investments. The trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable a Fund to sell these securities when Parthenon believes it is most advantageous to do so, or without adversely affecting the stock price. A Fund may be adversely affected to the extent that it seeks to dispose of any of its portfolio investments into an illiquid or volatile market, and a Fund may find itself unable to dispose of an investment at a price that the general partner and Parthenon believe reflect the investment's fair value. The duration and ultimate effect of adverse market conditions and whether such conditions may worsen cannot be predicted. The ability of portfolio companies to refinance debt securities depends on their ability to sell new securities in the public high yield debt market or otherwise.

Long-Term Nature of Portfolio Investments

It is anticipated there will be a significant period of time before the Funds have completed their investments in portfolio companies (for some Funds potentially thirteen years or longer). Such investments may typically take from five to twelve years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. In light of the foregoing, it is likely that no significant return from the disposition of the Funds' investments will occur for a significant period of time following the Funds' start of operations, nor is it likely that the Funds' investments will generate meaningful current income during their holding periods. Portfolio companies may desire that affiliates of the Fund, including other funds managed by the Firm, recapitalize the portfolio company, which would create conflicts of interest with respect to a Fund, including the possibility of further prolonging the Fund's investment.

Illiquidity of Funds' Portfolio Investments

It is anticipated that all or a substantial portion of the Funds' investments will consist of securities that are subject to restrictions on sale by the Funds because they were acquired from the issuer in "private placement" transactions or because the Funds are deemed to be affiliates of the issuer. Generally, the Funds will not be able to sell these securities publicly without the expense and time required to register the securities under the Securities Act of 1933, as amended (the "**Securities Act**"), or will be able to sell the securities only under Rule 144 or other rules under the Securities

Act which permit only limited sales under specified conditions. When restricted securities are sold to the public, the respective Fund may be deemed an “underwriter,” or possibly a controlling person, with respect thereto for the purpose of the Securities Act and be subject to liability as such thereunder. In addition, practical limitations may inhibit the respective Fund’s ability to liquidate certain of its investments in the portfolio companies since the issuer will be privately held and the respective Fund will own a relatively large percentage of the issuer’s equity securities. Sales may also be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. The above limitations on liquidity of the Funds’ investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

From time to time, the Funds may invest in publicly traded securities and may receive publicly traded securities following an exit from an existing investment or an initial public offering by a portfolio company. When obtaining publicly traded securities, a Fund may be unable to secure contractual rights that it may otherwise be able to obtain when making investments in privately owned companies, including information rights or the ability to elect to require a sale of the company or other transaction to facilitate the Fund’s disposition of its investment. Furthermore, a Fund may be limited in its ability to sell publicly traded securities if Parthenon or its affiliates are in possession of material nonpublic information regarding the issuers of those securities, if the securities held by the Fund are not registered under the Securities Act or otherwise are subject to trading restrictions under applicable securities laws, or as a result of internal policies designed to protect Parthenon from the risk of violating such laws. Parthenon may also restrict a Fund from disposing of such securities if doing so would adversely affect the trading price of any class of the publicly traded company’s securities, or otherwise adversely affect the value of the securities held by members of the company’s management team. A Fund may also agree to certain lock-ups and other contractual arrangements or understandings that restrict the Fund from selling its securities for a period of time.

The Funds may pursue private investments in public companies (“PIPE”) or private financings of public companies. In a PIPE, the Funds typically bear the price risk from the time of pricing until the time of closing of the transaction. The Funds generally will not be able to sell or distribute PIPE investments unless the securities are registered under the Securities Act or an exemption from such registration requirements is available. It may take a significant period of time for the Funds to sell or distribute PIPE securities in an orderly manner during which time profit could have otherwise been realized or loss avoided, and in some cases the Funds may be prohibited by contract or law from selling such public company securities for a period of time. These circumstances could reduce the Funds’ returns on a PIPE investment.

Reliance on Management

Decisions with respect to the management of the Funds will be made by the applicable general partner with the advice of Parthenon. The success of the Funds will depend on the ability of Parthenon to identify and consummate suitable investments, to improve the operating performance of portfolio companies, and to dispose of investments of the Funds at a profit. These objectives may not be achieved. The proper identification and implementation of initiatives important to achieve improved operating performance is difficult and often requires substantial resources. The capabilities and resources of a portfolio company may be insufficient to affect such initiatives, and

there can be no assurance that portfolio companies will be successful in achieving improvements in operating performance.

There can be no assurance that all of the professionals of Parthenon will continue to be associated with Parthenon throughout a Fund's term. The loss of the services of one or more of the members of the professional staff or partners of Parthenon could have an adverse impact on the Funds' ability to realize its investment objective. In addition, it is expected that all of the officers and employees responsible for managing or advising the Funds will continue to have responsibilities with respect to other funds and accounts managed and advised by Parthenon. Thus, such persons will have demands made on their time for the investment, monitoring, exit strategy and other functions of other funds and accounts.

Parthenon's principals will devote such time as is necessary to conduct the affairs of the Funds in an appropriate manner. However, certain principals are, and other principals may be engaged in some activities unrelated to the Funds, including, without limitation, participating on boards of directors for companies that are not portfolio companies of the Funds and boards of non-profit or civic organizations. The Funds will have no interest in these other activities. The performance of the Funds could be adversely affected by the other professional commitments of Parthenon's principals.

In addition, although Parthenon monitors the performance of each Fund's investments, it will be the responsibility of each portfolio company's management team to operate the portfolio company's business on a day-to-day basis. Although the Funds generally intend to invest in companies with management teams that Parthenon perceives to be highly competent and or recruit additional members of management to such companies whom Parthenon believes are highly competent, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in a manner that maximizes the value of the company's business and operations. A portfolio company may depend on the management talents and efforts of one person or a small group of persons whose death, disability or resignation would significantly adversely affect the portfolio company's performance.

Misconduct of Employees

Misconduct by employees of Parthenon or by third-party service providers to the Funds could cause significant losses to the Funds. Employee misconduct may include binding the Funds to unauthorized transactions or other activities (which, in either case, may result in unknown and unmanaged risks or losses). In addition, employees may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Funds' business prospects.

Improvement in Portfolio Company Operations Critical to Investment Success

The success of a Fund's investment strategy depends on the effectiveness of efforts to improve the operating performance of portfolio companies following investment. The proper identification and implementation of initiatives important to achieve improved operating performance is difficult and often requires substantial resources. The capabilities and resources of a portfolio company

may be insufficient to affect such initiatives, and there can be no assurance that portfolio companies will be successful in achieving improvements in operating performance.

Repayment of Certain Distributions

In the event that the respective Fund is unable otherwise to meet its obligations, the limited partners may be required to repay to the respective Fund or to pay to creditors of the respective Fund distributions previously received by them. In addition, limited partners may be required to pay to the Funds amounts which are required to be withheld by or otherwise borne by the Funds for tax purposes and may be liable under applicable bankruptcy law to return a distribution made during the respective Fund's insolvency. Further, in connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of such company, and to indemnify the purchasers of such investment if those representations are inaccurate. Parthenon, or its affiliated general partners, may establish reserves as appropriate to provide for such contingent liabilities by holding back a portion of amounts otherwise distributable to limited partners, in which case limited partners will not receive complete liquidity with respect to an investment until Parthenon determines that the need for such reserves has ceased. In the event that Parthenon determines that the amount of such contingent liabilities exceeds the reserves and other assets of the respective Fund, the limited partners may be required to repay to the Funds or to pay to creditors of the Funds distributions previously received by them. The Organizational Documents will require limited partners, including former limited partners, to make repayments with respect to liabilities and obligations of the respective Fund incurred while they were limited partners of the respective Fund, including after the liquidation of the respective Fund.

Need for Follow-on Investments

Following a Fund's initial investment in a given portfolio company, Parthenon may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that any Fund will have the opportunity to make follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by Parthenon not to make follow-on investments or a Fund's 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 determination or inability to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of a Fund's ownership in a portfolio company if the portfolio company obtains financing from a third party.

Third Party Involvement

The Funds will likely co-invest with third parties through partnerships, joint ventures or other similar arrangements, and such third parties may have larger ownership interests than or similar ownership interests with the Funds or may otherwise share control of the relevant portfolio company. Such investments often involve risks not present in investments where a third party is

not involved, including the possibility that a third-party co-venturer or partner may commit fraud, become bankrupt or otherwise unable to satisfy its obligations or expected contributions to the joint venture, or will at any time have economic, tax, regulatory, contractual or other business interests or goals which are inconsistent with those of the Funds. A Fund's participation in an investment with co-venturers or partners may be conditioned on such third parties having governance rights that favor the third party or otherwise put the third party in a position to take action contrary to the investment objective of the Funds. Conversely, if neither the Funds nor a co-venturer or partner unilaterally controls an investment, various deadlocks may occur, making it difficult to act quickly in connection with a potential acquisition or decisions around the structure or terms of a disposition of the investment. In such cases, the Funds may not be in a position to take action to protect the value of the Funds' investment in the entity, and the Funds' aggregate return on the investment may be reduced. In addition, the Funds may in certain circumstances be liable for actions of its third-party co-venturer or partner. For example, the Funds may be required to make up the shortfalls arising from a third party's failure to fulfill its obligations to the joint venture. Any such defaults could adversely affect the joint venture or the Funds, including the ability of the Funds to diversify its investment portfolio. While each Fund's general partner will attempt to limit these risks by assessing the reputation of such third parties based on previous investment experience with third-party co-venturers or partners, it does not expect to obtain financial information from, or to undertake investigations with respect to, such third parties, nor will the general partner obtain guarantees or other commitments from such third parties or their beneficial owners. There can be no assurance that the return of the Funds participating in a transaction with a third party would not be less than the return of any other participant in such transaction, or that such return would have been as favorable as it would have been had such third party not been involved.

Fraud Relating to Prospective Investments

There can be no assurance that the Funds will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor the investment on an ongoing basis or that any risk management procedures implemented by the Funds will be adequate. In the event of fraud or other misconduct or deceptive practices by any company, the management of such company, or any of their affiliates, the Funds may suffer a partial or total loss of capital invested in that company. For example, the possibility of material misrepresentation or omission on the part of the company or the seller may adversely affect the value of the Funds' investment in such company. The Funds will rely upon the accuracy and completeness of representations made by companies and in certain instances their former owners in the due diligence process when it makes its investments, but cannot guarantee such accuracy or completeness. In addition, conduct occurring at companies, even activities that occurred prior to the Funds' investment therein, could adversely affect the value of the Funds' investment.

Adverse Consequences of Ownership of Controlling Interests in Portfolio Companies

It is expected that the Funds will often own a controlling percentage of the common equity of their portfolio companies which, depending upon the amount of equity owned by the Fund, contractual arrangements between the portfolio company and the Funds, and other relevant factual circumstances, could result in an extension to one year of the 90-day bankruptcy preference period

with respect to payments made to the Funds. The exercise of control and/or significant influence over a portfolio company imposes additional risks of liability for product defects, failure to supervise management, pension and other fringe benefits, violations of government regulations (including securities laws) and other types of liability in which the limited liability generally characteristic of business operations may be ignored. In addition, because of its equity ownership, representation on the board of directors and/or contractual rights, the Funds may often be thought to control, participate in the management of or influence the conduct of its portfolio companies. These factors could expose the assets of the Funds to claims by a portfolio company, its other security holders, its creditors or governmental agencies. Under Title IV of the Employee Retirement Income Security Act, employers who sponsor defined benefit pension plans or contribute to so-called “multiemployer” plans may be liable to the plan or the Pension Benefit Guaranty Corporation in the event of a full or partial plan termination or withdrawal from participation. This liability extends to other entities within the same “controlled group” as well as other “trades or businesses under common control”. Certain federal courts have held that an entity such as a Fund (alone or with other Funds), potentially could be treated as a “trade or business” for this purpose depending upon the level of active management and other relevant factors. If a Fund were to be deemed a “trade or business” with the requisite level of ownership of a portfolio investment, the Fund itself could face liability for the Title IV obligations of its portfolio, as could other portfolio investments deemed to be under common control.

Special Risks Associated with Non-U.S. Investments; Exchange Rate Risk

The Funds may invest a portion of their capital subscriptions in portfolio companies that are headquartered and that have their principal operations outside the U.S. These investments involve special risks not typically associated with investments in the securities of U.S. issuers, including: (i) economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic and social instability, and the possibility of expropriation or confiscatory taxation;; (ii) differences between U.S. and foreign securities markets, including potentially greater price volatility and illiquidity of foreign securities markets, (iii) the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements, and less government supervision and regulation; (iv) currency exchange risks, including the cost of converting investment cash flows from one currency into another and the possibility of fluctuations in exchange rates; and (v) tax-related issues, including the possibility of withholding taxes and double taxation of income earned overseas. Such factors may adversely affect the value of a Fund’s non-U.S. investments and the overall value of an investor’s interest in the Fund.

Third Party Litigation

The Funds’ investment activities will subject it to the normal risks of becoming involved in litigation by third parties. These risks are elevated where the respective Fund exercises control or significant influence over an issuer’s direction or becomes involved in official or unofficial creditor committees. The expense of defending against any claims by third parties and paying any amounts pursuant to settlements or judgments will generally be borne by the respective Fund.

Market Risks

The values of the Funds' investments could be affected by factors affecting markets generally, such as real or perceived adverse economic conditions, supply and demand for particular goods and services, including prolonged supply shortages, changes in the general outlook for certain markets or corporate earnings, disruptions caused by innovations, interest rates, announcements of political information or adverse investor sentiment generally. The values of the Funds' investments may decline for many reasons, including a deterioration of the economy generally or the loss of consumer confidence in the markets in which the Funds hold investments and unfavorable consumer sentiment. Unfavorable market conditions may also increase the Funds' funding costs, limit their access to the capital markets or result in a decision by lenders not to extend credit to the Funds or its portfolio companies. These events could prevent the Funds from increasing portfolio investments through leverage and have an adverse effect on their operating results.

Valuation of Assets and Projections

There is no actively traded market for most of the securities owned by the Funds. When estimating fair value, Parthenon will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. The Funds rely on projections, forecasts and estimates developed by the applicable Fund's portfolio company management. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond a Fund's control, and may differ from the assumptions relied on for valuation purposes. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Some important factors that could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates and domestic and foreign business, market, financial or legal conditions, among others. Third-party pricing generally is not available regarding a Fund's privately held assets. Accordingly, there can be no assurance that estimated returns or projections calculated based on such valuations will be realized or that actual returns or results will not be materially lower than those previously estimated. With respect to the Funds, the exercise of discretion in valuation by Parthenon may give rise to conflicts of interest, as valuations impact Parthenon's track record and the amount and timing of Carried Interest distributions. In addition, the determination to write off an investment as worthless affects the amount of Management Fees owed by a Fund for periods after such determination. The determination that an investment should be written off will be made in accordance with U.S. generally accepted accounting principles and applicable U.S. federal tax regulations, which generally permit an investment to be written off only if a final determination has been made that such investment is worthless for U.S. federal tax purposes. Consequently, Management Fees will continue to accrue with respect to an investment whose reported value is less than its original cost basis for a prolonged period of time because the investment will not be written-off for purposes of calculating Management Fees until such time as the investment is determined to be worthless for U.S. federal tax purposes.

Furthermore, if distributions are made of property other than cash, the amount of any such distribution will be accounted for, as determined in accordance with procedures specified in the applicable Fund's Organizational Documents. An independent appraisal generally will not be required and is not expected to be obtained. Because Parthenon's right to receive Carried Interest distributions is based on the value of such securities, Parthenon has an incentive to distribute such securities when they are valued at a higher price, and Parthenon's earned Carried Interest distributions will not be adjusted for subsequent changes in valuation.

Cybersecurity Risk

Parthenon, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of Parthenon and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a Fund and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of Parthenon, the Funds' service providers, counterparties or the data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of Parthenon's systems to disclose sensitive information in order to gain access to Parthenon's data or that of the Funds' investors. A successful penetration or circumvention of the security of Parthenon's systems by unauthorized third parties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds, Parthenon or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, Parthenon may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, identity theft, unauthorized use of proprietary information, and adverse investor reaction or litigation, as well as the cost of implementing upgraded procedures to protect against cybersecurity threats. While Parthenon has established business continuity plans and systems designed to mitigate the impact of such cyber-attacks (and believes that its significant service providers maintain similar plans to protect against such attacks), there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Similar types of operational and technology risks are also present for the companies in which the Funds invest, which could have material adverse consequences for such companies, and may cause the Funds' investments to lose value.

Changes in Investment Focus

The Funds are not restricted in terms of the percentage of their capital that can be invested in a particular industry. Many factors contribute to changes in emphasis in the construction of a Fund's portfolio, including changes in market or economic conditions or regulation applicable to particular industries and changes in the political or social situations in particular countries. As a result, the Funds may pursue additional investment strategies and may modify or depart from their initial investment strategy, investment process and investment techniques as Parthenon determines

appropriate. There can be no assurance that the investment portfolio of a Fund will resemble the portfolio of any prior Fund.

Investments in Equity Securities

The Funds generally seek to invest primarily in equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, contracts, markets or financial resources. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities. A Fund may experience a substantial or complete loss on individual equity securities.

Investments in Debt Securities

While the Funds invest primarily in equity securities, the Funds may invest in debt securities of existing or new portfolio companies or other issuers in instances where Parthenon believes it would be beneficial for the Funds to do so. Debt securities are subject to creditor risks, including the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws and so-called lender liability claims by the issuer of the obligations. Conflicts of interest could arise in the event that a Fund and/or its affiliates own both debt and equity securities of the same portfolio company. Additionally, adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership, or distressed exchange, can significantly diminish the value of a Fund’s investment in any such company. In addition, depending on fluctuations of the equity markets, warrants and other equity securities may become worthless. Accordingly, there can be no assurance that a Fund’s rate of return objectives will be realized. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of underlying assets selected as collateral may allow a Fund to withstand certain assumed deficiencies in payments occasioned by an issuer’s default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to a Fund in respect to its investment. Therefore, the investment in secured debt securities may not prevent a Fund from incurring loss that adversely affects the Fund’s overall returns. Any subordinated investments of a Fund will be subordinated to the senior obligations of an issuer. In addition, many of the remedies available to subordinated holders are available only after satisfaction of claims of senior creditors. Any such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer or in general economic conditions (or both) may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on and declines in the value of such securities more quickly than in the case of the senior obligations of such issuer.

Lack of Control in Minority Investments

A Fund's investments in certain circumstances represent a minority position in portfolio companies, without power individually to exert significant control over such portfolio companies' boards of directors, management, operations and strategic direction. In such cases, a Fund will rely significantly on the management and boards of directors of such companies, which may include representatives of other investors with whom the Fund is not affiliated and whose interests or views may conflict with the interest of the Fund. Often in minority or shared control investments the Funds will not be able to control the timing or occurrence of an exit strategy for such investments and may not be able to maximize the value for the Funds as a result. It may also be more difficult for the Funds to dispose of their interests in the portfolio company than it would be had the Funds owned a controlling interest in the portfolio company (and even if the portfolio company's securities are publicly traded). Although Parthenon typically requests certain contractual rights to seek liquidity of a Fund's interest in a portfolio company after a specified period of time, it may be very difficult to sell or redeem such interests or seek a sale of the portfolio company in practice, especially if other investors in the portfolio company have different business and investment objectives and goals. In addition, where the Funds make a minority investment in a portfolio company, Parthenon does not expect to be reimbursed for expenses associated with that investment from the portfolio company. In such circumstances the Funds and any affiliated vehicles participating alongside the Funds in such investment will bear all of the expenses associated with that investment. Parthenon is also less likely to enter into a management services agreement with the portfolio company for the provision of Related Services pursuant to which the portfolio company would pay Ancillary Fees to Parthenon that may be eligible to offset Management Fees owed by the Funds in accordance with their Organizational Documents.

Board Participation

The Funds are typically represented on the boards of directors of certain of their portfolio companies and may have its representatives serve as observers to such boards of directors. Although such positions in certain circumstances may be important to a Fund's investment strategy and may enhance Parthenon's ability to manage the Fund's investments, they may also have the effect of impairing Parthenon's ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject Parthenon and the Funds to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director related claims. In general, the Funds are required to indemnify its representatives and other persons under their Organizational Documents.

Investments Longer Than Term

A Fund may make investments which may not be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of such Fund's term or otherwise. Although Parthenon expects that investments will be disposed of prior to dissolution, Parthenon has a limited ability to extend the term of the Fund. Consequently, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Investments in Pass-Through Entities

As more and more businesses are organized as limited liability companies, it is likely that the Funds' investment portfolio may include one or more such entities, which may be treated as "pass-through entities" for U.S. federal income tax purposes. A Fund's investment in an entity which is treated as a pass-through entity could result in (a) the generation of taxable income for the Fund and its Partners, even though they will not necessarily receive the cash flow related to such taxable income, (b) the generation of unrelated business taxable income ("UBTI") for tax-exempt investors and income that is effectively connected with such trade or business ("ECI") for non-U.S. investors, and (c) the treatment of the Fund (and therefore its Partners, including non-U.S. Partners) as being engaged in the conduct of a U.S. trade or business.

Custody and Banking Risks

The Funds will maintain funds with one or more banks or other depository institutions ("**banking institutions**"), which may include U.S. and non-U.S. banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. The distress, impairment or failure of one or more banking institutions with whom the Funds, their portfolio companies, the general partners and/or Parthenon transact may inhibit the ability of the Funds or their portfolio companies to access depository accounts or lines of credit at all or in a timely manner. In such cases, the Funds may be forced to delay or forgo investments or to call capital when it is not desirable to do so, resulting in lower performance for the Funds. In the event of such a failure of a banking institution where a Fund or one or more of its portfolio companies holds depository accounts, access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation ("**FDIC**") protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, the Funds and their affected portfolio companies may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution's assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Funds or their portfolio companies. One or more investors or a Fund's general partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, a Fund's general partner may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

Risks Related to Regulatory Changes

Legal Risk, Litigation and Regulatory Action

The Funds, Parthenon and their affiliates are subject to a number of risks, including changing laws and regulations, developing interpretations of such laws and regulations, and increased scrutiny by regulators and law enforcement authorities. Some of this evolution may be directed at the private fund industry in general or certain segments of the industry and may result in scrutiny or claims against the Funds, Parthenon or their affiliates directly for actions taken or not taken by the Funds

or Parthenon. These risks and their potential consequences are often difficult or impossible to predict, avoid or mitigate in advance, and might make some investment opportunities unavailable to the Funds or result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against the Funds, Parthenon or their respective affiliates were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm the Funds, Parthenon or their respective affiliates' reputations, which may adversely affect the Funds' investment performance by hindering their ability to obtain favorable financing or consummate a potentially profitable investment. In addition, the securities market is subject to comprehensive statutes and regulations. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect on the Funds, Parthenon, or any affiliate of any such legal risk, litigation or regulatory action could be substantial and adverse.

Certain of the Funds' portfolio investments may be materially adversely affected by such events in the future. In the longer term, there may be significant new regulations that could limit the Funds' activities and investment opportunities or change the functioning of capital markets. As a result, there can be no assurance the Funds will be able to achieve their investment objectives.

The enactment of these reforms or other similar legislation could have an adverse effect on the private investment funds industry generally and on Parthenon or the Funds specifically and may impede the Funds' ability to effectively achieve its investment objectives. Any further increases in the regulations applicable to private investment funds generally or the Funds or Parthenon in particular may result in increased expenses associated with the Funds' activities and additional resources of Parthenon being devoted to such regulatory reporting and compliance-related obligations, which may reduce overall returns for limited partners or have an adverse effect on the ability of the Funds to effectively achieve their investment objectives.

Macro Disruption, Terrorism and Geopolitical Risk

The Funds are subject to the risk that war, terrorism, climate change, social unrest and related and unrelated geopolitical and other new or novel market disrupting events as well as outbreaks of infectious disease, pandemics or any other serious public concerns or "force majeure" events (cumulatively, "**Macro Disruption Events**"), any one of which may lead to increased volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of the Funds' investments. Macro Disruption Events as well as other changes in world economic, social and political conditions also are likely to adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting Parthenon's operations and ability to properly oversee the affairs of the Funds and their investments, Parthenon's ability to compete for investment opportunities, particularly against competitors with broader investment platforms or more personnel, the value of the Funds' investments and the Funds' ability to source, make and dispose of investments. At such times, the Funds' exposure to a number of other risks described elsewhere in this section can increase. A sustained downturn in the U.S. or global economy (or any particular segment thereof) or weakening of credit markets is likely to adversely affect the Funds' profitability, impede the ability of the Funds' portfolio companies to perform

under or refinance their existing obligations, and impair the Funds' ability to effectively exit their investments on favorable terms. Furthermore, prolonged periods of reliance upon technology systems to facilitate remote communications and information sharing renders Parthenon's business more vulnerable to cybersecurity risks and other unauthorized access to sensitive information. Any of the foregoing events are likely to result in substantial losses to the Funds in respect of certain investments.

EU Alternative Investment Fund Managers Directive and the United Kingdom Alternative Investment Fund Managers Regulations

The Alternative Investment Fund Managers Directive 2011/61/EU, including any implementing national laws, rules or regulations ("**AIFMD**") and the United Kingdom Alternative Investment Fund Managers Regulations 2013, as amended, including by the European Union (Withdrawal) Act 2018 and the Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019 (the "**AIFM Law**") regulate how alternative investment funds (such as the Fund) are marketed in the European Economic Area ("**EEA**") and the UK. AIFMD or the AIFM Law do not apply if an investor approaches a manager at its own initiative to request information on a fund.

Parthenon may choose not to market a Fund or otherwise take any action to avoid the AIFMD or the AIFM Law applying to Parthenon or a Fund. For example, Parthenon may choose to accept EEA or UK investors where it concludes that such investors approached Parthenon at their own initiative or that AIFMD would not otherwise apply. There is a risk that a member state of the EEA (an "**EEA Member State**") or UK regulatory or governmental authority may reach a different conclusion to Parthenon and find that the AIFMD or the AIFM Law does apply to Parthenon or a Fund. Such a finding may result in a regulatory or governmental authority or court in one or more EEA Member States or the UK requiring Parthenon or a Fund to return any capital or other funds to investors or otherwise seeking to take other enforcement or remedial action against Parthenon and/or the Fund. This may result in a reduction in the overall amount of capital available to a Fund that limits, in turn, the range of investment strategies and investments that a Fund is able to pursue and make or otherwise result in a loss to a Fund.

As Parthenon will not be required to comply with any of the requirements of the AIFMD or the AIFM Law with which a non-EEA or non-UK manager registered under the AIFMD or the AIFM Law is otherwise required to comply, investors will not receive the protections or benefits available under the AIFMD or the AIFM Law, including initial disclosure requirements and periodic reporting on illiquid assets and leverage.

Data Protection Laws

Compliance with current and future privacy, data protection and information security laws, and the ways that these are applied or interpreted by regulators and courts, could significantly impact a Fund's current and planned privacy and information security-related practices, as well as its collection, use, sharing, retention and safeguarding of personal data and some of our current and planned business activities. A failure to comply with such laws could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business, as well as have an impact on reputation. A Fund will bear its share of the fees and expenses associated with measures taken to prevent the disclosure of the Fund's confidential

information, including, for example, personal identifiable information pertaining to limited partners or their authorized persons. Similarly, a portfolio company's failure to comply with such laws could result in fines, sanctions, penalties and reputational harm to the portfolio company or its customers, all of which could adversely affect the value of a Fund's investment in the portfolio company.

Absence of Investment Company Act Registration

The Funds have not registered and do not intend to register with the SEC as investment companies pursuant to the Investment Company Act of 1940, as amended (the "**Investment Company Act**"), in reliance upon an exemption available to privately offered investment companies and, accordingly, the provisions of the Investment Company Act are not applicable to the Funds. If the SEC or a court of competent jurisdiction were to find that a Fund is required to have, but in violation of the Investment Company Act had failed to, register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) Limited Partners could sue the Fund and recover any damages caused by the violation; and (iii) any contract to which the Fund is party that is made in, or whose performance involves, a violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should a Fund be subjected to any or all of the foregoing, the Fund would be materially and adversely affected.

Absence of Commodity Exchange Act Registration

Each Fund's general partner claims an exemption from registration with the National Futures Association ("**NFA**") as a commodity pool operator with respect to such Fund pursuant to CFTC Rule 4.13(a)(3) under the Commodity Exchange Act. Accordingly, each Fund's general partner will not be subject to certain regulatory requirements that are intended to provide certain regulatory safeguards to investors. Parthenon also has claimed an exemption from registration with the NFA as a commodity trading advisor under CFTC Rule 4.14(a)(8). If any future regulatory change causes Parthenon or a Fund's general partner to lose either exemption, there could be a material adverse effect on the Fund. The Fund will bear its share of the fees and expenses associated with measures taken to comply with any such regulatory changes.

Sanctions Compliance Considerations

Economic sanctions laws in the U.S. and other jurisdictions may prohibit or otherwise restrict Parthenon, the Funds, their portfolio companies and their respective officers, directors and employees from engaging in transactions in or relating to certain countries and relating to certain individuals and entities. In the U.S., the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") administers and enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such

individuals or entities appear on the lists maintained by OFAC. These types of sanctions and similar laws and regulations in non-U.S. jurisdictions may conflict with one another, such that compliance with all applicable laws may be difficult. Failure by Parthenon, the general partners, the Funds or any of the Funds' portfolio companies to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties. The Funds will bear their share of the fees and expenses associated with measures taken to comply with OFAC's regulations and sanctions programs, as well as the sanctions programs of other regulatory authorities that are applicable to the Funds or their activities.

Anti-Corruption & Anti-Boycott Considerations

The U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act ("UKBA") and other anti-corruption and anti-bribery laws, as well as U.S. anti-boycott regulations, may impact Parthenon, the Funds and their portfolio companies. A Fund may be adversely affected or miss out on opportunities because of Parthenon's unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for a Fund to act successfully on investment opportunities or to obtain or retain business. In recent years, U.S. regulators have been increasingly focused on private equity sponsors' compliance with the FCPA. Any determination that Parthenon, the Funds, their portfolio companies or any of their respective officers, directors or employees has violated the FCPA, the UKBA or other applicable anti-corruption laws, anti-bribery laws, or U.S. anti-boycott regulations, could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and/or a general loss of investor confidence, any one of which could adversely affect a Fund's business prospects and/or financial position, as well as the ability to achieve its investment objective and/or conduct its operations. The Funds will bear their share of the fees and expenses associated with measures taken to comply with the FCPA, UKBA, the anti-boycott regulations and similar laws and regulations.

HSR Act Regulation and Enforcement

The growth of the private equity industry and the increasing size and reach of private equity transactions has prompted additional governmental attention to the industry and its practices. Acquisition by a Fund of equity securities may result in greater frequency of reporting and compliance obligations under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") than Parthenon's historical experience as it seeks to invest in larger companies than in the past. Compliance with the HSR Act could significantly delay the closing of a transaction, lead to deal abandonment, increase the cost of operating a Fund, and/or infringe upon the ability of a Fund to engage in certain transactions. The Funds will bear their share of the fees and expenses associated with measures taken to comply with the HSR Act and similar laws and regulations in other jurisdictions with respect to the Funds' investment activities.

Pay-to-Play Laws, Regulations and Policies

A number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of the engagement of placement agents or other similar intermediaries or payments to, and/or certain contacts with, certain officials by persons and entities seeking to do business with such governmental entities,

including those seeking investments by public retirement funds. In addition, the SEC has adopted a rule that, among other things, prohibits an investment adviser from providing advisory services for compensation to a government client for two years after such investment adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. If Parthenon, any of its employees or affiliates, or any service provider acting on their behalf fails to comply with such laws, regulations or policies, such non-compliance may have an adverse effect on the Fund. Limited partners may also seek to pursue individual remedies, including withdrawal rights, which may be included in side letters or other similar agreements or otherwise imposed by applicable law, regulation or policy. The Funds will bear their share of the fees and expenses associated with compliance with these laws, including the preparation of responses to any requests from limited partners for information pertaining to Parthenon's compliance with such laws and regulations.

Risks Related to Investments in SPACs

Certain Funds may invest in special purpose acquisition companies (each a "SPAC"), which are essentially publicly traded blind pool investment vehicles when established. A Fund's investment in a SPAC is subject to many risks, including, among other things, (i) a SPAC may not be able to successfully complete an initial business combination and may be required to liquidate and return any remaining proceeds in its trust account to stockholders, net of any expenses (including taxes (and including any excise taxes, which may not be reflective of income earned)) and contingent liabilities; (ii) the selection of investments and timing for the liquidation of the SPAC and any assets held in trust may be beyond Parthenon's control; (iii) a SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business; (iv) the value of any target company may decrease following its acquisition for any number of reasons; (v) a Fund may not be able to redeem its interest in a SPAC for several reasons, including any failure to timely exercise any redemption rights available to investors in a SPAC or the failure to vote against a proposed acquisition; (vi) warrants or other rights with respect to a SPAC may expire worthless or may be repurchased or retired by the SPAC at an unfavorable price; (vii) a Fund's investment in a SPAC may be diluted in connection with the business combination or by additional financings, all of which may be outside of Parthenon's control; (viii) a Fund's interest in a SPAC may be subject to an extended lock-up period and other restrictions on resale and redemption, and there may be no or only a thinly traded market for shares of or interests in a SPAC may develop, leaving a Fund unable to sell its interest in the SPAC or to sell its interest only at a price below what such Fund believes is the intrinsic value of the SPAC's interest; (ix) a SPAC's due diligence may not uncover all material risks and uncertainties associated with a particular target business, and Parthenon may not be involved in such determinations or assessment of such due diligence. An investment in a SPAC also faces the many risks associated with other minority investments. See "*Lack of Control in Minority Investments*" above.

Tax Reform Risks

On December 22, 2017, P.L. 115-97, originally introduced in Congress as the U.S. Tax Cuts and Jobs Act, was enacted. There continues to be uncertainty regarding certain aspects of this law and its application, and the current administration has announced that it is contemplating further legislation that may result in significant changes to the Internal Revenue Code of 1986, as amended. In addition, under current law, capital gains in respect of a general partner's right to

Carried Interest will be subject to a three-year “holding period” in order to be classified as “long term capital gains,” while the corresponding holding period requirement with respect to capital gains that Fund investors are allocated is one year. This Carried Interest holding period requirement could affect investment decisions, including the timing and structure of dispositions and other realization events, and it could adversely impact returns for investors. For example, the holding period requirement may incentivize the general partner to cause a Fund to hold an investment for longer than three years in order for the general partner to obtain a preferential tax rate on Carried Interest, even if there are attractive realization opportunities prior to that time. Further, there are currently administrative and legislative proposals to further change the tax treatment of “carried interest” in ways that may be adverse to partners in the general partner. A general partner and Parthenon may take these potential adverse consequences into account in their management and operation of the Funds and in addressing these adverse consequences, the interests of the general partner and Parthenon, on the one hand, may diverge from the interests of the investors, on the other hand.

Risk Factors Pertaining to Middle Market Lending

In addition to the significant risks associated with private equity investing, as described above, clients that invest primarily in Loan Transactions may also be exposed to additional substantial risks associated with such transactions. The discussion below of risks associated with Loan Transactions does not contain an exhaustive list of all such risks.

General Risks of Debt Securities

Loan Transactions are subject to credit and interest rate risks. “Credit risk” refers to the likelihood that an issuer or borrower will default in the payment of principal or interest on an instrument. In addition, lack or adequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the term of an instrument. “Interest rate risk” refers to the risk associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (particularly with fixed rate securities) and directly (particularly for instruments with adjustable rates). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable interest rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree, depending on the specific terms of the adjustable rate.

Business Risks

Loan Transactions sourced by the Firm generally consist of senior secured or subordinated or unsecured loans to small or medium-sized middle market companies. These companies generally have limited access to capital and higher funding costs, may be in a weaker financial position, may need more capital to fund their growth initiatives, and may be unable to obtain financing from more traditional financing sources. Loans to these companies involve a high degree of business and financial risk that can result in substantial losses.

Portfolio companies may suffer operating losses or significant variations in operating results and may be engaged in rapidly changing businesses, any one or more of which may adversely affect a company’s cash flows and ultimately ability to service its debt obligations, including interest and

principal payments to a lender. A SMA that lends to such companies may suffer significant charge-offs, impairments, and nonaccruals, which may exceed our allowance for credit losses and could negatively impact the SMA's investment performance.

Some Loan Transactions may consist of loans that are unsecured and subordinated to substantial amounts of senior indebtedness. Accordingly, there can be no assurance that a SMA that invests in such Loan Transactions will achieve its investment objectives or that there will be any return of capital.

Syndications, Assignments and Participations

Loan Transactions may consist of interests in loans, generally alongside one or more lead lenders in club and syndicated transactions or directly through assignments or indirectly through participations. A SMA that acquires an interest in such Loan Transactions may not have the opportunity to negotiate covenants or other protective terms with the borrower that it otherwise could if the SMA were the sole lender in these transactions. SMAs may not have control over how these loans are administered on a day-to-day basis and may be subject to subordination or similar "stand-still" requirements that contractually prevent the SMA from taking actions to enforce whatever rights may be available to the SMA. Such limitations may also require that a SMA seek approvals from other lenders before taking such actions. Loan Transactions typically include contractual restrictions on transferring interests in loans and there may be no established trading market for such loans. Such restrictions and limited rights, if any, may impact a SMA's ability to obtain liquidity or reduce or limit potential losses with respect to non-performing loans.

In club deals or syndications that involve a number of unaffiliated lenders, a SMA typically has a direct creditor-debtor relationship with the borrower with the right to enforce the terms of the loan agreement, although such actions typically must be taken in concert with the other lenders. There may be various conflicts of interests among the lenders that could impede a SMA's ability to exercise its rights against a borrower. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning lender and becomes a contracting party under the loan agreement with respect to the loan; however, its rights can be more restricted than those of an assigning lender. Participations in a portion of a loan typically result in a contractual relationship only with the lender participating-out the interest and not with the borrower. While a SMA in each case would have the right to receive payments of principal and interest to which it is entitled, in a participation the SMA would receive such payments only from the lender selling the participation, and not directly from the borrower, and only upon receipt by such lender of such payments from the borrower. As the owner of the participation, a SMA generally will have no right to enforce compliance by the borrower with the terms of the loan agreement or to vote on amendments to the loan agreement, nor any rights of set-off against the borrower, and the SMA may not directly benefit from collateral supporting the loan in which it holds the participation. In addition, in the event of the insolvency of the selling lender under the laws of the U.S. and the state thereof, a SMA may be treated as a general creditor of such selling lender and may not have any exclusive or senior claim with respect to the selling lender's interest in, or the collateral with respect to, the applicable loan. Consequently, a SMA assumes the credit risk of both the borrower and the lender that sold the participation. A concentration of participations from any one selling lender may subject a SMA to an additional degree of risk with respect to defaults by such selling lender.

Risks Related to Loans to Parthenon Portfolio Companies and other Related Party Transactions

A SMA may acquire interests in senior secured loans and other debt instruments of portfolio companies in which one or more Funds or SMAs overseen by Parthenon has made or may make an equity or debt investment. In the event that such investments are made by a SMA, the interests of the SMA may be in conflict with the interest of such Funds or other SMAs, particularly in circumstances where the underlying company is facing financial distress. Conflicts may also arise when a SMA makes equity co-investments in an issuer in conjunction with investing in a Loan Transaction with such issuer. The Firm expects to resolve any conflict between a Fund and a SMA fairly and in good faith, but generally will consider the interests of the Funds in priority to the SMA in circumstances in which the Firm provides only non-discretionary investment sourcing services to such SMA. In addition, a conflict may arise in allocating an equity co-investment opportunity if a SMA is permitted to participate in such co-investment opportunity and such potential equity investment also could be made by a Fund or other SMA. Except as provided in a SMA Agreement for a particular SMA, the Firm generally expects to resolve this conflict by allocating the equity co-investment opportunity to the Funds in priority to any SMA. Please see Item 11, “*Conflicts of Interest*” below for a more detailed discussion of potential conflicts of interest pertaining to the investment activities of the Funds.

Balloon and Bullet Transactions

Loan Transactions may involve so-called “balloon and bullet” loans. These loans involve a greater degree of risk than other types of transactions because they are structured to allow for either small (balloon) or no (bullet) principal payments over the term of the loan, requiring the borrower to make a large final payment upon the maturity of the loan. The ability of a portfolio company to make this final payment upon the maturity of the loan typically depends upon their ability either to refinance the loan prior to maturity or to generate sufficient cash flow to repay the loan at maturity. Portfolio companies may have difficulty in repaying or financing their balloon and bullet loans on a timely basis or at all.

Second Liens, Subordinated Debt and Mezzanine Securities

Second lien loans and other subordinated or mezzanine securities are typically junior in right of payment to obligations to a borrower’s senior secured lenders and may have only junior or no rights with respect to collateral. Holders of such securities may have limited ability to enforce their rights to collect principal and interest on these loans or to recover principal through a foreclosure of collateral until the senior loan is paid in full.

Lender Liability Considerations and Equitable Subordination

In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively, “**lender liability**”). Generally, lender liability is founded upon the premise that a lender has violated a duty of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower that creates a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of the loans, the credit funds could be subject to allegations of lender liability

made against it as part of a group of lenders and may be liable for pro rata liabilities of the agent or lead lender.

In addition, under common law principles that in some cases form the basis of lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a debtor to the detriment of other creditors of such debtor, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its influence as a stockholder to dominate or control a debtor to the detriment of other creditors of the debtor, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditors, a remedy called “equitable subordination”. Clients could be subject to claims from creditors of a debtor that loans issued by such debtor should be equitably subordinated. It is possible that lender liability or equitable subordination claims could arise from the actions of the agent or lead lender or other lenders in the lending group without direct involvement by a client.

Insolvency Considerations

Various laws enacted for the protection of creditors may apply to our investments. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower (such as a trustee in bankruptcy) under a loan were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the loan and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such borrower constituted unreasonably small capital or (iii) intended to incur or believe that it would incur debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing and/or future creditors of the borrower or to recover amounts previously paid by the borrower in satisfaction of such indebtedness. There can be no assurance as to what standard a court would apply in order to determine whether the borrower was “insolvent” after giving effect to such incurrence. In addition, in the event of an insolvency of a borrower of a loan, payments made on such loan could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency. In general, if payments on an obligation are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured, and consequently investors may be required to return amounts previously distributed to them.

Item 9. Disciplinary Information

None.

Item 10. Other Financial Industry Activities and Affiliations

Relying Advisers

The following affiliated investment managers are “relying advisers” which have filed together with PCP Managers, L.P. a single Form ADV:

- PCap Company, LLC
- PCP Managers II, L.P.

Related General Partners

An affiliate of Parthenon acts as the general partner for each Fund. Certain of those general partners have filed for an exemption from registration as commodity pool operators in accordance with CFTC Rule 4.13(a)(3). For a description of material conflicts of interest created by the relationship among Parthenon, the relying advisers and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

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

Code of Ethics

Parthenon has adopted a Code of Ethics (“**Code**”) which applies to Parthenon and its affiliates and sets forth standards of business conduct that Parthenon requires of its partners, officers, principals, employees, and other personnel of Parthenon, as well as officers, principals, employees and other personnel of its affiliates and certain independent contractors (collectively, “**Supervised Persons**”).

The Code is intended to assist Parthenon and its Supervised Persons in complying with the requirements of Rule 204A-1 under the Advisers Act, as well as provisions of the federal securities laws pertaining to insider trading.

The Code contains Procedures and Policy Statement on Insider Trading to inform employees and covered persons of what constitutes material, nonpublic information and the laws and requirements relating to insider trading and confidentiality and the Firm’s policies in that area.

The Code also sets forth personal trading policies applicable to employees and certain family members and affiliates that are designed to address actual or potential conflicts of interest (or appearances of conflicts) with the Funds (the “**Policies**”).

Employees may not trade for themselves or recommend trading in the securities of a public company while in possession of material, nonpublic information concerning such company, or disclose such information to any person not entitled to receive it. Each employee is required to inform the Firm’s Chief Compliance Officer whenever such employee believes that he or she may have obtained material, nonpublic information regarding a public company. In accordance with the Policies, employees are not permitted to effect transactions individually in public companies that are portfolio investments of any of the Funds.

The Policies require all Parthenon employees, as well as employees and associated persons of Parthenon affiliates, to report brokerage transactions to the Chief Compliance Officer. Transactions in certain financial products, including certain mutual fund shares, U.S. government securities, investment grade debt securities, and certain money market instruments are excluded from such reporting requirements.

The Policies also require that covered persons seek pre-clearance with respect to investments in any private placement or an initial public offering. These limitations and pre-clearance

requirements may not apply to transactions in certain investments, including investments in accounts over which the covered person has no direct or indirect control.

A copy of the Code of Ethics will be provided to any client or prospective client upon request.

Participation or Interest in Client Transactions

As described in the responses to Items 5 and 6, Parthenon and the general partner entities are generally entitled to receive Management Fees and Carried Interest from the Funds. The general partners also make capital commitments to such Funds, and Parthenon current and former employees invest in or alongside one or more of the Funds, including through the relevant general partner entity. In addition, Parthenon and its affiliates may receive fees (including equity securities) from the Funds' portfolio companies for performing various services for, or serving as directors (or similar positions) of, such companies. Each of the foregoing may represent a material financial interest in the securities that the Firm recommends to the Funds or a SMA.

Parthenon's ability to receive fees (and related expense reimbursements) from the Funds' portfolio companies for performing various services for, or serving as directors (or similar positions) of, such companies represents a potential conflict of interest since the Firm generally has substantial control or influence over such companies and therefore the ability to influence the terms of such fees and expense reimbursements.

Parthenon makes cash advances to the Funds as necessary for the Funds to pay operating expenses and/or satisfy certain liabilities or other short-term financing needs. Parthenon typically does not make advances for investment purchases by a Fund unless the advance will be for a short duration pending the issuance of a capital call to the Fund's investors or placement of debt financing for the investment. Any such advances by Parthenon are not taken into account for purposes of calculating Management Fees owed by a Fund except to the extent the advance is used for investment purposes. Parthenon does not receive any interest with respect to such advances, but it is generally entitled to seek reimbursement at times when the Funds have sufficient working capital to reimburse Parthenon for such advances. Parthenon's right to be repaid any outstanding advances is senior to any distributions available to Fund investors in the relevant Fund. Such advances are at Parthenon's sole discretion, and there is no assurance Parthenon will continue to provide such advances in the future. If Parthenon is unable or unwilling to make such advances in the future, the applicable Fund may be required to seek other sources of funds in order to meet its financing needs (including early disposition of investments) and may be required to pay interest on such amounts.

Conflicts of Interest

Parthenon and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of Funds, funds-of-one, co-investment vehicles and SMAs that are investment advisory clients under the Advisers Act (collectively, "**Accounts**"). Parthenon provides transaction-related, financial advisory, investment advisory, sourcing, consulting, monitoring, management, and other services to one or more Accounts and their respective portfolio companies. Accounts may have the same or similar, overlapping, or different investment strategies and objectives as other Accounts. In the ordinary course of conducting its

activities, the interests of an Account will, from time to time, conflict with the interests of Parthenon, one or more other Accounts, their respective portfolio companies and each of their respective affiliates. Certain of these conflicts of interest, as well as a description of how Parthenon addresses such conflicts of interest, can be found below. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to an Account and its ability to achieve its investment objectives.

Resolution of Conflicts Involving the Accounts

In the case of all conflicts of interest, Parthenon's determination as to which factors are relevant, and the resolution of such conflicts, will be made using Parthenon's best judgment, but in its sole discretion. In resolving conflicts, Parthenon considers various factors, including the interests of the applicable Accounts with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise involving an Account, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) An Account will not make an investment unless Parthenon believes that such investment is an appropriate investment considered from the viewpoint of such Account,
- (2) Many important conflicts of interest generally will be resolved by set procedures, restrictions or other provisions contained in the Organizational Documents for the relevant Accounts and/or the Firm's Compliance Policies and Procedures;
- (3) Generally, each Fund has established an advisory board, consisting of representatives of investors not affiliated with Parthenon. The advisory boards meet as required to consult with Parthenon as to certain potential conflicts of interest that are required to be disclosed in accordance with the Funds' Organizational Documents. On any issue involving actual conflicts of interest, Parthenon will be guided by its good faith discretion;
- (4) Where Parthenon deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- (5) Prior to subscribing for interests in an Account, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Account.

While Parthenon tries to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions. There can be no assurance that Parthenon will identify or resolve all conflicts in a manner that is favorable to the Funds.

Conflicts Encountered by Accounts

The material conflicts of interest encountered by an Account include those discussed below, although the discussion below does not necessarily describe all of the conflicts that an Account may face. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts. In addition, potential conflicts of interest may be submitted to the applicable Fund's advisory board or (in the alternative) a subset of the applicable Fund's investors, for consent, without further disclosure to or approval from such Fund's other investors. Please see "*Advisory Board Rights*" below.

Diverse Limited Partner Group. The investors in the Funds may have conflicting interests stemming from differences in investment preferences, investment restrictions, tax status and regulatory status, as well as differences in perspectives on economic and governance terms and other interests with respect to their investments in a Fund. Conflicts of interest may arise in connection with decisions made by Parthenon, including with respect to the nature or structuring of investments that will be more beneficial for one investor in a Fund or another Fund as a whole than for another investor in the same or another Fund, especially with respect to tax matters. In particular, the interests of investors in one Fund, taken as a group, could differ materially from the interests of investors in another Fund or any parallel investment vehicle or Feeder Fund, taken as a group. The Organizational Documents of some Funds that are organized as parallel investment vehicles require the consent of at least a majority in interest (or higher) of all Fund investors to authorize certain actions, not merely a majority in interest of a particular vehicle's investors. Conversely, those Organizational Documents preclude investors, taken as a group, from taking certain actions without the consent of at least a majority in interest (or higher) of the investors of each of the vehicles that are organized as parallel investment vehicles. For example, the Organizational Documents of some Funds that are organized as parallel investment vehicles allow for amendments to the Organizational Documents of Funds that may be smaller in size relative to their related Funds to the extent those amendments are adopted by the investors of larger Funds and without any further vote or consent of the investors in the affected smaller Funds.

Investment Decisions made without regard to Interests of Particular Investors. There is no assurance that the interests of investors in an Account will not conflict in connection with any action contemplated by the provisions of such Account's Organizational Documents. In selecting and structuring investments appropriate for an Account, Parthenon and its affiliates will not be obligated to consider the investment, tax or other objectives of any particular investor unless expressly agreed to in an agreement with such investor, the terms of which may not be disclosed to other investors. Absent any such agreement, Parthenon and its affiliates will consider the objectives of an Account and its investors as a whole when making investment decisions with respect to the selection, structuring and sale of such Account's investments. However, such decisions may be more beneficial for one investor than for another investor. Similar conflicts may arise between a Fund and other Accounts that may invest alongside the Fund in one or more investments stemming from differences in investment preferences, tax status, regulatory status and other differences between a Fund and the other Accounts or their respective investors. See "*Conflicts Related to Purchases and Sales*" below.

Agreements with Certain Investors. Parthenon, a Fund or its general partner may enter into side letters with one or more investors in a Fund providing for different or preferential rights or terms,

including but not limited to different or preferential information rights, economics, fees and liquidity or transfer rights. Such side letters may also have the effect of altering or supplementing the terms of a Fund's Organizational Documents and an investor's subscription agreement. The terms contained in a side letter arrangement or similar arrangement with an investor shall govern with respect to such investor notwithstanding the provisions of the Organizational Documents and the investor's subscription agreement. The decision whether to enter into any such side letters, as well as the terms thereof, will be made solely in the discretion of Parthenon. Depending on the terms of any such side letters and the basis on which they are given, investors may not have the right to benefit from, or to receive disclosure of, such terms given to other investors. Due to the long-term nature of an investment in the Funds, certain covenants or undertakings by a Fund or its general partner may become unreasonably difficult or impracticable to comply with over time due to changing facts or circumstances or other events that render a side letter provision inoperable or irrelevant. For example, a Fund's commitment to offer co-investment opportunities or covenants to notify investors of investment allocation decisions shall only apply during that Fund's investment period, commitments to allow an investor to invest in a successor fund only apply to such successor fund, and covenants to obtain liability insurance or Fund-level borrowing on specified terms shall be observed only for so long as such terms are available and on reasonably acceptable terms, as determined by Parthenon. Similarly, any commitment to sell publicly traded securities on behalf of an investor shall not apply at any time that doing so is prohibited by law. The Fund's general partner will use its commercially reasonable efforts to comply with side letter covenants and undertakings to the extent still relevant to an investor's interest in a Fund and compliance thereof is reasonably practicable in light of then-applicable facts and circumstances, as determined by the Fund's general partner in its good faith discretion. Conflicts may arise in connection with such determinations. The Funds generally will not seek waivers or consents to amend or terminate any side letter provisions that the general partner determines are no longer relevant or with which compliance is no longer commercially reasonable.

Advisory Board Rights. Generally, each Fund has established an advisory board, consisting of representatives of certain investors selected in the sole discretion of the Fund's general partner. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the advisory board. The Organizational Documents of the Funds organized as parallel investment vehicles do not require that each parallel investment vehicle have equal representation on the advisory board. Actions of the advisory board may be taken with the requisite approval of the advisory board members as provided in the applicable Fund's Organizational Documents. All actions duly approved by a Fund's advisory board shall bind such Fund with respect to such actions without further vote or consent of the investors in the affected Fund, which may include amendments to the Fund's Organizational Documents, including the Organizational Documents of Funds that are organized as parallel investment vehicles.

A Fund's advisory board usually has the ability to approve conflicts of interests with respect to Parthenon and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory board. Similarly, certain approvals may be required from the advisory board of one Fund in order to permit another Fund to engage in certain transactions due to potential conflicts of interest, such as the allocation of an investment opportunity between one Fund and its predecessor or successor Fund. Each Fund's advisory board is only obligated to consider the interests of its own investors (and not the interest of any other Fund). There can be no assurance that a Fund's advisory board will provide any required consents

to permit another Fund to participate in an investment or take other action that would benefit such other Fund.

A member of one Fund's advisory board may also be a member of another Fund's advisory board. In such instances, a conflict of interest exists because the Funds on which such overlapping advisory board members serve may have conflicting interests and such advisory board members may be requested to provide their consent with respect to such conflicts of interest and are not required to recuse themselves from any such vote or otherwise disclose their interests in such transactions.

In addition, participation on an advisory board is entirely voluntary and no assurance can be given that the members of the applicable advisory board will perform the requested functions. In considering matters before the advisory board, the members thereof have no fiduciary obligations to the applicable Fund or its general partner other than to act in good faith and, therefore, members of the advisory board may take into consideration their own interests in a particular matter and are not required to take into consideration the interests of such Fund or any of the other investors in such Fund.

Under the terms of a Fund's Organizational Documents, a Fund's advisory board is only required to be maintained during the term of the Fund, as the initial investment activities after the term generally have ceased by then and the Fund would be in the process of wind-down. Various conflicts of interest may arise during wind-down for which the advisory board's approval (or advance notice) will not be required. In those circumstances, the Organizational Documents of the Funds permit the general partner of the Fund to grant any approvals or consents required to be given by or on behalf of the Fund, including any and all approvals, consents or other disclosures required with respect to transactions that pose an actual or potential conflict of interest.

Fee Structure and Performance Allocations. Because there is a fixed investment period after which capital from investors in the Funds will only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure creates an incentive to deploy capital when Parthenon would not otherwise have done so. Furthermore, the Management Fee is required to be paid to Parthenon even if the Funds experience net losses in a particular year or over the term of the Funds.

As discussed above in Item 6, the general partners of many Funds are entitled to Carried Interest under the terms of the Organizational Documents of such Funds. Such general partners are affiliates of Parthenon. The existence of the general partners' Carried Interest creates an incentive for the general partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation. Although the general partners' and Parthenon management teams' capital subscriptions to such Funds are intended to reduce this incentive, the general partner's and management team's allocation of profits are not proportionate to their capital subscriptions to such Fund. Pursuant to the Organizational Documents, the general partners of the Funds may be required to return excess Carried Interest as a "clawback". This clawback obligation creates an incentive for the general partners to cause a Fund to defer the disposition of one or more investments or delay the liquidation of a Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback obligation.

Tax Legislation Adversely Affecting Parthenon's Employees and Other Service Providers. Pursuant to current federal tax laws, gains in respect of a general partner's right to Carried Interest will be subject to a three year "holding period" in order to be classified as "long term capital gains," while the corresponding holding period requirement with respect to an Account's investors is one year. This new holding period requirement could affect investment decisions, including the timing and structure of dispositions, and could adversely impact returns for investors.

Formation of New Partnerships. Parthenon has in the past and may in the future establish certain investment vehicles through which certain current or former employees of Parthenon or its affiliates, certain business associates, service providers, other "friends" of Parthenon, or other persons may invest alongside one or more Accounts in one or more investment opportunities. These vehicles, referred to as "**Friends Funds**," invest alongside a particular Account and will be allocated investments ratably alongside such Account based on a fixed percentage established by the Firm, which generally is based on relative capital subscriptions, available capital (taking into account amounts needed for follow-on investments) and portfolio diversification considerations applicable to the Friends Fund, as the Firm determines in its sole discretion. Participating Friends Funds will invest on substantially the same terms and conditions as the investing Account. The terms of the Friends Funds are established on a case-by-case basis, and some Friends Funds do not pay Management Fees or Carried Interest.

Parthenon also may establish Accounts that have investment strategies similar to, different from, or competitive with, another Account, including Accounts that invest at different levels of the capital structure than a particular Fund or other Account. There can be no assurance that the creation of such additional Accounts will not give rise to conflicts of interest between the limited partners of the respective Accounts. The relationship between an Account and one or more other Accounts may present conflicts of interest, including conflicts of interest that may arise in cases where one Account provides debt financing to one or more portfolio companies of another Account or co-invests with another Account in connection with the structuring of a transaction, Accounts that invest in other tiers of the capital structure or make subsequent loans to a portfolio company of another Account, with respect to the allocation of investment opportunities between Accounts, the capitalization of a portfolio company and the economic and other terms of mezzanine and equity securities (such as interest rates to be paid on mezzanine securities and the nature of covenants running in favor of the mezzanine lenders). Operations under the terms and provisions of financing documentation and troubled situations involving a portfolio company may also present conflicts of interest. Parthenon will determine such matters, using its best judgment but in its sole discretion, considering the interests of each Account managed by Parthenon, taken as a whole.

Co-investment vehicles for certain investors (including investors who may not be investors in any of the Funds) also may be established for purposes of investing in an investment opportunity alongside a Fund. Investors in co-investment vehicles generally do not pay Management Fees or bear Carried Interest allocations. The relationship between the Friends Funds or a co-investment vehicle for certain investors, on the one hand, and another Fund, on the other hand, may present conflicts of interest, such as conflicts arising out of decisions relating to future follow-on investments, the timing of an exit, transfers to unrelated parties, and votes on actions presented to the shareholders of the relevant portfolio company.

Allocation of Personnel. Firm personnel managing the Funds also actively manage other Accounts and may in the future establish and manage additional Accounts and sponsor SPACs and other investment vehicles. Accordingly, Parthenon will devote a portion of its resources, including a portion of the business time of its investment professionals and its other employees, to such activities as well as new investment strategies and other endeavors of the Firm. Conflicts of interest may arise in allocating time, services or functions of these investment professionals and employees. The Firm has an incentive to allocate more time, services, or functions to Accounts from which such personnel derive a higher economic benefit and/or better performing Accounts.

Allocation of Investment Opportunities Among Funds with Similar Investment Strategies. Due to the sequential nature in which the Funds having substantially similar investment strategies are typically formed and each Fund's limited investment period, Parthenon frequently only pursues new investment opportunities for a single Fund¹ at any one time. However, Parthenon serves and in the future will serve as the investment manager to other entities, including other Funds having investment strategies similar to, different from or competitive with the investment strategy of another Fund, or have specific investment target objectives consistent with an another Fund's investment target objectives, and the investment periods of those other Funds may be similar to or overlap with another Fund's investment period or are otherwise permitted to invest alongside other Funds, often due in part to the date on which a Fund was established or the specific terms of an investment period of a Fund (or modification of such period), as negotiated with investors in such Fund.

There may be instances in which Parthenon must determine how to allocate investment opportunities (including follow-on investments) among the Funds and other persons, which may include:

- One or more Funds (and their related investment vehicles) and other Accounts
- Parthenon investors or other third parties that wish to make direct investments (i.e., not through a Fund) alongside the Fund in particular transactions entered into by the Fund, and
- Investors or other third parties acting as “co-sponsors” with Parthenon with respect to a particular transaction.

These other investors may, in Parthenon's sole discretion, share investments with a Fund either pro rata based on available or committed capital or a previously determined percentage, or in such other amounts or percentages as Parthenon determines to be in the best interests of the Fund and

¹ For purposes of allocating investment opportunities, a “Fund” refers to a private investment fund for which the Firm provides discretionary investment advisory services, including its parallel investment vehicles, Executives Funds (as defined below), any Friends Funds formed to co-invest alongside the private investment fund and certain related co-investment vehicles and separate accounts, each having a substantially similar investment strategy and formed to invest primarily alongside the respective private investment fund. If a Friends Fund is formed to co-invest with a private investment fund, investments will be allocated between the private investment fund and the participating Friends Fund either pro rata based on committed capital, available capital (taking into account amounts needed for follow-on investments), a percentage established by the Firm, or in such other amounts or percentages as Parthenon determines to be in the best interest of the private investment fund and such participating Friends Funds. Participating Friends Funds will invest on substantially the same terms and conditions as the private investment fund.

such other investors to the extent they are clients of the Firm, or may make investments that Parthenon determines in its sole discretion are not suitable for the Fund in light of the Fund's investment objectives, overall portfolio construction policies or other relevant factors as Parthenon determines in good faith and consistent with Parthenon's investment allocation policies in the Organizational Documents of a Fund. Subject to the terms of the Organizational Documents of the applicable Funds, Parthenon has complete discretion to select the factors it will consider when allocating investment opportunities among the Funds and other investors. As such, certain conflicts could arise in the allocation of investment opportunities and in connection with the acquisition and/or disposition of investments by one or more Funds and third parties.

The Funds are generally subject to investment allocation requirements (collectively, "**Investment Allocation Requirements**"), which will also apply directly or indirectly to certain co-investment vehicles with investments tied to the respective Funds. Investment Allocation Requirements may also include how an investment will be shared between one Fund and a predecessor or successor Fund or separate account. Investment Allocation Requirements are generally set forth in each Fund's Organizational Documents. To the extent a Fund and another Fund co-invest in the same investment opportunity, Parthenon will seek to ensure that all participants in such co-investments participate on comparable terms to the extent required by each Fund's Organizational Documents.

The Investment Allocation Requirements of Funds organized as parallel investment vehicles typically provide that investments for such Funds (and their related investment vehicles) will be allocated among them according to their relative capital subscriptions. Due to timing differences in the organization of one or more of these Funds and their related investment vehicles and changes in the capital subscriptions of such entities over time it may be necessary to revise investment allocations to conform to the intended investment allocations for these entities. Parthenon may cause one or more of these Funds to purchase investments and subsequently reallocate those investments among all Funds and related co-investment vehicles that are intended to participate in the investments in order to achieve their intended investment allocations. The Organizational Documents for these Funds and their related co-investment vehicles generally provide that such reallocations will be completed at such times as Parthenon determines in its sole discretion and at the cost basis of the original investments (including any expenses related thereto), and that the consent of the investors in such Funds and co-investment vehicles will not be required to reallocate investments among such entities.

To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow Parthenon discretion in making allocation decisions among the Funds, Parthenon will follow the process set forth below.

Parthenon must first determine which Funds will participate in an investment opportunity. Parthenon assesses whether an investment opportunity is appropriate for a particular Fund(s), based on the Fund's investment objectives, strategies and structure. A Fund's investment objectives, strategies and structure typically are reflected in the Fund's Organizational Documents. Generally, investment opportunities in private equity investments in middle market companies will be allocated only to the Funds having an investment strategy that is primarily focused on such equity investments whereas investment opportunities in bank loans, participations or assignments, mezzanine and other similar debt, debt-like or related equity instruments will be allocated only to

the Funds having an investment strategy that is primarily focused on such credit-oriented investments.

Prior to making any allocation to a Fund of an investment opportunity, Parthenon determines what additional factors may restrict or limit the offering of an investment opportunity to the Fund(s). Possible restrictions include, but are not limited to:

- **Obligation to Offer:** Parthenon may be required to offer an investment opportunity to one or more Funds. This obligation to offer investment opportunities will generally be set forth in a Fund's Organizational Documents.
- **Related Investments:** Parthenon may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) to the exclusion of, or resulting in a limited offering to, other Funds.
- **Legal and Regulatory Exclusions:** Parthenon may determine that certain Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once the Funds that will participate in a particular investment have been identified, Parthenon, in its discretion, decides how to allocate such investment opportunity among the identified Funds. In allocating such investment opportunity, Parthenon considers some or all of a wide range of factors, which include, but are not necessarily limited to, one or more of the following:

- Each Fund's investment objectives and investment focus;
- Transaction sourcing;
- Each Fund's liquidity and reserves;
- Each Fund's diversification (including potential exposure of a Fund to the type of investment opportunity in terms of its existing portfolio);
- Lender covenants and other limitations;
- Amount of capital available for investment by each Fund as well as each Fund's projected future capacity for investment (including whether a Fund is able to invest all capital required to consummate a particular investment opportunity);
- The size, and anticipated duration of the investment;
- Each Fund's targeted rate of return;
- Stage of development of the prospective portfolio company or other investment and anticipated holding period of the portfolio company;
- Composition of each Fund's portfolio;
- The suitability as a follow-on investment for a current portfolio company of a Fund;
- The availability of other suitable investments for each Fund;

- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- The seniority of an investment and other capital structuring criteria;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Whether an investment opportunity requires additional consents or authorizations from a Fund, its investors or other third parties;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the Organizational Documents of each Fund.

Parthenon will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund. Nonetheless, the application of the Investment Allocation Requirements and factors set forth above and other allocation policies in the Organizational Documents of a Fund will often result in allocations to investments on a non-pro rata basis and there can be no assurance that a Fund will participate in all investment opportunities that fall within its investment objectives. Parthenon makes allocation determinations based on Parthenon's expectations at the time such investments are made, however, investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another Fund in hindsight.

Parthenon and its affiliates, partners, chief investment officer and other personnel invest indirectly in and may be permitted to invest directly in Funds and may therefore participate indirectly in investments made by the Funds in which they invest. Such interests will vary. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund. In addition, Parthenon and its affiliates, partners, chief investment officer and other personnel may carry on investment activities for their own accounts and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to other accounts or investment vehicles that may differ from advice given to, or securities recommended or bought for, a Fund. Parthenon generally requires that any such outside investment activities of its affiliates, partners, chief investment officer and other personnel not compete with the Funds; it being understood that this requirement does not apply to the investment activities of any entity in which such personnel or their affiliates hold passive investments and are not advised by or under common control with Parthenon.

Parthenon may sponsor one or more SPACs that may invest in companies in the industry sectors in which one or more Accounts may invest, thus having the potential to compete with the Accounts for the same investments. In such instances, the Firm will make allocation decisions consistent with the terms of its Investment Allocation Requirements for the Funds and Parthenon's allocation process described above and policies generally. Parthenon personnel may serve as directors, officers, employees or in other capacities with respect to SPACs subject to their compliance with

their respective time devotion commitments to the Funds. SPACs have the potential to provide significant economic incentives to Parthenon personnel, which could be more favorable than those associated with the Funds or other Accounts. Any securities of the SPACs granted to Parthenon as the sponsor or in such other capacity will not be considered “Ancillary Fees” for purpose of any Management Fee offset arrangements with the Funds.

Conflicts also may arise in allocating an investment opportunity if one Account could make an equity investment in a potential investment target and another Account likewise could lend money or otherwise purchase the debt securities of such potential investment target. The Firm expects that all investment opportunities will be considered potential acquisition targets for its current and future private equity-focused Funds in the first instance and secondly for clients that are potential borrowers to such targets.

Conflicts with Co-Sponsors and Other Third Parties. The Accounts, from time to time, may co-invest with other private equity, venture capital or other financial sponsors or other third parties through partnerships, joint ventures or other similar entities or arrangements. These arrangements give rise to conflicts that would not otherwise be present in investments where a co-sponsor is not involved. Such risks include the possibility that the third party may have differing economic or business goals than those of the Accounts, or that the third party may be in a position to take actions that are inconsistent with the investment objectives of the Accounts, particularly where the third party has majority control of the underlying portfolio company. The Accounts may own only a minority interest in an investment or otherwise lack sufficient control or influence over the decisions of the third party with respect to such investments. There may also be instances where the Account will be liable for the actions of such third-party co-investors. There can be no assurance that such conflicts will be resolved to the satisfaction of the participating Accounts. There can be no assurance that the return of the Account participating in a transaction with a third party would be equal to and not less than another Account participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Allocation of Co-Investment Opportunities. Parthenon will determine if the amount of an investment opportunity exceeds the amount it determines would be appropriate for the Funds after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to Parthenon and/or the Funds or management teams of the applicable portfolio company, strategic investors and other investors (such as investors with industry experience), and any such excess may be offered to one or more co-investors as described in the following paragraphs. Even in circumstances where an entire investment opportunity could be made solely by one or more of our Funds, Parthenon may still elect, for strategic or other reasons, to allocate a portion of such investment opportunity to co-investors, taking into consideration such factors as Parthenon determines in its sole discretion to be relevant at such time, including if Parthenon believes in its good faith judgement that the full investment opportunity would unreasonably limit the overall portfolio diversification of the applicable Funds or their ability to make follow-on investments, in order to comply with commitments to offer co-investment opportunities, or that Parthenon believes that participation by one or more co-investors could add value to the participating Funds or the particular investment. Investments that are structured in whole or in part through alternative investment vehicles for the purpose of facilitating an investor’s or a Fund’s participation in such investments shall not constitute co-investment opportunities.

Subject to any Investment Allocation Requirements, or other specific agreements with investors, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity and investing in a Fund by itself does not give an investor any rights, entitlements or priority to co-investment opportunities, (ii) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms of a co-investment, are made in the sole discretion of Parthenon or its related persons or other participants in the applicable transactions, such as co-sponsors, (iii) co-investment opportunities will be offered to some and not other investors in the Funds, in the sole discretion of Parthenon or its related persons, and investors may be offered a smaller amount of co-investment opportunities than originally requested, (iv) certain persons other than investors in the Funds (e.g., other Funds managed by Parthenon, portfolio company management, lenders, strategic partners, consultants, joint venture partners, current or former Parthenon Investors or other related parties, persons associated with other portfolio companies, members of Parthenon's Industry Advisory Council, service providers, and other third parties who provide advisory, consulting or other services, including persons whom Parthenon believes will provide a benefit to a Fund and/or one or more portfolio companies or whom provide a strategic sourcing or similar benefit to Parthenon, a Fund and/or portfolio company) will be offered co-investment opportunities, in the sole discretion of Parthenon or its related persons, including, without limitation, entities affiliated with, related to or otherwise who have an advisory or other business relationship with one or more investors in a Fund, and (v) co-investors typically purchase their interests in a portfolio company at the same time as the Funds or, on occasion, may purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer). Parthenon also permits co-investors to assign a co-investment opportunity to one or more affiliates of the co-investor, including affiliates that are not investors in any Fund. Additionally, non-binding acknowledgements of interest in co-investment opportunities do not require Parthenon to consider such indications of interest in its allocation decisions or to notify the recipients of such acknowledgements if there is a co-investment opportunity.

These various considerations could affect Parthenon's decision to offer certain opportunities for co-investment and could limit the ability of Funds or their investors to be offered certain co-investment opportunities.

In addition, in exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the potential co-investors, Parthenon considers some or all of a wide range of factors, which include, but are not limited to, one or more of the following:

- The size of the potential co-investment opportunity;
- The character and nature of the co-investment opportunity (including the transaction structure, geographic location, tax characteristics and relevant industry);
- The services the co-investment party or its affiliates may provide to the relevant portfolio company;
- A potential co-investment party's expression of interest or right to co-invest granted by such party's side letter with a Fund, other third-party agreement or otherwise;
- Parthenon's desire to limit or minimize the number of potential co-investors approached on any investment opportunity in order to reduce: (a) the administrative burdens imposed

on Parthenon or the potential co-investment opportunity as a result of participation by multiple co-investors, (b) the amount of additional due diligence burden on the investment opportunity, and (c) the risk of any delay in timing caused by the inclusion of multiple co-investors;

- Parthenon's evaluation of the size and financial resources of the potential co-investment party and Parthenon's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing the Funds(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case (including a potential co-investment party's particular tax structuring requirements or contractual obligations by Parthenon that would not be required otherwise);
- Parthenon's perception of the potential co-investment party's willingness to assume a passive role and not require any governance or other protective rights that would complicate the underlying transaction or the terms of the co-investment;
- Parthenon's perception of the potential co-investment party's ability and willingness to cooperatively assist with internal decisions at the portfolio company level, including with respect to participation in follow-on investments on the same terms as the Funds;
- Any confidentiality concerns Parthenon has that may arise in connection with providing the potential co-investment party with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- Parthenon's perception of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by Parthenon, the expected amount of negotiations required in connection with a potential co-investment party's commitment, and whether the co-investment party has demonstrated a long-term commitment to the potential success of the current or future Funds and/or Parthenon;
- The ability of a potential co-investment party to hold investments for longer periods of time (or indefinitely);
- Parthenon's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the potential co-investment party would act upon the investment opportunity if offered;
- Parthenon's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, such co-investment party's existing investment in a competitor of the target company, or if the identity of the potential co-investment party, or

the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity); and

- Whether Parthenon believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to the Funds, current or future Funds and/or Parthenon.

Section 206(3) of the Advisers Act would restrict a post-closing sell down or transfer of an investment from one Fund to another Fund or other advisory client constituting a principal account absent appropriate disclosure and consent by the participating parties. A Fund or other advisory client may be deemed to be a principal account for purposes of Section 206(3) if the investment adviser and/or its controlling persons, in the aggregate, own more than 25% of the interests of the Fund or other advisory client (such as a sell down by a Fund to an employee co-investment fund owned primarily by the controlling persons of Parthenon). It is Parthenon's policy that the terms of any sell down or transfer to a principal account shall not favor the principal account to the detriment of a Fund or other advisory client participating in the transaction, unless the material terms of such transaction and any associated conflicts of interest are adequately disclosed to the parties participating in the transaction, including the capacity in which Parthenon is acting in connection with such transaction, and such parties expressly consent to such conflicts before the sell down or transfer is consummated.

The factors above are not listed in order of importance or priority and Parthenon is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances. These factors will lead Parthenon to favor some potential co-investors over others with respect to the frequency with which Parthenon offers them co-investment opportunities. Parthenon's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, potential co-investors, Parthenon investors and third parties, and in the manner discussed above, often will not result in proportional allocations among such persons, and such allocations often will be more or less advantageous to some such persons relative to other such persons. For example, Parthenon may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons. While Parthenon will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which Parthenon is subject, discussed herein, did not exist.

The Firm's Investment Committee is responsible for monitoring the allocation of co-investment opportunities. If Parthenon determines to offer an investment opportunity to co-investors, there can be no assurance that Parthenon will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, if at all, that the co-investment will take place on the terms and conditions that will be preferable for such Fund or that expenses incurred by such Fund with respect to the syndication of the co-investment will not be substantial. If Parthenon is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part,

the Funds otherwise participating in such investment consequently would hold a greater concentration and would have more exposure in the related investment opportunity than was initially intended, which could make the participating Funds more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect to such investment. The Funds participating in such investment will also bear the entire portion of any fees, costs and expenses related to such investment to the extent not fully reimbursed by the target company. An investment that is not syndicated to co-investors as originally anticipated could significantly reduce a participating Fund's overall investment returns. Therefore, it is possible that a Fund that overcommits to an investment will bear a disproportionate allocation of the risks associated with the transaction without being compensated for assuming such risks. Further, it is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may have, from time to time, economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of the participating Funds and as a result, may take a different view from Parthenon as to the appropriate strategy for an investment or may be in a position to take a contrary action to the Funds' investment objective.

From time to time in connection with the acquisition of a portfolio company, a Fund may enter into purchase agreements, equity commitment arrangements and guarantees in which the participating Funds (on behalf of themselves and co-investors) agree that subject to the satisfaction of all closing conditions for the transaction, such Funds will fund sufficient proceeds to complete the transaction, or agree to pay a percentage of the total value of the transaction as a "reverse termination fee" to the seller, or such Funds will agree to close a transaction even if the contemplated debt financing is not funded. Similarly, the participating Funds and their co-investors may be subject to commitments to make follow-on investments in portfolio companies or provide guarantees of portfolio company indebtedness. A conflict of interest arises as between the participating Funds and any co-investor because the Funds are typically responsible for the entire amount of any of the foregoing obligations in the event a co-investor does not agree to bear its share of such amounts, defaults or otherwise fails to fund its commitment. Parthenon typically does not require a co-investor to be a party to any such equity commitment arrangements or guarantees, which means the Funds would be solely responsible for such obligations.

As described in Item 5 above, Parthenon receives Ancillary Fees from portfolio companies for Related Services. The Organizational Documents of the applicable Funds require that a pro rata share (determined according to the amount of capital invested or proposed to be invested by each such Fund in such transaction or prospective transaction) of any such Ancillary Fees received by Parthenon or its affiliates be applied as an offset to the Management Fee, if any, owed by such Funds for a period after receipt of such fee. Such offset terms do not apply to Funds that do not pay a Management Fee and co-investors. Parthenon generally does not expect to allocate any portion of any such fees to such Funds or co-investors in connection with or as a result of their participation as a co-investor, including with respect to break-up fees received from unconsummated transactions (except to the extent a participating co-investor has agreed to bear its pro rata share of transaction related expenses). However, Parthenon reserves the right to share a portion of such fees that it is entitled to retain with one or more co-investors participating in the transaction or proposed transaction, and any such amounts allocated to a co-investor shall not be offset against the Management Fees owed by any Fund. Similarly, any break-up fee paid to a portfolio company in connection with an unconsummated add-on transaction is for the benefit of

the portfolio company and will not be offset against the Management Fees owed by a Fund or any co-investor invested in such portfolio company.

Allocations of Secondary Transactions. Investors in the Funds from time to time request the approval of the general partner to transfer the investor's limited partnership or other interest in a Fund to a third party (such as an affiliate of an investor, another existing investor in a Fund or other third parties). While it is Parthenon's expectation that investors will remain invested in a Fund for its duration, circumstances may arise that may necessitate or otherwise warrant a transfer of an interest. It is Parthenon's policy not to promote, engage in or otherwise facilitate transactions involving, directly or indirectly, transfers of interests or derivatives thereof, except to consider and review transfer requests from investors in accordance with the Fund's offering and/or Organizational Documents. Subject to the foregoing, if asked to identify potential purchasers in a secondary transfer, Parthenon may do so in its sole discretion, generally taking into account one or more of the following factors:

- Parthenon's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations and to make capital subscriptions to future Funds;
- Parthenon's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds and/or the Firm;
- Whether the potential purchaser would subject Parthenon, the Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens;
- A prospective purchaser's potential investment in another investment opportunity (including any commitment to a future Fund or co-investment opportunity)
- A potential purchaser's investment into another Fund (including any commitment to a future Fund or co-investment opportunity);
- Requirements in such Fund's Organizational Documents; and
- Such other facts as it deems appropriate under the circumstances in exercising such discretion.

Allocation of Fund Expenses and Dead Deal Costs. Generally, expenses attributable to non-investment activities of a Fund as a whole (e.g., costs relating to the organization of the Fund and its parallel investment vehicles and their respective general partners, syndication costs, periodic reporting, insurance, indemnification costs, annual meetings, amendments, advisory board consents, etc.) will be borne by the applicable Fund and its parallel investment vehicles on a pro rata basis according to their respective capital subscriptions. However, expenses specifically attributable to the maintenance or administration of a Fund or a parallel investment vehicle generally will be borne by the investors in such entity, unless Parthenon determines in its sole discretion that an alternative allocation of such expenses among such investment vehicles is fair and reasonable under the circumstances. Similarly, non-investment related expenses attributable to multiple Funds, generally will be borne by all such Funds pro rata according to the aggregate

cost basis of their respective remaining investment portfolios, unless the Firm reasonably determines that an expense should be borne by a particular Fund. For example, research conducted by Parthenon from time to time generally enhances Parthenon's general understanding and knowledge of industries in which the Funds invest, financial and other markets, portfolio company competitors and their business models and products, as well as comparable transactions used to facilitate the valuation of existing and prospective investments, all of which potentially benefits various portfolio companies over time and therefore indirectly benefits more than one Fund over time. Research expenses generally are allocated to the Funds managed by Parthenon at the time such expenses are incurred, but generally such expenses are not allocated to co-investment vehicles. The portion of research expenses allocated to a Fund may not reflect the relative benefit derived by it from such expenses in any particular instance.

Investment related expenses attributable to a portfolio investment made by the Funds and not borne by the relevant portfolio company (e.g., due diligence costs, research expenses, transaction-related travel, legal, accounting and other transaction-related fees and expenses), generally will be allocated among those Funds participating in such portfolio investment pro rata according to each entity's respective capital contributions to such portfolio investment, unless the Firm reasonably determines that an expense should be borne by a particular Fund. Taxes (including withheld amounts) incurred by a Fund or a parallel investment vehicle that are not directly attributable to an investor in such entity generally will be borne by such entity, unless the applicable general partner determines in its sole discretion that an alternative allocation among such entities is fair and reasonable under the circumstances. Similar expenses and costs incurred by alternative investment vehicles formed to accommodate participation in a portfolio investment by only certain investors generally will be borne by those investors. However, fees and expenses of an alternative investment vehicle in which all or substantially all the investors of a Fund or a parallel investment vehicle participate (directly or indirectly) generally will be borne by the Fund or such parallel investment vehicle, as applicable. Investors in Feeder Funds will indirectly bear all such expenses in their capacity as indirect investors in the underlying Fund or any parallel investment vehicle, as applicable, as well as the fees and expenses directly attributable to the Feeder Fund. The portion of expenses allocated to a Fund may not reflect the relative benefit derived by such Fund from such expense in any particular instance.

Fees and expenses incurred in the course of evaluating and making investments that are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be allocated among the Funds that invest in parallel, on a pro rata basis according to their respective intended capital contributions for such investments, but not to other Funds, co-investors and other third parties unless such other Funds, co-investors or other third parties have agreed to bear their proportionate share of such expenses. Parthenon may cause a Fund to pay or advance an expense common to the Allocated Funds (such as legal expenses for a transaction in which all such funds participate), so long as each Allocated Fund reimburses the paying Fund for its share of such expense (which may include interest), promptly after the payment is made by the paying Fund. A Fund may have similar reimbursement obligations to other Funds that pay or advance an expense common to them. Conflicts may arise in the decision of whether to require the Allocated Funds to pay interest or other borrowing costs that may be incurred by the paying Funds in connection with making such advances on behalf of the Allocated Funds. Please also see "*Liability Insurance*" below for a discussion of the allocation of certain insurance costs.

Conflicts Related to Purchases and Sales. Conflicts may arise when an Account makes investments in conjunction with an investment being made by other Accounts or in a transaction where another Account has already made an investment. A particular investment may be bought or sold for an Account in different amounts and at different times for another Account, even if it could have been bought or sold at the same time. Likewise, a particular investment may be bought for one Account when another Account is selling all or a portion of its interest in the same investment (or vice versa). Parthenon also may cause an Account to sell down an investment while other Accounts hold or increase their investment in the same portfolio company (or vice versa). Conflicts may also arise when an Account makes equity co-investments in an issuer in conjunction with purchasing a participation in one or more loans to such issuer in which another Account holds an investment.

Parthenon may also cause a Fund to distribute in kind the securities of a portfolio company in which Parthenon or other Accounts remain invested, thereby allowing certain investors the opportunity for liquidity earlier than other investors. Parthenon will make such determinations in good faith, but in its sole discretion, and there is no assurance that such determinations will not be adverse to an Account. Such decisions could result in different investment returns. An Account may also distribute in kind Parthenon's share of securities resulting from an investment disposition while disposing of investors' share of such securities and distributing the net cash proceeds of such sale of securities to the investors. This ability could create a conflict of interest between Parthenon and an Account's investors because the Firm has an incentive to dispose of the Account's securities in order to increase trading volume, which may facilitate the Firm's ability to dispose of the shares held by it more readily and at potentially higher prices relative to the prices realized by the Account for the same securities. The Accounts may also distribute securities in kind to all of its partners, including Parthenon. In such circumstances, the Firm is permitted to act in its own interest with respect to its share of securities and could determine to sell the distributed securities, including prior to the time at which an investor is able to sell its shares of the distributed securities, or to hold onto such securities for so long as Parthenon determines in its sole discretion. Parthenon's ability to act in its own self-interest with respect to such distributed securities creates a conflict of interest between the Firm and the Account. These conflicts may be exacerbated due to the enhanced knowledge and information the Firm may have relative to the investors with respect to such securities.

The Organizational Documents for certain Funds permit a general partner to elect to receive Carried Interest distributions or other distributions in the form of an in-kind distribution of securities of a portfolio company, including for purposes of permitting one or more Parthenon personnel to donate such securities to charity (which may include private foundations, funds or other charities so chosen by such personnel). Any tax efficiencies to such Parthenon personnel associated with this form of charitable giving or that may be derived from a distribution in kind of securities may have the effect of reinforcing or enhancing Parthenon's incentives otherwise resulting from the existence of its Carried Interest and therefore, Parthenon may have a conflict of interest in making decisions on behalf of the Accounts (including, for instance, the timing of disposition of investments).

Investment opportunities may be appropriate for Accounts at the same, similar or different levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments in these situations, particularly where clients may invest in different or overlapping

types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, whether payment should be accelerated, whether debt should be refinanced, whether to fund follow-on investments or otherwise recapitalize the portfolio company. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring or other concessions that may be given in such a situation raise conflicts of interest, particularly in the case where Accounts have invested in different securities within the same portfolio company and Parthenon may be incentivized to choose a course of action that benefits one Account to the detriment of other Accounts. If one Account has control or a controlling influence over the management and operations of a portfolio company, such management and operational decisions may be in direct conflict with the interests of other Accounts that have invested in the same portfolio company that do not have a similar level of control or influence over the same portfolio company.

Certain Accounts may invest in bank debt and securities of companies in which other Accounts hold securities, including equity securities. In the event that such investments are made by an Account, the interests of such Account may be in conflict with the interest of such other Accounts, particularly in circumstances where the underlying company is facing financial distress. As described above, equity holders and debt holders have different (often competing) motives, incentives, liquidity goals and other interests with respect to a portfolio company. The involvement of Parthenon personnel at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors or within Parthenon, which could have an adverse effect on the investment decisions made on behalf of an Account. In certain circumstances, one or more Accounts may be prohibited from exercising voting or other rights, and may be subject to claims by creditors with respect to the subordination of their interest. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by an Account or one of its a portfolio companies or another Account or one of its portfolio companies. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, an Account may or may not provide such additional capital and if provided, such Account will supply additional capital in such amounts, if any, as determined by Parthenon. In the event one Account is unable or unwilling to fund its share of additional capital, another Account may be obligated to fund the shortfall. In such event, one Account will gain greater exposure to such investment than may have been intended and the other Account will be diluted in such investment. The investment's return for each Account may be negatively impacted as a result of the foregoing. The decision by Parthenon on behalf of one Account not to provide additional capital to a portfolio company of another Account could adversely affect such other Account's existing investment in that portfolio company.

Investments by an Account, on the one hand, and another Account, on the other hand, in a portfolio company may also raise the risk of using assets of one Account to support positions taken by another Account, or vice versa. For example, a Fund may remain passive in a situation in which it is entitled to vote if such vote adversely affects the interests of other Accounts, even if doing so would adversely affect the Fund. Parthenon may also express inconsistent or contrary views of commonly held investments or of market conditions more generally. In addition, there may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. These variations in timing may adversely affect

the ultimate returns to an Account from such investment. In addition, investors may receive different consideration (for instance, investors in one Fund may receive cash whereas investors in another Fund may be provided the opportunity to receive distributions in-kind) which may impact the realized return ultimately received by each Fund. The application of an Account's Organizational Documents and Parthenon's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Accounts in different classes of an issuer's capital structure and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed. Employees and related persons of Parthenon and its affiliates have made or may make capital investments in or alongside certain Accounts, and therefore may have additional conflicting interests in connection with these investments.

Subject to the terms of its Organizational Documents, an Account may invest in opportunities that other Accounts have declined, and likewise, an Account may decline to invest in opportunities in which other Accounts have invested. Parthenon may consider and reject an investment opportunity on behalf of an Account and may subsequently determine to have another Account make an investment in the same company. A conflict of interest arises because the investing Account will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by Parthenon on behalf of the Account that originally considered the investment. In such circumstances, the benefiting Account is not required to reimburse the originating Account for expenses incurred in connection with researching such investment.

For convenience, the Funds may make an investment in anticipation of other Accounts, co-investors, portfolio company management teams and other third parties participating in the same investment as soon as practicable following the transaction. Parthenon may warehouse, whether itself, its affiliates or with one or more third parties, one or more investments that will be transferred to the Funds and/or other Accounts. These circumstance may arise in the context of an initial platform investment in which the Funds or one or more co-investors may not have sufficient advance notice of, or time to evaluate, the investment opportunity, or pursuant to options, preemptive or other rights to purchase additional equity in which it is administratively easier for the Funds to fund the entire amount and subsequently sell down to other Accounts or third parties, such as in situations in which a portfolio company is experiencing a cashflow constraint. Various conflicts arise in these situations. For example, the Funds may incur interest expenses and other borrowing costs in connection with investments made on behalf of others, as well as investments warehoused for the Funds. The Funds are also exposed to the risk that these third parties will not purchase their intended allocation of the investment. In addition, the value of the investment could change significantly between the date of initial investment and when the investment is eventually sold down to other parties. When determining whether to allocate interest expense and other costs incurred in connection with transferring a portion of an investment to various Accounts or other third parties, Parthenon typically determines the cost of the co-investment in its sole discretion, taking into account the actual incremental out-of-pocket costs, interest expenses and other factors, but generally does not charge the co-investor an amount that would accurately reflect any appreciation in the value of the investment or that would appropriately compensate for the costs and risks incurred during the period in which the investment was held on behalf of the co-investors. Any warehoused investments are expected to be transferred to a Fund at cost, plus interest, and the value of such investments may decline below cost at the time of transfer to the Fund. Even if such decline in value is significant, a Fund will generally be required to pay Parthenon and any other

warehousing parties any such cost amount, plus interest. See “Allocation of Co-Investment Opportunities” above for a further discussion of conflicts related to such transfers.

From time to time Parthenon may, in its discretion, enter into transactions with an investor in a Fund or potential investor in a future fund to dispose of all or a portion of investments held by one or more Funds. Parthenon will select the purchaser(s) of such investments in its sole discretion. The sales price for such transactions will be mutually agreed to by Parthenon and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by Parthenon. Although Parthenon is not obligated to solicit competitive bids for such sales transactions or to seek the highest available price, it will first determine that such transaction is in the best interests of the selling Fund(s), taking into account the sales price and other terms and conditions of the transaction, the amount of capital available (if any) to the selling Fund to continue to support its portfolio companies, investors’ willingness to continue to invest in the selling Fund, including to bear fees and expenses to support the ongoing operations of the Fund (including Management Fees), the investors’ stated preferences for liquidity, the amount of time required to dispose of the selling Fund’s investments at prices that are consistent with the selling Fund’s return targets (if any), and any contractual obligations in the Organizational Documents to dispose of the Fund’s remaining investments and wind-up the affairs of the Fund in an orderly manner. There can be no assurance, in light of the performance of the investment following such transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s).

From time to time, Parthenon personnel invest in funds or other entities managed by investors who are invested in one or more Funds, which could incentivize such Parthenon personnel to afford those investors preferential or favored treatment, such as, for example, increased access to co-investment opportunities, and could create conflicts of interest to the extent such other funds compete with a Fund for investment opportunities or invest in competing portfolio companies or in connection with proposed secondary transactions of interests in an Account.

Other Interests in Client Transactions. From time to time, Accounts may invest in companies in which Parthenon employees hold certain minority and passive interests or that are customers or suppliers of companies in which Parthenon employees hold certain minority and passive interests and may indirectly benefit from the Account’s investment in the other company. The Organizational Documents of the Funds require the consent of the relevant Fund’s advisory board for any investment in a company in which any Parthenon personnel holds an existing investment as well as transactions that would be reasonably likely to result in a potential conflict of interest. Parthenon does not believe that minority and passive investments by Parthenon personnel in publicly traded companies or certain other privately held companies in which a Fund seeks to make an investment or in companies that may indirectly benefit from a Fund’s investment in another company are reasonably likely to result in a potential conflict of interest, absent additional facts or circumstances, such that the consent of the relevant Fund’s advisory board would not be sought in such instances. Similarly, Parthenon is not required to obtain the consent of an underlying client of an SMA that may encounter similar potential conflicts with respect to its investments. Where an actual conflict of interest may exist, such conflicts will be addressed as discussed in more detail below.

Cross Transactions. In certain cases, Parthenon may cause an Account to purchase investments from another Account, or it may cause an Account to sell investments to another Account. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, the selling Account may not receive the best price otherwise possible, or Parthenon might have an incentive to improve the performance of one Account, on the one hand, by selling underperforming assets to another Account, on the other hand, in order, for example, to earn fees from the other Account. Additionally, in connection with such transactions, Parthenon, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in the Account that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). Parthenon and its affiliates may receive management or other fees in connection with their management of the relevant Account involved in such a transaction and may also be entitled to share in the investment profits of the relevant Account, as well as receive transaction fees from the underlying portfolio companies involved in such transactions.

To address conflicts arising from such purchases and sales, a Fund's Organizational Documents may require certain approval from such Fund's advisory board of certain transactions in which the Fund invests in an existing portfolio company of another Fund or sells an investment to another Fund. Receipt of any such approval shall satisfy Parthenon's good faith requirement, and any other applicable duty to such Fund and its investors.

Principal Transactions. Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "**principal transaction**"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with Parthenon's management of the Accounts, Parthenon and its affiliates may engage in principal transactions, although Parthenon does not anticipate entering into any such principal transactions where Parthenon or any of its affiliates purchases or sells any security for its own accounts from or to the accounts of the Accounts. In the event that Parthenon or any of its affiliates do engage in a principal transaction, any required approvals, including that of a Fund's advisory board, will be obtained in accordance with the terms of such Fund's Organizational Documents and such transaction will be undertaken in compliance with Section 206(3) under the Advisers Act. Receipt of any such approval (including, if permitted by a Fund's Organizational Documents, approval by the general partner) shall satisfy Parthenon's good faith requirement, and any other applicable duty to such Fund or its investors.

Follow-on Investments. Follow-on investments, including re-leveraging and recapitalization transactions involving portfolio companies may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on investments by one Account in a portfolio company in which another Account or the Firm is investing or has previously invested. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value, whether new investors are paying too high or too low a price for the portfolio company or purchasing securities with terms that are more or less favorable than the prevailing market terms, and if fees are paid to Parthenon in

connection with the transaction. There is no assurance that an Account will be able to participate in follow-on investments in its existing portfolio companies due in part to the limited amount of capital available to the Account.

Furthermore, a conflict of interest also arises because an Account that participates in a follow-on investment in a portfolio company held by another Account will benefit from the initial evaluation, investigation and due diligence undertaken by Parthenon on behalf of the original Account and from operational or other information about such portfolio company acquired from the original Account's ownership of interests in the portfolio company. In such circumstances, such benefitting Account or Accounts will not be required to reimburse the original Account for expenses incurred in connection with researching, structuring and completing the original investment. An investment by an Account in a portfolio company of another Account at a later stage may be made at a higher or lower valuation than such other Account's previous investment in such portfolio company and an investment by one or more other Accounts in any such portfolio company may dilute the original Account's interest in such portfolio company.

Duties to Portfolio Companies. Officers and employees of the Firm may serve as directors of, observers on boards with respect to, or officers for certain of the Accounts' portfolio companies and, in that capacity, will be required to make decisions that consider the best interest of such companies and their respective shareholders irrespective of the potential impact to the Account. In addition, if an employee serves as a director on the board of more than one portfolio company, such employees' fiduciary duties among the two or more portfolio companies may create a conflict of interest.

In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of an Account, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an officer or employee of the Firm and such individual's duties as a director or officer of the portfolio company.

Decisions made by a director or officer designee of Parthenon may subject Parthenon, its affiliates or an Account to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, an Account will indemnify Parthenon, its affiliates and individual members of Parthenon and its affiliates for such claims. In addition, Parthenon and its affiliates and employees may receive Director Fees for serving on boards of directors of portfolio companies in which one or more Accounts and/or co-investors may hold an investment. Recipients of any such fees in the form of options or other securities received may determine to exercise or sell such securities or to hold the securities for such time as such recipient, or the Firm, shall determine. The ability of such recipients or the Firm to act in their or its own interests with respect to such Director fees creates a potential conflict of interest between the Firm, as an adviser to the applicable Accounts, on the one hand, and such Accounts, on the other.

Access to Inside Information. As a result of participation by representatives of the Firm on boards of certain companies, and/or as a result of confidentiality agreements or non-disclosure agreements entered into by the Firm, the Firm may acquire confidential or material, non-public information or may become subject to non-solicitation, standstill or non-compete arrangements as a condition to

receipt of such non-public information. The Firm does not maintain formal “information barriers” between its deal teams. Consequently, the Accounts’ investment activities may be restricted such that an Account may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Such possession of material, non-public information may create a conflict of interest involving (i) duties and obligations of the Firm and its representatives to the companies on whose boards these representatives participate and (ii) the Accounts’ ability to effect purchases and sales of the securities of such companies. Inadvertent trading on material non-public information could have material adverse effects on the Firm’s reputation, result in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact the Firm’s ability to perform its investment management services on behalf of the Account. The Firm maintains a code of ethics that limits its employees’ ability to engage in personal trading and allows the Firm to monitor for such activity.

Conversely, as a result of participation by representatives of the Firm on boards of certain companies and more generally in connection with the Firm’s investment advisory services on behalf of one or more Accounts, the Firm’s representatives will have access to proprietary and other confidential information of such Account’s portfolio companies, including information that enhances the representative’s general understanding of the industries, markets and industry practices and trends, as well as specific portfolio company information, such as business practices, strategic initiatives, acquisition strategies, customer, supplier and competitor lists, and financial and other metrics and software and other technology used to track and analyze such information, some of which is sometimes referred to as “big data” (collectively, “**Know-How**”). Parthenon seeks to use this Know-How to anticipate macroeconomic and other trends and financial opportunities, enhance and improve operations of portfolio companies and otherwise develop investment strategies. Parthenon personnel may rely on such Know-How and past experience in connection with their services to other portfolio companies, including portfolio companies of other Accounts that are existing or potential competitors of another Account’s portfolio companies, or in connection with developing investment strategies or theses that will benefit other Accounts. It is difficult, if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such Know-How. Further, such Know-How is expected to be aggregated across the Funds and their respective portfolio companies and, in connection therewith, Parthenon is expected to serve as the repository for such Know-How, including with ownership, use and distribution rights therein. In addition, portfolio companies may incur incremental expenses in collecting and organizing information requested or required to be furnished to Parthenon. The use of such Know-How for the benefit of other portfolio companies or other Accounts creates various conflicts of interest, including that the disclosing portfolio company will not be entitled to any compensation for the Firm’s use of such Know-How and any benefits received by Parthenon or its personnel will not be considered “Ancillary Fees” for purposes of an Account’s Organizational Documents, and will not be subject to any Account’s Management Fee offset provisions or otherwise shared with an Account or its investors.

Conflicts Relating to Activities of SMAs

The Firm may encounter some of the conflicts of interest described herein in connection with rendering services to SMAs. A SMA’s investment strategy may be similar to, different from, or competitive with the investment strategies of the Funds or another SMA. Conflicts may arise when

a Fund holds an equity investment in a portfolio company and a SMA has entered into a Loan Transaction with that portfolio company. See “*Conflicts Relating to Purchases and Sales*” above. For example, if a SMA purchases in the secondary market at a discount debt securities of a company in which a Fund has, for example, a substantial equity interest, (a) a court might require either the SMA or the Fund to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) either the SMA or the Fund might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

Conflicts may also arise in connection with the allocation of investment opportunities in portfolio companies that may be suitable for the Funds to make an equity investment and a SMA that provides debt financing. The Firm expects that during the Funds’ investment period prospective suitable investment opportunities initially will be evaluated for an investment by the Funds in priority to any SMA. If the investment opportunity is allocated to a Fund, then the Firm will determine if such opportunity requires debt financing that may be provided by a SMA or other third-party lender. See also “*Conflicts Related to Purchases and Sales*” above. The Firm generally offers the SMA the opportunity to enter into a Loan Transaction to facilitate the Funds’ acquisition of an investment opportunity, refinancing of a portfolio company’s existing indebtedness or new financing. The Firm (or portfolio company) may accept or reject the SMA’s proposed terms in their sole discretion and are free to accept proposals from third-party lenders. Therefore, the co-investment allocation policies described above generally do not apply to a non-discretionary SMA. Once the Firm has offered to a SMA the opportunity to enter into a Loan Transaction with an existing or prospective portfolio company, the terms of such Loan Transactions will be negotiated directly with the SMA on an arm’s-length basis consistent with the manner in which the Firm would negotiate with another third-party lender on behalf of a Fund’s portfolio company. The Firm or the applicable Fund may receive information pertaining to such portfolio company that is not otherwise made available to such SMA. The SMA is responsible for conducting its own legal and confirmatory diligence and requesting information from the portfolio company as it determines necessary or appropriate for its own purposes. Except as provided in a SMA Agreement, the Firm will not be responsible for conducting any such diligence or otherwise provide the SMA information on an unsolicited basis. Conversely, the SMA may benefit from the diligence conducted by Parthenon in connection with its evaluation of an investment for one or more Funds. The SMA will not be required to reimburse or otherwise bear any share of such diligence expenses incurred by the Funds.

Given the nature of these conflicts, there can be no assurance that any such conflicts will be resolved in a manner that is beneficial to a particular Account and actions may be taken by one Account that adversely affects another Account. Although Parthenon will seek to resolve all such conflicts using its best judgment in its sole discretion, there is no assurance that such conflicts will be resolved in any Account’s favor; it being understood that Parthenon does not have any control or authority over the decisions made on behalf of its non-discretionary SMAs.

Additional Investment Strategies. Parthenon is considering and may in the future pursue investment strategies that it believes are complementary to the Firm’s business. These additional investment strategies may differ from (and potentially conflict with) that of the existing private equity-focused Funds. If such strategies are pursued, there may be a conflict of interest in the

allocation of such investment opportunities among two or more Accounts. In such event, the Firm will evaluate a variety of factors which may be relevant in determining whether a particular investment opportunity is appropriate and feasible for the Accounts, including the factors set forth above under “*Allocation of Investment Opportunities Among Funds with Similar Investment Strategies.*” These other investment strategies will also require significant time and attention from certain employees of the Firm. Such persons will have demands made on their time for the investment, monitoring, exit strategy and other functions of other Accounts.

Limited Partner Information. In connection with the offering of interests in a Fund the Firm will make available, prior to the closing of such offering, to each prospective investor the opportunity to ask questions of, and receive responses from, a representative of the Firm concerning the terms and conditions of the offering and to obtain any additional information, if the Firm possesses such information or can acquire it without unreasonable effort or expense. The Firm may provide such information in templates prepared for all investors and not tailored to a specific investor. However, due to the fact that different potential investors may ask different questions and request different information, the Firm may provide certain information to one or more prospective investors that it does not provide to all prospective investors. None of the responses or additional information provided is or will be integrated into any offering materials, and no prospective investor may rely on any such responses or information in making its decision to invest in any offered securities.

Over the course of the life of a Fund the Firm may provide certain investors with supplemental information regarding the affairs of the Fund and its portfolio companies that is not customarily provided in the Fund’s financial statements or other general reports to the Fund’s investors. Investors that also participate in co-investment opportunities and other co-investors may also receive financial, due diligence and other information relating to investments in which they hold a co-investment that will not be made available to all investors. In addition, investors with representatives appointed to a Fund’s advisory board may receive information pertaining to conflicts, amendments to the Fund’s terms, valuation determinations, and other information pertaining to existing or prospective investments that may not be made available to all investors. In response to such requests, the Firm provides from time to time additional or more detailed information to one or more investors (or prospective investors) that it does not provide to all such investors. The disparity of information provided to investors in the Fund may create conflicts of interest, particularly with respect to information that may be relevant to the valuation of an investor’s interest in the Fund or the evaluation of a potential co-investment opportunity.

A Fund’s Organizational Documents permit the Firm to withhold information from certain investors in certain circumstances. For instance, information may be withheld from investors that are subject to the Freedom of Information Act or similar laws or regulations that may compel the public disclosure of the Fund’s financial statements or other confidential information. The Firm may also withhold certain information from certain investors for reasons relating to the Firm’s public reputation or overall business strategy, despite the potential benefits to the investor of receiving such information. A Fund will be responsible for expenses incurred in connection with responding to disclosure requests under such laws or regulations even if the Fund is successful in asserting confidentiality for any requested documents or materials.

Management of Accounts. Parthenon may give advice or take actions with respect to, the investments of one or more Accounts that may not be given or taken with respect to other Accounts

with similar investment programs, objectives or strategies. For example, the tax structure of one Account's participation in an investment may be different than the tax structuring for another Account's participation in the same investment. As a result, Accounts with similar strategies may not hold the same securities or achieve the same performance. In addition, an Account may not be able to invest through the same investment vehicles, or have access to similar credit or utilize similar investment strategies as another Account due to tax, regulatory or other considerations. These differences may result in variations with respect to participation, price, leverage and associated costs of a particular investment opportunity, including the taxes borne by the investors participating in an investment through a particular tax structure.

Conflicts Relating to Pass-Through Investment Structures. Certain Accounts are contractually obligated to use alternative investment vehicles that are treated as corporations for U.S. federal tax purposes ("**Blockers**") when investing in operating companies that are structured as partnerships for U.S. federal tax purposes (i.e., pass-through entities). Other Accounts have discretion to invest directly in pass-through entities. Investors may elect to invest in such Accounts in order to derive the tax benefits associated with direct investments in pass-through entities. An Account's use of a Blocker may make the underlying portfolio company less attractive to prospective buyers, thereby potentially reducing the value of an Account's investment in the portfolio company. On the other hand, the administration of direct investments in pass-through entities (particularly with respect to tax reporting) is extremely complex and time consuming for Parthenon and its personnel. Parthenon's discretion to choose whether to cause an Account to invest directly in a pass-through entity or through a Blocker creates a conflict of interest because such direct investments are typically more burdensome for Parthenon to administer than investments held through Blockers, notwithstanding the investors' desire to participate in direct investments in pass-through entities. All investment structuring decisions will be made by Parthenon in its sole discretion, subject to the terms of the Organizational Documents. In addition, investors will generally bear their share of all out-of-pocket expenses incurred by the general partner in connection with the administration of direct pass-through investments, and investors will generally bear indirectly their share of such expenses through any Blocker utilized for such investment, as well as the out-of-pocket expenses in connection with the administration of the Blocker and any related alternative investment vehicles.

Conflicts Relating to Borrowing Arrangements. Accounts having the same investment objectives and that are designed to invest alongside each other in the same investments may enter into borrowing arrangements that require each such vehicle to be jointly and severally liable for the obligations of other vehicles. These arrangements include subscription facilities for the benefit of such vehicles as a whole that will allow such Accounts to fund investments pending capital contributions from their investors, portfolio company holding company indebtedness, and, to a lesser extent, portfolio company guarantees and letters of credit. Similarly, in rare instances, Accounts may be jointly and severally liable for the obligations of other Accounts and co-investors. If one entity defaults on any such arrangement, the other obligors of such arrangement may be held responsible for the defaulted amount. As such, investors in the Accounts may be required to fund all or a portion of their capital subscriptions to satisfy the capital contribution obligations of the investors of the same Account, another Account and co-investors. Such facilities may also benefit co-investment parties. For example, the Accounts are expected to borrow to fund a co-investment party's pro rata share of an investment or expense related to an investment. While Parthenon expects that all parties (including Parthenon and any co-investment party) will bear their

pro rata share of expenses (but not origination and other costs) allocable to the extension of credit, the Accounts will bear a disproportionate amount of credit risk in incurring the debt on behalf of the other parties. The Accounts will only enter into such joint and several borrowing arrangements when Parthenon determines it is in the best interests of the Accounts.

The Accounts bear the interest, fees and associated costs of these lending arrangements. Borrowings to make investments as well as to defer calling committed capital generally may remain outstanding for a period of time permitted by the credit agreement. Borrowings may also be incurred in situations in which Parthenon expects the amount borrowed to be repaid from sources other than investors' capital contributions. Fund-level borrowings impact the calculation of net performance metrics (to the extent they measure investor cash flows) and have the potential to make net internal rate of return ("IRR") calculations higher than they otherwise would be without Fund-level borrowing because these calculations depend on the amount and timing of actual capital contributions, not the date an investment was made using borrowed funds. Such arrangements also affect the amount of preferred return that accrues to investors in an Account as the preferred return accrues from the date of actual capital contributions, not the date of investment in the underlying portfolio company. The general partner's discretion to utilize such subscription facilities creates a conflict of interest because of the potential positive impact on Parthenon's track record, and such borrowings have the potential to accelerate the timing of Carried Interest distributions to the general partner as a result of a potentially lower accruing preferred return.

In addition, Fund-level borrowings for investment purposes are treated as invested capital for purposes of calculating the Management Fee paid by the relevant Account. Therefore, investors generally will pay Management Fees on borrowed amounts used to fund an investment even though such amounts would not accrue a preferred return, as discussed in the previous paragraph. Fund-level borrowing may also result in adverse tax consequences for certain investors. The Accounts may incur fees and expenses to create structures designed to mitigate these tax consequences which would not be incurred if leverage were not used. Such expenses will be allocated specifically to those investors who have requested to participate through such structures or may be borne by the relevant Account, as Parthenon determines in good faith.

Conversely, Parthenon may elect not to use Fund-level borrowing at any time and for any reason, despite that an Account incurring substantial costs to establish one or more subscription facilities or other borrowing arrangements. Investors are required to fund their capital subscriptions whenever called by the applicable general partner in accordance with the Organizational Documents, even if an Account's subscription facility has sufficient capacity to fund the capital call. Calling a large amount of capital at once to repay amounts borrowed by an Account could create short-term liquidity concerns for investors that would not arise had Parthenon called capital commensurate with the timing of the Account's investments.

From time to time, Parthenon may cause a subsidiary, SPV, holding company or other entity to join an Account's subscription facility and borrow amounts directly under it, as a "qualified borrower," with the Account providing a guarantee of the borrowing. These borrowings are typically used to finance investments in one or more portfolio companies. In addition, such subsidiaries, SPVs, holding companies or other entities could enter into other asset-backed loan arrangements where they borrow money from a lender and pledge such entity's interests in one or more underlying portfolio companies (or other assets) as collateral for the loan. These pledged

interests represent an Account's indirect investment in one or more portfolio companies. Although the Organizational Documents impose limitations on the amount of borrowing by an Account and guarantees of outstanding borrowings by third parties, any indebtedness incurred by a "qualified borrower" or through other asset-backed loan arrangements are not treated as borrowings by the Account for purposes of such borrowing limitations even if such indebtedness is guaranteed by or cross collateralized with the assets of the Account. Parthenon is incentivized to cause an Account's subsidiaries, SPVs, holding companies and other related entities to incur indebtedness for the reasons discussed above. A default (including payment default) by any one of these entities of their respective obligations could adversely affect an Account, including by requiring the Account to prematurely dispose of assets or call capital from investors in order to satisfy such indebtedness.

The Accounts frequently enter into financial commitments in connection with their investment activities, including deferred or contingent purchase price payments, binding and non-binding commitments to make follow-on investments in portfolio companies, earn outs, milestone payments, equity commitment letters (which obligate an Account to close on a transaction notwithstanding the failure to obtain any necessary financing or alternatively pay a substantial termination fee), and other forms of credit support and indemnification obligations, all of which would obligate an Account to pay substantial amounts to a third party. None of these arrangements are subject to the borrowing and guarantee limitations in the Organizational Documents even though these arrangements pose many of the same credit and other risks associated with the use of leverage that such limitations are intended to address.

Conflicts Relating to Parthenon Related Parties. Parthenon generally may, in its discretion, cause an Account to contract with any related person of Parthenon (including but not limited to a portfolio company) to perform services for Parthenon in connection with its provision of services to Accounts or their portfolio companies. Parthenon may also recommend to the Accounts or to a portfolio company (i) the services of Parthenon or a related person of Parthenon (including but not limited to a portfolio company) or (ii) any entity with which Parthenon or its affiliates or a member of their personnel has a relationship or from which Parthenon or its affiliates or their personnel otherwise derives financial or other benefit. Parthenon has an incentive to engage or recommend its own services or that of the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Parthenon, its affiliates, and partners, officers, principals and employees of Parthenon and its affiliates may buy or sell securities or other instruments that Parthenon has recommended to Accounts. Partners, officers, principals and employees of Parthenon may also buy securities in transactions offered to but rejected on behalf of the Accounts. The transactions described above are subject to the policies and procedures set forth in Parthenon's Code of Ethics and investors will not benefit from any such investments. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Accounts. If partners, officers, principals and employees of Parthenon have made large capital investments in or alongside an Account they will have conflicting interests with respect to these investments. While the significant interests of these personnel generally align the interest of such persons with the

Accounts, such persons may have differing interests from the Accounts with respect to such investments (for example, with respect to the availability and timing of liquidity).

Parthenon may, in its discretion, have, and may, in its discretion, cause the Accounts and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of Parthenon. The Accounts and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between Parthenon and the Accounts (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that Parthenon may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

Because certain expenses are paid for by an Account or one of its portfolio companies or, if incurred by Parthenon, are reimbursed by an Account or its portfolio companies, Parthenon may not necessarily seek out the lowest cost options.

Providers of Operations Support. As described in Item 5 above, Parthenon, on behalf of certain Funds, and the portfolio companies will from time to time retain Operations Support Providers (including Specialists). Operations Support Providers include Parthenon employees or individuals who have attributes of Parthenon personnel, such as certain of our Specialists. For instance, all Specialists who are Parthenon employees or independent contractors who work exclusively for Parthenon receive some form of compensation directly from Parthenon, have dedicated office space, receive Parthenon administrative support services, participate in general meetings or events for Parthenon personnel and have a Parthenon e-mail address, business cards and telephone lines. The Operations Support Providers are engaged to provide Operations Support Services. These Operations Support Services may be high level insight or extensive day-to-day roles, and may include support to the general partner of the Funds or portfolio companies regarding, among other things “100-day” initiatives pertaining to the portfolio company’s management and operations (such as serving in management positions or participating in determining corporate strategy, governance and compliance, technology resources, product development and go-to-market strategies), finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), and other operational matters.

Parthenon will receive fees from the Fund’s portfolio companies for Operations Support Services provided by its Specialists, as discussed below. Certain Operations Support Providers are compensated directly by the Fund’s portfolio companies. These fees may be substantial. The determination of whether to charge a portfolio company a fee for an Operations Support Service will be made by the Firm in its good faith discretion. The employment status of an Operations Support Provider or the fact that such person provides services to Parthenon or its affiliates, another Account or any portfolio company without a fee in any particular instance alone will not dictate whether Parthenon will charge a fee for similar services provided to Parthenon or its affiliates, another Account or another portfolio company in another instance. In addition, Parthenon is not required to inform any Account or the investors of any Account of such arrangements or any changes in such arrangements over time, including Parthenon’s retention of additional (or replacement) Specialists who provide Operations Support Services. Parthenon’s good faith

determination as to whether a service is an Operations Support Service, the categorization of any related fees and expenses and the allocation of such fees and expenses shall be binding on the applicable Accounts and their investors.

The nature of the relationship with an Operations Support Provider and the time devotion requirements of each such Operations Support Provider may vary significantly. Fees and other compensation charged on behalf of Operations Support Providers and expenses associated with Operations Support Services (“**Operations Expenses**”) may be paid and/or reimbursed by the Accounts to the extent not paid or reimbursed by the portfolio companies. Operations Expenses (including Operations Expenses charged for Specialists) may be determined at the discretion of the Firm taking into account the particular Operations Support Services, may include salaries and employment related benefits, an annual fee or retainer, a fixed or “flat” fee for anticipated services, a discretionary bonus, profits or equity interest in the portfolio company or other incentive-based compensation, and may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of the investment in which case such expenses generally are paid by the portfolio company at the closing or by the Accounts to the extent not paid or reimbursed by the portfolio company (including with respect to unconsummated investments). In some cases, a portfolio company may be subject to limitations on the payment or reimbursement of Operations Expenses or may decline to bear Operations Expenses after the services are provided, in which case Parthenon may defer the receipt of its Operations Expenses to a later date or convert such amounts to an interest in the portfolio company. Other shareholders will benefit from the costs incurred by the Accounts. In the event an Operations Support Provider (directly or indirectly) provides services with respect to one Account, on the one hand, and another Account, on the other hand, such Operations Expenses will be allocated among such Accounts as determined by the Firm, as applicable in a fair and equitable manner, to the extent such expenses are not borne by the relevant portfolio company. Parthenon has entered into arrangements with certain Specialists to provide Operations Support Services to the Accounts’ portfolio companies pursuant to which such Specialists receive an annual consulting fee retainer paid by Parthenon and are entitled to an incentive fee, which is based on the amount of Operations Expenses billed to the portfolio companies for the Specialist’s services, and which may be subject to an annual cap on the incentive fee.

To the extent any Operations Expenses are payable to any Operations Support Provider (or to the Firm), such Operations Expenses are not considered “Ancillary Fees” under an Account’s Organizational Documents and will not be for the benefit of any Account or otherwise reduce the Management Fee or any other fees otherwise payable by any Account to Parthenon or its affiliates. Parthenon is entitled to retain the Operations Expenses paid to Specialists (or to the Firm), including, for example, the Operations Expenses billed on behalf of Specialists as reimbursement of any retainer previously advanced to the Specialists by the Firm, as well as the Operations Expenses that exceeds the incentive fee cap of the applicable Specialist. A conflict of interest arises from these arrangements because they create an incentive for Parthenon to recommend the Operations Support Services of the Specialists even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost. In addition, where

Operations Expenses are paid on a retainer basis or as a fixed or flat fee (including periodic fees), the applicable portfolio company may not avail itself fully of the services of such Operations Support Provider such that the retainer or fee may not represent the value of the services actually rendered, if any. Parthenon is not required to reimburse a portfolio company for any portion of the retainer or fee with respect to any Specialist in those instances. SMAs that have an interest in a portfolio company generally are not considered to be beneficiaries of Operations Support Services and will not be responsible for the payment or reimbursement of any Operations Expenses.

Related Services. As described in Item 5 above, Parthenon and its affiliates enter into management services agreements and similar agreements with the Accounts' portfolio companies governing the provision of Related Services and other services provided by Parthenon (including by Operations Support Providers), and the associated Ancillary Fees, Operations Expenses and expense reimbursements. Any such fees are in addition to any Management Fees or Carried Interest paid by the Funds to Parthenon or any fees paid by a SMA.

Consistent with the applicable Accounts' Organizational Documents, Parthenon (including its Operations Support Providers) may incur expenses, and a portfolio company may reimburse the Firm (and its Operations Support Providers) for such expenses in connection with the provision of Operations Support Services and Related Services, both before and after an investment in a portfolio company. These expenses include, without limitation, travel expenses, which may include travel related to transactions, attendance at industry conferences, board service, other activities relating to the Operations Support Services or Related Services, and attendance at social or entertainment events (such as closing dinners), and may be in the form of "black car" or premium on-demand-driver services, private and chartered aircraft, first class, business class or other travel airfare and any related upgrades, and expenses related to social and entertainment events (including, as applicable, closing dinners and mementos) with management, customers, suppliers, vendors, brokers, bankers and service providers, meals for employees working after normal business hours (including late night meals consumed at times when not traveling), lodging, expenses relating to training programs, meetings or other events attended by portfolio company personnel, industry conference fees, expenses relating to personnel searches and recruitment efforts (such as background searches, checks, recruitment fees, relocation expenses and other perks used in connection with recruitment efforts), deal specific research and due diligence expenses, research and software expenses, subscriptions and license fees and other expenses in connection with data services providing market data, news feeds, company and industry information, indemnification expenses, investment banking fees, finder's fees, legal (including legal costs associated with reviewing financing documents and agreements, whether on behalf of a portfolio company borrower or a lender), consulting, accounting, tax advisory fees and expenses, escrow agent fees and expenses, fees and expenses related to legal or regulatory filings, administrative expenses, which may include postage, express delivery and courier fees, fees for audio and visual conference services, electronic data room services, server hosting and internet access) and other out-of-pocket expenses related to the provision of services to the portfolio company.

Because these expenses are often reimbursed by portfolio companies, Parthenon may not necessarily seek out the lowest cost options when incurring such expenses. These and other expenses incurred by Parthenon prior to the time of an investment in a portfolio company are

typically capitalized into the cost basis of the investment in such portfolio company. Any reimbursed expenses are not fees under the definition of “Ancillary Fees” under the terms of the applicable Organizational Documents, and such reimbursements are not subject to the Management Fee offset arrangements discussed herein and will not be shared with an Account or its investors. Investors in the Accounts will indirectly bear a portion of these expenses as a result of their indirect investments in the portfolio companies.

Ancillary Fees for Related Services are distinct from Operations Expenses paid for Operations Support Services in that in certain circumstances the Firm will reduce the amount of management fees paid by the Accounts in connection with the receipt by the Firm of the Accounts’ share of Ancillary Fees to the extent provided in the Account’s Organizational Documents, but not for Operations Expenses paid by portfolio companies with respect to Operations Support Services, such as those offered by the Firm’s Specialists. A conflict of interest arises from these arrangements because they create an incentive for Parthenon to recommend its services even if another service provider is more qualified to provide the applicable services and/or can provide such services at a lesser cost. The Firm determines the amount of the Ancillary Fees and Operations Expenses and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third-party co-investors in its transactions. The Firm generally has substantial control or influence over portfolio companies and in many cases with respect to the implementation of the arrangements described above there may not be an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other related terms in the applicable agreement with the portfolio company. This creates a conflict of interest between the Firm and its affiliates and the Accounts and their investors because the Accounts and their investors generally do not have a direct interest in these fees and reimbursements. The amount of such compensation and reimbursements may not (except in connection with the reductions described below) be disclosed to an Account’s investors.

In addition, in the event that any Ancillary Fees, Operations Expenses or other fees are paid in the form of equity incentives, contractual rights (such as preferential redemption rights, equity conversion rights, tax distributions, tax receivable agreements) or other in-kind compensation, the recipients or the Firm, with respect to compensation received, may act in their or its own interests with respect to the stock options, other securities and other contractual rights received and may determine to exercise or sell such securities or to hold the distributed securities for such time as such recipient, or the Firm, shall determine, and to receive payments in respect of such contractual rights for so long as such interests are held. The ability of such recipients or the Firm to act in their or its own interests with respect to such compensation creates a potential conflict of interest between the Firm and the Accounts invested in the relevant portfolio company.

Parthenon and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Accounts or portfolio companies, including benefits and other discounts provided from service providers. For example, airline travel, hotel stays and other expenses incurred as Fund expenses or that are reimbursable from portfolio companies may result in cash-back incentives, “miles,” “points” or other forms of credit in loyalty/status programs to Parthenon and/or its personnel, and such rewards and/or amounts will exclusively benefit Parthenon and/or such personnel and will not be considered “Ancillary Fees” under the Organizational Documents of the

applicable Funds and will not be subject to the Management Fee offset arrangements described above or otherwise shared with the Funds, their investors and/or the portfolio companies.

Business with Portfolio Companies and Investors. Given the collaborative nature of Parthenon's business and the portfolio companies in which the Accounts have invested, there are often situations where Parthenon is in the position of recommending the services of a portfolio company to other portfolio companies, which may involve fees, commissions, servicing payments and/or discounts to the servicing portfolio company, and potentially indirect benefits to the Firm and its affiliates. Parthenon may have a conflict of interest in making such recommendations as a result of such indirect benefits, including that Parthenon has an incentive to maintain goodwill between it and the existing and prospective portfolio companies, while the products or services recommended may not necessarily be the best available to the Accounts or the portfolio companies. The benefits received by a portfolio company providing a service may be greater than those received by the portfolio companies receiving the service.

In addition, Parthenon has an incentive to recommend the products or services of certain investors or prospective investors in the Accounts, certain third parties, or their related businesses to the Accounts or its portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Accounts or the portfolio companies.

Portfolio companies may provide services to certain investors. This creates a conflict of interest, as Parthenon has an incentive to cause the portfolio company to favor itself or those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability. Additionally, the portfolio company could be incentivized to recommend to its clients or customers that they invest in the Accounts.

Parthenon offers members of its Industry Advisory Council and other current or former officers and executives of portfolio companies the opportunity to invest alongside our fee-paying Funds through separate Funds, such as the Friends Funds, investment vehicles formed for current and former executives of Parthenon portfolio companies and other persons with whom Parthenon may have business or other strategic relationships ("**Executives Funds**"), which generally do not charge Management Fees and/or Carried Interest. As compensation for their service on the Industry Advisory Council, Parthenon funds a portion of its Industry Advisory Council members' capital subscriptions to such funds. While Parthenon believes these arrangements align these executives with the interests of the investors, in certain circumstances conflicts of interests may arise because Parthenon may be incentivized to take (or refrain from taking) certain actions with respect to a portfolio company in order to maintain goodwill with such executives. For example, such actions (or inactions) could in hindsight have an adverse effect on the profitability of a portfolio company, or delay the timing of or prevent certain transactions under circumstances in which a Fund would otherwise seek to dispose of its investment absent such conflicts.

In addition, certain portfolio companies may engage in activities that could adversely affect other portfolio companies, including, for instance, as a result of laws and regulations of certain jurisdictions (such as bankruptcy, environmental, consumer protection, privacy and other data protection, and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that

has incurred the liability. This may result in the assets of an Account and/or a portfolio company being used to satisfy the obligations or liabilities of another Account or its portfolio companies.

Subject to compliance with the Organizational Documents, Parthenon and/or its affiliates may engage in business opportunities arising from an Account's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company). This creates a conflict of interest, as such interests are a benefit arising from an Account's investment and may vary from the applicable Account's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Fund).

A portfolio company may compete with, be a customer of, or is a service provider to, other portfolio companies. In providing advice with respect to a portfolio company's business, Parthenon is not obligated to, and need not, take into consideration the interests of the other relevant portfolio companies or any interests of the Accounts. A conflict of interest may arise in these instances because advice and recommendations provided by Parthenon to a portfolio company may have adverse consequences to a competitor portfolio company owned by another Account. The performance and operations of a competitor, customer or service provider portfolio company could conflict with, and adversely affect the performance and operations of another portfolio company, or could adversely affect prices, business opportunities or potential acquisition opportunities. For instance, a portfolio company may seek to expand its market share in a manner that adversely affects another portfolio company, withdraw business from another portfolio company in favor of another company offering the same product or service on more favorable terms, increase its own prices, purchase assets from, or sell assets to, another portfolio company, commence litigation against another portfolio company, or prevent one portfolio company from commencing litigation against another portfolio company. When providing advice to any portfolio company that is a competitor of another portfolio company, Parthenon will not consider the interests of, or potential consequences to, the Account's portfolio company.

Parthenon and/or its affiliates may engage service providers to provide services to Parthenon, the Accounts and/or their portfolio companies, including for example, investment or commercial bankers, outside legal counsel and pension consultants who provide services (including services during the due diligence and acquisition process, mezzanine and/or other lending arrangements) to Parthenon, the Accounts, or their portfolio companies. Such service providers or their affiliates may be existing or prospective investors in one or more Accounts. Such engagements may be concurrent with an investor's admission to an Account, or during the term of such investor's investment in such Account. This creates a conflict of interest, as Parthenon may give such investor preferred economics or other terms with respect to its investment in an Account, enhanced information rights or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor.

Parthenon may also have a conflict of interest with an Account in recommending the retention or continuation of a service provider to the Account or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in the Accounts or will provide Parthenon information about markets and industries in which Parthenon invests or is interested or will provide other services that are beneficial to Parthenon, or will provide financial sponsorship of events held by Parthenon, such as transaction closing dinners or

outings, or informational summits or training events for Parthenon or portfolio company personnel. From time to time, service providers may pay for expenses relating to such events. Although Parthenon selects service providers that it believes will enhance portfolio company performance (and, in turn, the performance of the Accounts), there is a possibility that Parthenon, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. While Parthenon often does not have visibility or influence regarding advantageous service rates or other financial and non-financial arrangements, there will be situations in which Parthenon receives more favorable service rates or other arrangements than the Accounts or their portfolio companies and such arrangements are not required to be shared with the Accounts or their portfolio companies.

These conflicts may also impact SMAs that have entered into Loan Transactions with a portfolio company or have otherwise invested in such portfolio companies. SMAs will not be entitled to any reduction in the fees paid to Parthenon by the SMA as a result of any fees or other compensation paid to Parthenon from these portfolio companies.

Use of Common Service Providers. Parthenon and the Accounts will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. In instances involving portfolio company transactions, the portfolio company generally will bear the fees and expenses of such counsel. In addition, members of the law firms engaged to represent the Accounts may be investors in an Account, and may also represent Parthenon's personnel, or one or more portfolio companies or investors in an Account. In the event of a significant dispute or divergence of interest between Accounts, Parthenon and/or its personnel, the parties may engage separate counsel in the sole discretion of Parthenon and its affiliates, and in litigation and other circumstances separate representation may be required. In the event of litigation or other significant dispute involving a portfolio company transaction, litigants having common interests generally (such as an Account and other participating Accounts) will be responsible for their share of the fees and expenses of such separate counsel to the extent such expenses are not borne by the relevant portfolio company.

Additionally, Parthenon, and the Accounts and the portfolio companies may engage other common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to Parthenon, the Accounts and/or the portfolio companies. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required, and the time demands of the service provider. This may result in Parthenon receiving a more favorable rate on services provided to it by such a common service provider than those payable by the Accounts and/or a portfolio company, or Parthenon receiving a discount on services even though the Accounts and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between Parthenon, on the one hand, and the Accounts and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that Parthenon will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Accounts and/or the portfolio companies. Similarly, common service providers may be asked to perform services on certain arrangements that relate to a transaction for which the Account or its portfolio companies will bear the fees and expenses of the service provider, yet the arrangement may primarily benefit Parthenon or another Account. For example, the fees and expenses relating to

the preparation of the Firm's management services agreement with a prospective portfolio company are generally treated as transaction related expenses borne by the portfolio company even though the Firm's fees for its services under certain circumstances may only benefit the Firm.

The decision by Parthenon to initially perform a service for an Account in-house that could be outsourced to a third party does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future. The fees and expense of any such third-party service provider will be borne by such Account in accordance with its Organizational Documents. Outsourcing of services may not occur universally for all Accounts and accordingly, certain expenses may be incurred by an Account for the services of a service provider that are not incurred for comparable services performed in-house for other Accounts.

Conflicts Related to the Interpretation of Organizational Documents and Side Letters. The Organizational Documents of each Fund and related documents, including investors' side letters, are detailed agreements that establish complex arrangements among the investors, the Fund, the Fund's general partner and potentially other parties. Questions arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. The provisions of these agreements may be broad, general, ambiguous or conflict with other Organizational Documents, and may permit more than one reasonable interpretation. At times the facts or circumstances of a particular transaction may not align perfectly with the terms and conditions of a particular provision of these agreements, sometimes because the transaction was not contemplated. While Parthenon interprets these agreements and its obligations in good faith and in a manner it reasonably believes to be in or not opposed to the best interests of the applicable Funds, such interpretations will not always result in, and need not result in, an outcome that is the most favorable to such Funds or their investors, particularly with respect to transactions involving conflicts of interest that have been disclosed herein.

Liability Insurance. Parthenon causes the Funds to purchase, and/or bear premiums, fees, costs and expenses (including any commissions and expenses of insurance brokers) for insurance to insure the applicable Funds, and/or Parthenon and the applicable general partner (including their respective directors, officers, employees, agents, and representatives), members of a Fund's advisory board and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more buy- or sell-side representation and warranties insurance policies or other litigation contingency insurance (to the extent not borne by the applicable portfolio company or funded by escrows or other proceeds reserved from a disposed investment) or "umbrella" or other insurance policies maintained by Parthenon that cover one or more Funds and/or Parthenon and the applicable general partner (including their respective partners, directors, officers, employees, agents, and representatives), members of the advisory board and other indemnified parties. Parthenon will make judgments about the allocation of premiums, fees, costs and expenses for such insurance policies among one or more Funds, and/or Parthenon on a fair and reasonable basis as Parthenon determines in its reasonable discretion. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies. In addition, certain pension plans and other investors managed by fiduciaries may require the retention of liability insurance with policy limits in such amounts as the investor may require to comply with laws, rules or regulations applicable to the investor, and which list such investors

as additional insureds under the policy. The premiums, fees and costs of such insurance are generally borne by the applicable Fund in which such investors participate.

Please see the discussion above under the sub-heading “*Resolution of Conflicts*” for a description of the means by which Parthenon and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

Conflicts Arising from Holding Companies. Parthenon may create new holding companies for acquiring companies in a particular industry or adjacent or complementary industries (“**Holding Companies**”). Holding Companies may be organized as joint ventures, partnerships, structured finance vehicles and other arrangements. Parthenon will be involved in the strategy, governance and oversight of these Holding Companies, similar to the services we render to other portfolio companies. A Holding Company will also retain its own management team, as selected by Parthenon in its sole discretion, to develop the strategy, governance and oversee the Holding Company and its subsidiaries. Management teams may include current or former members of Parthenon’s Industry Advisory Council and current or former Parthenon personnel, including Parthenon’s Specialists and other Operations Support Providers. These management teams are responsible for sourcing, evaluating, acquiring and managing the companies acquired by the Holding Company, similar to the services Parthenon provides to other portfolio companies. Certain members of these management teams may provide services exclusively to a Holding Company, a subsidiary, or may work for multiple Holding Companies or their subsidiaries and other portfolio companies. The activities of these individuals on behalf of Holding Companies generally would not violate any time commitment undertaking or any right to terminate an Account or its investment period as set forth in the applicable Organizational Documents of the Account.

There is no assurance that any Holding Company will be successful in its efforts to identify suitable investment opportunities or otherwise grow its intended platforms. Each Holding Company is responsible for its own costs and expenses, including the consulting fees, salaries, bonuses and other compensation owed to the Holding Company’s management teams, other employees (including profits and equity interests and other incentive compensation arrangements), Operations Expenses relating to services provided by Operations Support Providers, Ancillary Fees and any other fees and operating expenses, including out-of-pocket expenses incurred by Parthenon to oversee the Holding Company’s businesses. The Accounts invested in a Holding Company generally will be solely responsible for all of the Holding Company’s startup costs and expenses (including any fees described above and expenses incurred by Parthenon) prior to an acquisition of its first platform investment (if any) and potentially thereafter to the extent such fees and expenses are not paid by the Holding Company or capitalized into the cost basis of the Account’s investment in the Holding Company or any subsidiary, as applicable. These fees and expenses may be substantial. Expenses incurred by Holding Companies generally, including all compensatory arrangements with its management teams, Operations Expenses, including any amounts reimbursed to Parthenon, are not included in the definition of “Ancillary Fees” under the terms of the applicable Organizational Documents of the Accounts, and such expenses incurred by Holding Companies are not subject to any Management Fee offset arrangements, and will not be shared with an Account or its investors. In addition, Parthenon earns Management Fees and Carried Interest from certain Accounts’ investment in Holding Companies and will benefit from the assets, income and gains of Holding Companies like any other portfolio company investment.

Various conflicts may arise as a result of a Holding Company's structure and relationship to Parthenon. Conflicts may arise with respect to the allocation of investment opportunities that may be suitable for a Holding Company and one or more other Accounts. A Holding Company may incur expenses in connection with sourcing an investment opportunity that Parthenon, by virtue of its control or significant influence of the Holding Company, ultimately rejects or alternatively determines to allocate to another Account or another Holding Company (held by another Account), which decisions will be made in Parthenon's sole discretion. Parthenon also has an incentive to cause a Holding Company or a subsidiary to incur significant expenses to retain its own management team instead of relying on Parthenon personnel to provide managerial services or alternatively to engage our Operations Support Providers for certain services instead of other third parties who may be more cost effective or may have more experience.

Item 12. Brokerage Practices

Parthenon does not make regular use of brokers for the purposes of purchasing or selling securities on behalf of the Accounts because the securities that are typically purchased or sold on behalf of the Accounts are acquired and/or disposed of in privately negotiated purchase and sale transactions.

From time to time, Parthenon may use a broker to effect transactions in public securities resulting from, or in connection with, portfolio investments. These circumstances include, among other things, the distribution of securities acquired in a transaction effected on behalf of, or in connection with, portfolio investments. In these instances, the Firm has full discretionary authority with respect to the selection of, and commissions paid to, brokers. If Parthenon determines to engage a broker, the Firm will seek to select the broker based on "best execution" of the transaction. Best execution means obtaining for a Fund the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account various factors, the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. Best execution is not limited solely to the consideration of the best available commission rate.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, Parthenon takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration, price, the size of the Fund's overall position, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the amount of time likely to be required to dispose of a Fund's position, particularly in light of the trading volume of the issuer's securities, financial responsibility and responsiveness to us, the value to us of research provided, if any, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

In certain limited circumstances, Parthenon may aggregate orders for purchase and sale as it deems appropriate and in accordance with each Fund's Organizational Documents. Parthenon does not receive soft dollar benefits or client referrals from broker-dealers in connection with client transactions.

Item 13. Review of Accounts

Parthenon has an Investment Committee for each Fund comprised of senior investment professionals that is responsible for oversight of the investment process and for Fund investment decisions. In addition, the Firm's investment professionals meet on a regular basis to review potential new and existing portfolio investments, and any issues raised during the regular meeting requiring committee review will be brought to the applicable Investment Committee.

Limited partners in the Funds are provided with audited financial statements on an annual basis. Unaudited financial information is also provided on a quarterly basis to the extent required by the Organizational Documents of the relevant Fund. These reports may be distributed electronically. Limited partner meetings are held annually during the stated term of the applicable Fund to the extent required by the Organizational Documents of the relevant Fund. Limited partners are also provided with annual tax information.

While generally not required by the SMA Agreement with an SMA, Parthenon may review the SMA's portfolio from time to time and provide such written reports to the SMA regarding its investments as the SMA may request.

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to the Firm by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

Parthenon does not engage in client solicitation arrangements. Parthenon has in the past, and may from time to time in the future engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Parthenon may also retain placement agents to provide general fund-raising advisory services without regard to the placement of investors in exchange for a fixed consulting fee. A Fund may, subject to any limitations set forth in its Organizational Documents, pay such fees. Management Fees received by Parthenon are generally reduced by the amount of such fees paid by the Fund. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds.

Item 15. Custody

Not applicable.

Item 16. Investment Discretion

Parthenon has entered into an investment management agreement with each Fund. Other affiliated investment managers have entered into investment management agreements with one or more of the respective Funds. Each such agreement, together with the management authority granted to each Fund's general partner pursuant to the Fund's partnership agreement, provides the Firm with full discretion to determine investments to be purchased and sold on behalf of a Fund and the terms of the related transactions. Limitations on Parthenon's investment discretion are set forth in the

investment management agreement with, and the partnership agreements of, the Funds and generally involve certain diversification requirements.

Parthenon has entered into an investment advisory agreement with a SMA. Under this advisory agreement Parthenon provides non-discretionary investment sourcing services for the SMA. The SMA is responsible for approving and completing such investments.

Item 17. Voting Client Securities

While the securities evidencing the private equity investments made by the Funds are not typically the subject of proxies, there could be certain circumstances where Parthenon and its affiliates, having discretionary authority over the Funds, may be asked to vote the securities of such Funds on restructuring or other corporate matters. It is the general policy of Parthenon and its affiliates to vote client proxies in the interest of maximizing shareholder value.

Parthenon will also determine whether there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interest of a Fund. The Firm has adopted policies to address these material conflicts of interest.

Under certain circumstances, when it is believed to be in the best interests of the Funds, the Firm may vote in a manner that is contrary to the proxy voting principles and guidelines or may refrain from voting.

A copy of Parthenon's proxy voting policies and procedures will be provided to any client and prospective client upon request. Current Funds may also request information about the way in which the Firm voted in connection with assets held by such Funds.

Except as provided in a SMA Agreement, Parthenon does not have authority to vote on behalf of a non-discretionary SMA.

Item 18. Financial Information

Parthenon does not believe that it has any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Funds.