

## **BDT Capital Partners, LLC**

401 N. Michigan, Suite 3100  
Chicago, Illinois 60611

(312) 660-7300

Part 2A of Form ADV: Firm Brochure  
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**This brochure provides information about the qualifications and business practices of BDT Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us at [legal&compliance@bdtmsd.com](mailto:legal&compliance@bdtmsd.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about BDT Capital Partners, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

## **Item 2. Material Changes**

This brochure contains several material changes from the last firm brochure dated as of January 31, 2023 and the firm brochure dated as of March 30, 2022, including updates to reflect the business combination of BDT & Company Holdings, L.P. and MSD Partners, L.P. as well as certain other updates, including those related to risk factors, conflicts of interest and brokerage practices. In addition, BDT Capital Partners, LLC 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 practices.

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#### **Item 4. Advisory Business**

For purposes of this brochure, the “Adviser” means BDT Capital Partners, LLC, a Delaware limited liability company, together (where the context permits) with its affiliated general partners, managing members and similar entities (hereinafter together referred to collectively as “general partners”) of the Clients (as defined below) and any other affiliates that provide investment management services to and/or receive investment management or other fees from the Clients. Certain affiliates are formed for tax, regulatory or other purposes in connection with the organization of investment vehicles and/or serve as general partners of such vehicles. In connection with the business combination of BDT & Company Holdings, L.P. and MSD Partners, L.P. (“MSD Partners”), in January 2023, each of MSD Partners, a registered investment adviser founded in 2009, and MSD Real Estate Management, LLC (“MSD Real Estate Management”) a relying adviser of MSD Partners, became affiliates of the Adviser. Except where otherwise noted, references herein to the Adviser do not include MSD Partners, MSD Real Estate Management or any general partner, managing member or similar entity with respect to clients of MSD Partners or MSD Real Estate Management.

The Adviser provides investment management services to investment vehicles (each a “Client” and collectively the “Clients”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). Client investments will be made in privately-held or publicly-traded companies and are likely to include minority investments and control stakes, opportunistic investments in public and private debt, equity, hybrid securities, options and warrants, growth equity as well as participating in “going private” transactions. In accordance with the Clients’ respective investment objectives, investments also include those made in family, founder and entrepreneur-controlled companies across a broad range of industries and geographic regions. The Adviser’s investment advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Clients, managing and monitoring the performance of such investments and disposing of such investments. The Adviser serves as the investment adviser or general partner to the Clients in order to provide such services.

The Adviser provides investment management services to each Client in accordance with the limited partnership agreement (or analogous organizational document) of such Client and the separate investment management agreement (or analogous agreement) between the Adviser and such Client (each, a “Management Agreement”).

Investment advice is provided directly to the Clients, subject to the discretion and control of the general partner, where applicable, and not individually to the limited partners or members (hereinafter together referred to collectively as “investors”) in the Clients. Investment restrictions for the Clients, including investment objectives and guidelines, if any, are set forth in each Client’s governing documents, which could include, but are not limited to, the applicable private placement memorandum (or equivalent disclosure document), limited partnership agreement, limited liability company agreement, Management Agreement or side letter (such documents collectively, “Organizational Documents”).

All discussions of the Clients in this brochure – including, but not limited to, their investments, the strategies used in managing the Clients, associated fees and costs, the risks associated with investments, and conflicts faced by the Adviser in connection with managing the Clients – are qualified in their entirety by reference to each Client’s respective Organizational Documents. Moreover, the Adviser has and will enter into agreements, such as side letters, with certain investors that in certain cases will provide for terms of investment or access to information that are more favorable than the terms provided to other investors of the same Clients.

The direct owners of BDT Capital Partners, LLC are BDT Partners, LLC and BDTP GP, LLC. The Adviser has been in business since 2009. As of December 31, 2022, the Adviser manages a total of \$41,035,279,854 of client assets, which includes uncalled commitments, co-investment amounts and undistributed capital that has been redeployed, all of which is managed on a discretionary basis.

## **Item 5. Fees and Compensation**

The Adviser generally receives Management Fees and Carried Interest (each as defined below) from a Client. A Client and/or its portfolio companies may also reimburse the Adviser for certain expenses and/or make other payments to the Adviser for services provided to the portfolio companies. Additionally, consistent with the Organizational Documents of a Client, the Client typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Client and/or the portfolio companies. Further details about certain common fees and expenses are set forth below.

### **Management Fees**

As compensation for investment management services rendered to certain of the Clients, the Adviser receives a management fee (a “Management Fee”) which is calculated based on committed capital, called capital, and/or remaining invested capital with respect to such Client, as set forth in the applicable Client’s Organizational Documents. Management Fees paid by a Client may also be reduced by other fees or compensation received by the Adviser or its affiliates that relate to such Client’s activities and investments, or by certain excess organizational or other expenses borne by such Client, as described in more detail below. Management Fees paid by a Client, where applicable, are borne by investors in such Client, subject to certain exceptions for investors affiliated with the general partner or the Adviser and as otherwise set forth in the Client’s Organizational Documents. Notwithstanding that certain investors in the Clients that are affiliates of the Adviser, including partners, officers, managing directors, principals, vice presidents and certain other employees of the Adviser (collectively, the “Adviser principals”), which, for the avoidance of doubt, also includes any related entity established by any of the foregoing, such as trusts, charitable programs, endowments or related programs, family investment vehicles and other estate planning vehicles, generally will not pay Management Fees or Carried Interest, they will pay for their pro rata share of certain Client expenses.

Management Fees billed to and received from the Clients are due as set forth in the Organizational Documents or as otherwise deemed appropriate from time to time by the applicable general partner; provided, that in no event shall the Management Fees be paid to the Adviser six months

or more in advance. Upon termination of a Management Agreement, Management Fees that have been prepaid generally will be returned on a prorated basis.

The precise amount of, and the manner and calculation of, the Management Fee for each Client where applicable are established by the Adviser and are set forth in such Client's Organizational Documents and/or other documentation received by each investor prior to investment in such Client. Fees differ from one Client to another, as well as among investors in the same Client, including based on their relative capital commitments, or the timing of such capital commitments, to certain of the Clients, or affiliation with the Adviser, and may not be disclosed to other investors in the same Client. Some Clients do not pay Management Fees. The fee structures described herein may be modified from time to time. In addition, the Adviser may enter into economic and/or other fee sharing arrangements with respect to one or more Clients and/or certain investors thereof, the rights of which will not generally be made available to other limited partners.

In addition, the Adviser and its affiliates have an advisory board (the "Advisory Board"). The Advisory Board is comprised of business professionals from a wide range of fields who provide strategic advice and counsel as well as a wide variety of services to the Adviser, its affiliates, the Clients and/or the portfolio companies, add value to the Clients' capital deployment process, provide investment leads and assist with due diligence, serve on portfolio company boards and co-host Adviser and its affiliates' network events.

Any directors' fees, "break-up" fees or similar fees earned or received by the Adviser (excluding, for the avoidance of doubt, fees received by members of the Advisory Board or any Operating Consultant (as defined below)) in connection with actual or prospective investments by a Client generally are expected to be credited to the benefit of the Client. The amount and manner of such credit, if any, is set forth in the Client's Organizational Documents and/or other documentation received by each investor prior to investment in such Client.

## **Other Fees**

### *Fees Payable by the Portfolio Companies or their Affiliates*

The Adviser and its affiliates perform advisory, transaction-related, financial advisory and other services ("Related Services") for, and receive fees from, actual or prospective portfolio companies or their affiliates, or other investment vehicles of the Clients (including co-investment vehicles), including fees in connection with structuring investments in such portfolio companies, and providing IPO advisory services and acting as an underwriter in an IPO syndicate, as well as mergers, acquisitions, add-on acquisitions, refinancings, private placements, public offerings, sales, divestments or other dispositions and similar transactions with respect to such portfolio companies. These fees may be substantial. Although these fees are distinct from and in addition to the Management Fee, they are not borne directly by the investors. The Adviser could in some circumstances reduce the amount of Management Fee or expenses paid by the applicable Client in connection with the receipt of such fees or arrange for a portfolio company to credit the Client with capital usage fees which may have the effect of reducing the cost basis of a Client investment in such portfolio company. The amount, manner, and disclosure of such reduction is set forth in the Organizational Documents of the applicable Client or security investment documents of a portfolio company.

In addition, the Adviser or its employees, on behalf of the Adviser, may receive stock of a portfolio company as compensation for services provided to such portfolio company other than for service on the board of such portfolio company. In the event of such a distribution or receipt of stock for such non-director services, the recipients may act in their own interest with respect to the shares of securities and may determine to sell the distributed securities, or hold on to the distributed securities for such time as such recipient shall determine in its sole discretion. The ability of such recipients to act in their own interest with respect to such distributed shares creates a conflict of interest between the Adviser, as an adviser to the Client, and its related persons, on the one hand, and the Client because the recipient's interest may not be aligned with those of the Clients and the recipient may determine to sell the stock received at a different time, or on different terms, then the Client would sell its interest. Adviser Personnel may also serve on the boards of portfolio companies. For information on the Adviser's practice related to the receipt of stock of a portfolio company due to the service of an employee of the Adviser on the board of such portfolio company, please see Item 11 below.

In many cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of the relevant portfolio company and therefore such fees are not subject to a market check. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company by virtue of the Adviser acting on behalf of both parties.

The payment of such other fees and reimbursements (as described below) by portfolio companies and prospective portfolio companies will, in some, but not all, circumstances create a conflict of interest between the Adviser and its affiliates, and the Clients and their investors, because the amounts of these other fees and reimbursements are often substantial and the Clients and their investors generally do not have a direct interest in these fees and reimbursements. In instances where the Clients take a control position of a portfolio company, the Adviser determines the amount and timing of these other fees for the services provided 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, and the amount of such fees and reimbursements often will not (except in connection with the reductions described herein) be disclosed to investors in the Clients.

For the avoidance of doubt, any fees paid to the Adviser or its personnel (as described above) after a Client has exited (or is in the process of exiting) an investment are not credited for the benefit of the Client.

## **Expenses**

### *Adviser Expenses*

Except as described herein as a "Client Expense" or portfolio company expense, the Adviser will bear the general overhead expenses of the Client's general partner and the Adviser, including salaries, bonuses and benefits of employees of the Client's general partner and the Adviser (other than Carried Interest described in Item 6 below), rent, certain entertainment and travel, office furniture, fixtures and computer equipment and the Adviser's allocable share of costs and expenses of the Advisory Board.

Generally, and except as otherwise set forth in the Organizational Documents of a Client or the security investment documents of a portfolio company, the Adviser will ultimately bear all fees and out-of-pocket expenses of any placement agent that solicits investors for the Clients. The Clients will bear certain legal and other expenses, including the out-of-pocket expenses of the applicable general partner, incurred in the formation of the Clients up to an amount, if any, as set forth in the Organizational Documents of the applicable Client. Organizational expenses in excess of this amount, if any, ultimately will be borne by the Adviser.

### *Client Expenses*

Consistent with the Organizational Documents of the Clients, each Client will bear out-of-pocket costs and expenses of or for (a) organization of the Client and offering of interests in the Client (including printing and postage expenses, travel and travel-related expenses, fees and disbursements of attorneys, accountants and other professionals, expenses related to meetings with one or more prospective investors, and other out-of-pocket fees and expenses, but excluding any placement fees) (subject to offset against any Management Fees payable, to the extent set forth in the Client's Organizational Documents); (b) maintaining the organizational existence of the Client; (c) the Client's administrators, custodians, outside counsel, consultants (including but not limited to, Operations Expenses (as defined below)) as well as fees payable to Operating Consultants (as defined below), and consulting and advisory fees, which may be incurred by a Client for the benefit of an investment, finders, accountants, investment bankers, and other similar outside advisors; (d) brokerage, sale and depository expenses (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive); (e) sourcing, investigating, identifying, analyzing, pursuing, negotiating, consummating, acquiring, financing, holding, monitoring, managing and selling any actual or potential investments for the Client (regardless of whether such investments are consummated); (f) holding, managing or selling investments, including recordkeeping expenses; (g) financial, tax and other reporting to the investors (including expenses relating to the preparing, printing and distributing of investor reports physically or electronically, and in the case of electronic distribution, the cost of software to electronically distribute such reports) and of any meetings of the foregoing and of any Client Advisory Committee (as defined below) (including set up costs, speaker fees, honorarium, dining, entertainment, travel and travel-related expenses) as well as other Client Advisory Committee expenses (including legal counsel, accountants, auditors, financial advisors or other advisors or experts retained to assist the Client Advisory Committee); (h) any taxes, fees or other governmental charges of the Client; (i) the Management Fee; (j) the organization, management and operation of any alternative investment vehicle; (k) all other costs, obligations, liabilities and expenses of the Client (whether paid directly by the Client or by the Client's general partner) (such as costs of insurance, costs of litigation, or other matters that are the subject of indemnification or contribution, the repayment of (or otherwise making payments in respect of) indebtedness incurred by the Client, the Client's allocable share of any costs and expenses of the Advisory Board and the costs of winding-up and liquidating the Client (but excluding expenses otherwise payable by the Adviser pursuant to the Client's Management Agreement and other Organizational Documents of the Client); (l) expenses associated with a Client's compliance with applicable laws and regulations (including regulatory filings as they relate to the Client's activities, out-of-pocket costs and expenses, if any, associated with any third-party examination or audits (including similar services) of a Client or the Adviser that are attributable to the operation of such Client or requested by one or more investors in a Client); (m) expenses incurred in connection with complying with provisions in investor side letter



agreements, including “most favored nation” provisions; and (n) any other costs and expenses incurred by or on behalf of the Client. For purposes of this brochure, “travel and travel-related” expenses shall be deemed to include, without limitation, expenses for commercial and non-commercial transportation costs (including chartered, private plane, first class or business class travel and private car travel), lodging and accommodations.

From time to time, the general partner of a Client creates 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 Client, the SPV, and indirectly, the investors thereof, will typically bear all expenses related to its organization, formation, operational and other expenses, including, for instance, rent, overhead and compensation (including base salary and bonus) of employees associated with the SPV incurred solely for the benefit of the SPV. Expenses of the types borne by a Client but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in the Client (including, without limitation, expenses of accounting and tax services) may be borne by the Client and indirectly, the investors thereof (even if such investors do not participate in any such feeder fund or similar vehicle).

Because certain expenses are paid for by a Client and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Client and/or its portfolio companies, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Client or its portfolio companies to incur) such expenses, which could result in lower returns to investors.

#### *Expense Reimbursement*

A portfolio company will typically reimburse the Adviser for expenses, including without limitation (i) travel and travel-related expenses, (ii) meals and entertainment expenses (including, as applicable, closing dinners and mementos, cars and meals, social and entertainment events with portfolio company management, customers, clients, borrowers, brokers and service providers), (iii) expenses relating to training programs, meetings or other events (whether or not such programs, meetings or events are attended by portfolio company personnel), (iv) expenses relating to hiring portfolio company personnel (including background checks, recruiting and relocation expenses), (v) indemnification expenses, (vi) certain legal expenses (including legal costs associated with reviewing financing documents and agreements, whether on behalf of a portfolio company or a lender) and similar out-of-pocket expenses, and (vii) consulting fees and other cash and non-cash compensation and expenses incurred by the Adviser in connection with its performance of services for such portfolio company. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below.

#### *Co-Investment Vehicle Fees and Expenses*

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors alongside the Client, is formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making of an investment.

Unless the Adviser determines otherwise in its sole discretion or subject to negotiations with a particular co-investor, in general neither co-investment vehicles (including vehicles formed for the purposes of investment by the GP Investment Group (as defined below)) nor co-investors will bear any expenses relating to a proposed but not consummated transaction (“Dead Deal Costs”), even if a co-investment vehicle has been formed for the purpose of investing in the proposed transaction or if co-investors have otherwise committed to invest in the proposed transaction. As a result, Dead Deal Costs are generally borne by the Client or Clients selected by the Adviser as proposed investors for such proposed transaction (including reverse termination fees, extraordinary expenses such as litigation costs and judgments and other expenses), which will result in a Client bearing more than its pro rata share of Dead Deal Costs. Similarly, 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.

Dead Deal Costs may include, among other things, legal, accounting, advisory, consulting or other third-party expenses, any travel and travel-related expenses, all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment (including commitment fees), any break-up fees, reverse termination fees, topping, termination or other similar 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 Clients, extraordinary expenses such as litigation costs and judgments and other expenses, and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated.

Any fees and expenses incurred in connection with the organization of a co-investment vehicle (including fees and expenses related to negotiating the governing documents of such co-investment vehicle as well as fees and expenses described above) that is expected to invest alongside the Clients in an investment are expected to be borne by the Clients to the extent such co-investment vehicle does not ultimately make such investment, whether or not such investment is consummated by the Clients.

From time to time, certain Clients 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 Client or Clients and will not be borne by any benefiting co-investment vehicle or co-investor.

#### *Providers of Operations Support*

The Adviser, the Clients and/or the portfolio companies will from time to time retain operating partners, advisers, consultants and other similar professionals (“Operating Consultants”), which may be employees or former employees of the Adviser, affiliates of the general partner, employees or former employees of such affiliates, portfolio companies of other of the Adviser’s funds, third party consultants (including specialized consultants, advisers, industry specialists, external executives, and industry advisory roundtable members or similar professionals) who are engaged to provide operational support, specialized operations and consulting services or similar or related services to, or in connection with, the Client or one or more portfolio investments or prospective portfolio investments (“Operations Support Services”). The nature of the relationship with each

such Operating Consultant and the time devotion requirements of each such Operating Consultant may vary significantly. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operations Support Services to be provided. In certain cases, it may be difficult to distinguish services provided by the Operating Consultants from the investment advisory services provided to the Clients by the Adviser and its affiliates. For example, Operating Consultants may have attributes of Adviser employees (for instance, they may have dedicated office space, receive Adviser administrative support services, participate in general meetings or events for Adviser Personnel (as defined below), and have Adviser e-mail addresses or business cards), even though they are not employees, affiliates or personnel of the Adviser. Operating Consultants may be offered the ability (or may have a preferred right) to co-invest alongside Clients or may be offered the opportunity directly by the portfolio investment to invest in the company, including in investments in which such Operating Consultant is involved or participates in the management thereof.

As permitted by Organizational Documents of certain Clients, compensation, fees, expenses and any attributable overhead associated with Operations Support Services (“Operations Expenses”) are paid and/or reimbursed by the Adviser, portfolio companies and/or the applicable Clients. Operations Expenses (including Operations Expenses incurred in connection with an affiliated Operating Consultant) which will be determined at the discretion of the general partner taking into account the particular Operations Support Services, may include reimbursement of an allocable portion of an affiliated Operating Consultant’s compensation (including, without limitation, salary, bonus, payroll taxes and benefits), expenses and overhead (including, without limitation, rent, property taxes and utilities allocable to the workspaces), an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the Clients and/or portfolio company or other incentive-based compensation (e.g., carried interest) to the Operating Consultant, and will otherwise 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 Operating Consultant, 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. The determination of whether a service is an Operations Support Service will be made by the general partner, in its good faith discretion. Operations Expenses for services provided for the benefit of a Client, without reference to a particular portfolio company are borne by the Client (and indirectly, the investors in such Client), to the extent permitted by a Client’s Organizational Documents. In the event an Operating Consultant is paid an annual retainer, the value provided to the relevant Client and/or portfolio company by such Operating Consultant may vary year to year and there can be no assurance that the annual retainer paid will be commensurate with the value provided by the Operating Consultant. To the extent any such Operations Expenses are payable to any Operating Consultant by a Client or a portfolio company, such Operations Expenses will not reduce any fees otherwise payable to the Adviser or its affiliates or otherwise benefit the Client or its investors, even if Operations Expenses paid by a Client or a portfolio investment have the effect of reducing any retainers or minimum amounts otherwise payable by the Adviser. The determination of whether an Operations Expense is paid by a portfolio company, a Client or the Adviser is made by the Adviser in its sole discretion. Over time, certain existing and former employees of the Adviser (including senior personnel) may transition to an Operating Consultant role, which may shift the burden of compensating such persons from the Adviser to the applicable Client and/or its portfolio companies and any such fees received by such persons do not reduce the

Management Fee. Operating Consultants will, from time to time, be offered the ability to invest in a Client or in a particular investment as a co-investor on preferred economic terms (including on a no-fee/no-carry basis).

### *Allocation of Expenses*

From time to time the Adviser will be required to decide whether certain fees, costs and expenses should be borne by a Client, on the one hand, or the Adviser on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among Clients and/or other parties. Certain expenses may be the obligation of one particular Client and may be borne by such Client or, expenses may be allocated among multiple Clients and entities. In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser will be faced with various potential conflicts of interest. For example, in allocating an investment opportunity among Clients with differing fee, expense and compensation structures, the Adviser will have an incentive to allocate investment opportunities to the Clients from which the Adviser or its related persons derives, directly or indirectly, a higher fee, compensation or other benefit. 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 allocated to a portfolio company, the Adviser will allocate fees and expenses incurred in the course of evaluating and making investments that are consummated between Clients in accordance with each Client's Organizational Documents or, to the extent not addressed in such Organizational Documents, generally pro rata based on the investment of each Client.

The appropriate allocation of Dead Deal Costs between Clients and other persons will be determined by the Adviser in accordance with the applicable Organizational Documents and the Adviser's policies and procedures governing the allocation of fees and expenses related to investment opportunities. If multiple Clients evaluate a potential investment that is not consummated, the Adviser generally allocates fees and expenses generated in the course of evaluating such investment among such Clients based on the anticipated investment of each Client. Such expenses typically are not allocated to co-investment vehicles.

There may be occasions where a Client procures borrowing through a subscription line or credit facility in order to make an investment. In the event such investment is syndicated to other parties, subject to the Organizational Documents, the borrowing Client will, in certain circumstances, bear the entire cost of the interest from the borrowing, even though the investment may ultimately be made by the Adviser, its affiliates, other Clients, co-investors or other third-parties. Any effort to syndicate an investment may not be successful.

With respect to allocating other expenses among Client(s), co-investment vehicles, Adviser principals and/or third parties, as appropriate, to the extent not addressed in the Organizational Documents of a Client, the Adviser will make any such allocation determination in a fair and reasonable manner using its good faith judgment, despite its interest (if any) in the allocation. The Adviser will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable. Despite the Adviser using its good faith judgment to allocate expenses in a fair and reasonable manner, expenses are not guaranteed to reflect the benefit derived from a Client in connection with the incurrence of the expenses.

The Adviser, from time to time, may enter into arrangements with third-party advisers, consultants, and finders who provide services relating to deal-sourcing and investment opportunities, for which such advisers, consultants, and finders are paid compensation (including non-cash compensation, such as equity) or other fees. Any fees and expenses associated with such investment opportunities will be allocated to the applicable Client(s) consistent with the allocation process described above.

### **Brokerage Fees**

In the event the Adviser utilizes the services of third-party broker-dealers to effect securities transactions for the Clients, expenses that would otherwise be payable by the Client may be reduced through the use of commission dollars. In the event that the Adviser chooses to use a broker-dealer in connection with an investment by a Client, such Client will incur 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**

For Clients subject to performance based fees as set forth in their Organizational Documents, generally, once a Client has distributed to its investors their funded commitments, exclusive of Management Fees, plus a return on their funded commitments as set forth in the Client's Organizational Documents, a portion of the profits of the Client is distributed to its general partner, if any, as "carried interest" (the "Carried Interest") in accordance with the Client's Organizational Documents. Each general partner of a Client is a related person of the Adviser. Carried Interest paid by a Client, where applicable, is indirectly borne by investors in such Client who are not affiliated with the Adviser as outlined in the Client's Organizational Documents.

The payment by some, but not all, Clients of Carried Interest (for instance, certain co-investment vehicles may bear no Carried Interest) or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Client) creates an incentive for the Adviser to disproportionately allocate time, services or functions to Clients paying Carried Interest or Clients paying Carried Interest at a higher rate as well as allocate investment opportunities to such Clients. Generally, and except as may be otherwise set forth in the Organizational Documents of the Clients, this conflict is mitigated by (i) certain limitations on the ability of the Adviser to establish new investment funds, (ii) contractual provisions requiring certain Clients to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth investment allocation requirements. In certain cases, a Client has in the past and may in the future distribute equity interests in a portfolio company or related entity in satisfaction of the general partner's Carried Interest. If that is the case, the Adviser may have different incentives regarding the timing or manner of realization of an investment than if the Carried Interest had remained allocated within such Client structure.

Please also see Item 11 below regarding allocation for additional information relating to how conflicts of interests are generally addressed by the Adviser.

## **Item 7. Types of Clients**

The Adviser currently provides investment management services to the Clients. Investment advice is provided directly to the Clients (subject to the direction and control of the applicable general partner of each such Client) and not individually to investors in such Client.

Interests in the Clients are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Clients are generally “qualified purchasers” as defined in the 1940 Act, and may include, among others, high net worth individuals, employees of the Adviser or its affiliates, institutions, corporations, foundations, endowments, family offices, limited partnerships and limited liability companies or other entities.

The Adviser generally establishes minimum investment commitments for investors in the Clients. The general partner of each Client may in its sole discretion permit investments below the minimum amounts set forth in the Organizational Documents of such Client. Investors with investment commitments below certain thresholds may incur Management Fees that are greater than the Management Fees paid by other investors.

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

### **Methods of Analysis and Investment Strategies**

The Adviser principally focuses on situations where the Adviser believes it can provide attractive capital solutions to family, founder and entrepreneur-controlled companies and the Clients are designed to help closely held companies achieve their liquidity, acquisition and growth objectives. For example, capital may be provided when family partners are buying equity from family members or investment partners, making a significant business acquisition, pursuing significant growth initiatives, taking a publicly traded business private, or de-leveraging a business to manage risk. The Clients seek to make opportunistic investments across a broad range of industries and geographic regions, with investment guidelines that provide structuring flexibility. The Adviser’s affiliated financial services business occasionally generates investment opportunities for the Clients.

Client investments may be made in privately-held and publicly-traded companies and include minority investments and control stakes, opportunistic investments in public and private debt, equity, hybrid securities, options and warrants as well as participating in “going private” transactions. The Adviser anticipates that many of the Clients’ investments will be structured with a longer maturity profile than is typical of private equity benchmarks. The Adviser expects to commit to certain investments on behalf of one or more Clients with a maturity profile of seven to thirteen years or more, although some investments will likely be shorter holds while others could potentially be longer.

Generally, the investment process for the Clients involves careful investment review and detailed due diligence, including an analysis of the competitive industry landscape, assessment of the management team and ownership structure, financial, accounting and tax review, legal and insurance due diligence and financial analysis. Throughout the entire evaluation process and prior to entering into any definitive agreement, transactions are reviewed and approved by the Adviser’s investment committee. The Adviser’s investment committee meets on a weekly basis with ad hoc

sessions as needed, and maintains a dialogue on investments, active deals, and the longer-term investment pipeline while participating in active monitoring, valuations and portfolio review sessions. The Adviser anticipates that private and public investments across a range of structured and unstructured (majority and minority positions) securities will comprise the Clients' investment portfolios.

## **Risks**

Investing in securities involves a substantial degree of risk. A Client may lose all or a substantial portion of its investments and investors in the Clients must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Clients, include the following:

### *Financial Market Fluctuations*

The Clients' investment programs are intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which the Clients operate may undergo substantial changes. General fluctuations in the market prices of securities may affect the value of the portfolio companies and instability in the securities markets will also likely increase the risks inherent in the portfolio companies. There can be no assurance that such economic and market conditions will be favorable in respect of both the investment and disposition activities of the Clients. The ability to realize investments held by the Clients depends not only on such investments and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance that the Clients will be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. The trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable a Client to sell these securities when the Adviser believes it is most advantageous to do so. Volatility in the financial sector may have an adverse material effect on the ability of the Clients to buy, sell and partially dispose of their portfolio companies. The Clients may be adversely affected to the extent that they seek to dispose of any of their investments into an illiquid or volatile market, and a Client or the Adviser may find itself unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise access new sources of credit, including private lenders. The portfolio companies may depend on the availability of capital financed from third parties and to the extent such capital is not available, those of the portfolio companies that rely on such capital may be adversely impacted in a manner that they would not have been had they been able to access such capital. In addition, political measures taken in response to market practices or economic instability in the United States or abroad may have an adverse impact on the portfolio companies. In reaction to changing economic and market conditions, regulators in the United States and several other countries have undertaken in the past and may undertake in the future regulatory actions and implement other measures designed to support stability in the financial markets. Despite these efforts, global

financial markets could become and remain extremely volatile. In addition, new regulations and any changes in the political environment could limit a Client's or the Adviser's activities and investment opportunities or change the functioning of capital markets.

A deterioration of the global credit markets may make it more difficult for investment funds such as a Client to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, may dramatically reduce investor demand for high yield debt and senior bank debt, which in turn may lead some investment banks and other lenders to be unwilling to finance new credit investments or to only offer committed financing for these investments on unattractive terms. A Client's ability to generate attractive investment returns may be adversely affected to the extent the Clients are unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Clients to realize its investments at favorable times or for favorable prices.

#### *Valuation of Assets*

To the extent described in a Client's Organizational Documents, its general partner may be required to perform a valuation of Client assets outside the context of a negotiated third-party transaction involving a disposition of such assets. Since there is no actively traded market for most of the securities owned by the Clients, the general partners will apply a methodology based on their best judgment that is appropriate in light of the nature, facts and circumstance of the investments. 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. To the extent that the general partners are required to perform such valuations under any circumstances in which a general partner's interests are not fully aligned with those of all the investors, potential conflicts of interest may arise with respect to such valuations.

#### *Risk of Equity Investments in Private Companies; Non-Controlling Interests*

The Clients' investment portfolio is expected to consist primarily of securities issued by privately held companies. Generally, there will be no readily available market for trading such securities, which will limit the ability to monetize and value such investments. In addition, equity securities, even structured equity securities, are among the most junior in a company's capital structure and are subject to the greatest risk of loss. In general, the Client will not seek collateral to protect an investment. Accordingly, the Clients' investments will involve a high degree of business and financial risk that can result in substantial losses, including loss of principal. There can be no assurances that any targeted rate of return will be achieved. In addition, it is expected that the Client will often hold minority stakes in privately held companies. Such minority stakes that the Client may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.



### *Limited Operating History; Past Performance Not Indicative*

Certain of the Clients have limited operating history and will be entirely dependent on the Adviser. There can be no assurance that the Clients' investments will achieve results similar to those achieved by previous investments made or managed by the Adviser's employees. In addition, the Clients' investments may differ from previous investments made or managed by the Adviser's employees in a number of respects. The performance of previous investments (including the performance of predecessor funds) is not necessarily indicative of a Client's future results.

### *Dependence on Key Personnel*

The success of the relationship-based investment strategy utilized by the Clients depends in substantial part upon the individual Adviser principals and their skill and expertise. However, there can be no assurance that all of the Adviser principals will continue to be associated with the Adviser throughout the life of a Client or that replacements will perform well. The loss of any one Adviser principal could materially and adversely affect the Clients and the performance of their investments.

### *Future Investments Unspecified*

In order to enable the Clients to invest opportunistically across asset classes, industries and geographical regions, and consistent with the Clients' organizational documents, the Clients have retained significant flexibility in the types of investments that the Clients will be able to make. Consequently, the investments made by a Client are not necessarily indicative of any future investments that may be made by a Client and no information is being provided as to the nature or terms of any particular type of future investment, nor any analysis of the market conditions generally applicable thereto. Investors must rely solely on the Adviser with respect to the selection, amount, character and economic merits of each potential investment. No assurance can be given that a Client will be successful in obtaining suitable investments or in achieving any of a Client's objectives.

### *Long-Term Nature of Investment; Illiquidity of Investments*

An investment in a Client requires a long-term commitment, with limited or no liquidity opportunities and no certainty of return. The return of capital and the realization of gains and other income, if any, from an investment may not occur until a number of years after such investment is made, if at all. It is not generally expected that the disposition of an investment will occur for a number of years after the initial investment is made. The Adviser will have sole and absolute discretion in structuring, negotiating, purchasing, financing and eventually divesting investments on behalf of a Client subject to the provisions of the Client's Organizational Documents. It is anticipated that many of a Client's investments will be structured with a longer maturity profile than is typical of private equity benchmarks, which may further limit liquidity realization.

### *Recycling*

Subject to the terms of the applicable Client's Organizational Documents, proceeds from realized investments of a Client may be retained by the Client as determined by the Adviser and reinvested by such Client, or, at any time during the term of the Client, used by the Client as determined by

the Adviser for any other proper purpose. Accordingly, to the extent such retained amounts are reinvested, investors will remain subject to investment and other risks associated with such investments.

### *Regulatory Risk*

The Clients may invest in regulated portfolio companies that are subject to any number of governmental licenses, permits or other approvals. A Client may need the consent or approval of applicable regulatory authorities in order to acquire particular portfolio companies. Such regulatory authorities may also be required to approve or consent to certain aspects of a Client's sale of such investments. In addition, the adoption of new laws or regulations, including tax laws and regulations, or changes in the interpretation of existing laws or regulations, including tax laws and regulations, could have an adverse effect on a Client's investments. Such changes could necessitate the creation of new business models and the restructuring of investments to satisfy regulatory requirements, which may be costly and/or time-consuming. In connection with the regulatory approval, licensing or review process for any portfolio company, disclosures and other undertakings may be required from or in respect of the existing or prospective owners of such portfolio company, potentially including a Client or in turn the investors in such Client. Additionally, failure to obtain, or a delay in obtaining, certain required permits or approvals could hinder operation of a portfolio company and result in fines or additional costs for such entity, which could have an adverse effect on a Client. Compliance with applicable laws and regulations, such as antitrust and foreign direct investment laws, could significantly delay the closing of a transaction, lead to deal abandonment, increase the cost of operating the Clients, and/or infringe upon the ability of the Clients to engage in certain transactions. Finally, investment in regulated portfolio companies may result in: (i) certain investors in the Client being excused or excluded from participating in such investments in consultation with the Adviser as a result of the effects of such participation on such investors and/or the Client, and/or (ii) limiting the Client's ability to make other investments and/or take certain actions in connection with its investment activities.

### *Systems and Operational Risk*

The Adviser's employees and third-party service providers, which include prime brokers, administrators, market counterparties and others rely on certain financial, accounting, data processing and other operational systems and services. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and the Clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the Clients' operations. In addition, despite certain measures established by the Adviser and third-party service providers to safeguard information in these systems, there are potential risks associated with cybersecurity breaches which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of Client trading activities, liability under applicable law, regulatory intervention or reputational damage.

### *Investments in Public Companies*

Clients could invest in the equity or debt of public companies or take private portfolio companies public. Investments in public companies could subject Clients to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the investing Client to dispose of such securities at certain times (including due to the possession by such Client of material non-public information), increased likelihood of shareholder litigation against such companies' board members, which could include Adviser investment personnel, regulatory action by the SEC and increased costs associated with each of the aforementioned risks.

### *Equity Securities*

The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short term as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism, war, regional and global conflicts and related geopolitical events risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

### *Non-United States Investments*

Certain of the Clients have invested, and may make additional investments, in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Client), the application of complex United States and non-United States tax rules to cross-border investments, possible imposition of non-United States taxes on the Clients and/or the investors with respect to the Clients' income, and possible non-United States tax return filing requirements for the Clients and/or the investors. Additional risks of non-United States investments may include, without limitation: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; (d) greater difficulty of enforcing legal rights; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-United States companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to United States companies.

### *Client Structure*

The Clients include entities organized outside of the United States and which may be treated as partnerships or corporations for U.S. federal income tax purposes. In addition, the investors include taxable and tax-exempt entities and persons, or entities organized in various jurisdictions. As a result, certain Clients and investors may be subject to additional risks, including with respect to

application of non-U.S. laws, rules or regulations. Furthermore, certain Clients and investors may have differing return characteristics.

### *Competitive Market for Investment Opportunities*

The activity of opportunistically identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. While the Adviser believes that there are currently available attractive investments of the type in which the Clients intend to invest, there can be no assurance that such investments will continue to be available or that then available investments will meet a Client's investment criteria as such availability generally will be subject to market conditions. Over the past several years, an increasing number of competitors have been formed or expanded and additional funds with similar investment objectives may be formed or expanded in the future. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Clients; such supply-side competition may adversely affect the terms upon which investments can be made and, as a result, returns to investors may be impacted.

### *Limited Number of Investments; Lack of Diversity*

Except as set forth in a Client's Organizational Documents, a Client is under no obligation to diversify its investments, whether by reference to the amount invested or the industries or geographical areas in which the investments are made. Accordingly, a Client will participate in a limited number of investments and, as a consequence, the aggregate return of the Client may be substantially adversely affected by the unfavorable performance of even a single investment, although certain Clients' Organizational Documents and the Adviser's applicable compliance policies and procedures restrict the size of any single investment based on the total capital commitments or total investments. On any given investment, loss of all or a portion of the original amount of the investment is possible. Investors in a Client have no assurance as to the degree of diversification in the Client's investments, whether by geographic region, industry, asset or transaction type. To the extent a Client concentrates investments in a particular issuer, industry, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto. In addition, the Clients expect to make a number of investments for which third party financing will be desirable but not necessarily available at the time of investment. There is significant risk that such financing may never become available, or that a refinancing will not be able to be completed on desirable terms. This could result in a Client having a variety of unintended long-term investments and/or reduced diversification.

### *Use of Subscription Line Facilities*

Certain Clients obtain subscription line facilities to facilitate investments, support ongoing operations and activities of Clients and their respective portfolio investments, enable Clients to pay Management Fees or expenses and liabilities and for any other purpose for which Clients can call capital from their respective investors. If a Client obtains a subscription line facility, it is expected that certain Client capital needs will be satisfied through borrowings by the Client under the subscription line facility. As a result, capital calls are expected to be conducted in larger amounts on a less frequent basis in order to, among other things, repay borrowings and related

interest expenses due under such subscription line facilities. Where a Client uses borrowings under a subscription line facility in advance or in lieu of receiving capital contributions from investors the use of such facility will generally result in a higher, and in some instances, a lower reported internal rate of return than if the facility had not been utilized and instead capital contributions from investors had been contributed at the inception of an investment. In addition to subscription line facilities, Clients will engage in other types of borrowings that, as is the case with respect to subscription line facilities, can result in a higher or lower reported internal rate of return than if the borrowing were not put in place. The use of subscription line facilities and other borrowings presents conflicts of interest, including incentivizing the general partner to fund investments through such facilities in lieu of capital contributions, and may delay distributions to investors.

#### *Leverage; Borrowing by a Client or its Subsidiaries*

A Client may utilize leverage in connection with its investments and operations, subject to certain limitations. To the extent leverage can be obtained and is utilized, such leverage will introduce risk of unavailable refinancing and increase the exposure of an asset to adverse economic factors such as rising interest rates, further downturns in the economy or deterioration in the condition of the investment. A Client will also be permitted to guarantee or provide credit support or similar assurances in respect of the obligations of its portfolio companies and, accordingly, the Client may be materially and adversely affected to the extent such guarantees, support or assurances are called upon, including upon an event of default by any portfolio company in respect of any such obligations.

#### *Board Participation*

The Adviser's partners, principals and employees will serve as directors of some portfolio investments of Clients and, as such, would have duties to persons other than the investing Client. Although holding board positions could be important to the investing Client's investment strategy and could enhance the ability of the Client, its general partner and the Adviser to manage investments, director seats could also have the effect of impairing the general partner's ability to sell the related securities and other financial instruments when, and upon the terms, it could otherwise desire, and could subject the general partner, the Adviser, and investing Client 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 Client will indemnify its general partner and the Adviser from such claims.

#### *Debt Instruments Generally*

Debt may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness, and there is generally no minimum credit rating for such debt investments. Other factors may materially and adversely affect the market price and yield of such debt investments,

including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions.

#### *Contingent Liabilities on Disposition of Assets*

In connection with the disposition of assets, an investment in a portfolio company or any other investment, a Client may be required to make representations and warranties about the business and financial affairs and other aspects (such as environmental, property, tax, insurance and litigation) of itself and its assets, such portfolio company (or its assets) or such investment typical of those made in connection with the sale of a business or a portfolio of assets. A Client also may be required to indemnify the purchasers of such assets or investments to the extent that any such representations and warranties are inaccurate or with respect to certain potential liabilities. These arrangements may result in the occurrence of actual and/or contingent Client liabilities for which the Adviser may need to establish reserves or escrows or delay the receipt of consideration paid in connection with such disposition. In that regard, investors in a Client may be required to return amounts distributed to them to fund obligations of the Client, including indemnity obligations, subject to certain limitations set forth in the Client's Organizational Documents.

#### *Investments Longer than a Client's Term*

A Client may make investments which may not be advantageously disposed of prior to the date that the Client will be dissolved, either by expiration of the Client's term or otherwise. Due to the fact that the Adviser has a limited ability to extend the term of a Client, a Client may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. Distributions in-kind, which may be made in lieu of any such disposition at any time, could consist of assets or securities for which there is no readily available public market.

#### *Reliance on Portfolio Company Management*

Generally, a portfolio company's day-to-day operations are the responsibility of its management team. There can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in accordance with a Client's plans and/or objectives and the Client may have limited approval rights over the decisions made by the management team. In addition, to the extent a Client does not acquire controlling rights in a portfolio company, its ability to influence the management team may be further limited.

#### *Uncertainty of Financial Projections*

A Client may rely upon projections developed by the Adviser or a portfolio company concerning the portfolio company's future performance, cash flow and operating results as well as projections prepared by third parties. Projections are inherently subject to uncertainty and factors beyond the control of the Adviser and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements, and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values and cash flow.

### *Additional Capital*

Portfolio companies may require additional financing (including leverage) from sources outside a Client to satisfy their capital requirements. The amount of additional financing needed will depend upon the business objectives and strategy of the particular company. The availability of capital may be a function of capital market conditions that are beyond the control of a Client or any portfolio company. There can be no assurance that a portfolio company will be able to predict accurately its capital requirements or that additional funds will be available from the desired sources or from any sources or on terms favorable to the portfolio companies.

### *Market Conditions*

Any change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of a Client's investments. A Client's performance can be affected by deterioration in public markets and by market events, which, among other things, can impact the public market comparable earnings multiples used to value privately held companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of a Client's investments and its overall performance. The value of any publicly traded securities held by a Client may be volatile and difficult to sell. The impact of market and other economic events may also affect a Client's ability to raise funding to support its investment objective and the level of profitability achieved on realizations of investments. Additionally, general fluctuations in market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for a Client and may affect a Client's ability to make investments.

### *Currency Transactions*

The Clients may buy or sell currencies, forward currency contracts, currency futures contracts, swaps and related options on currencies for hedging or currency risk management purposes in connection with its investment activities, although the Clients are under no obligation to fully hedge, or to hedge at all, any currency exposure. Derivative instruments, including options, futures, forward contracts and swap contracts involve risks different from, and, in certain cases, greater than the risks presented by more traditional investments. These risks include market risk, management risk, counterparty risk, documentation risk, liquidity risk and leverage risk.

### *LIBOR Replacement Risk*

Payment obligations, financing terms and investments in many financial instruments (including debt securities and derivatives) may be tied to floating rates, such as the London Interbank Offered Rate ("LIBOR"). In 2017, the UK Financial Conduct Authority ("FCA") announced its intention to cease compelling banks to provide the quotations needed to sustain LIBOR after 2021. ICE Benchmark Administration, the administrator of LIBOR, ceased publication of most LIBOR settings on a representative basis at the end of 2021 and is expected to cease publication of a majority of U.S. dollar LIBOR settings on a representative basis after June 30, 2023. In addition, global regulators have announced that, with limited exceptions, no new LIBOR-based contracts should be entered into after 2021. Actions by regulators have resulted in the establishment of

alternative reference rates to LIBOR in most major currencies (e.g., the Secured Overnight Financing Rate for U.S. dollar LIBOR and the Sterling Overnight Interbank Average Rate for GBP LIBOR). Various financial industry groups have been planning for the transition away from LIBOR, and markets are developing in response to these new rates, but questions around the liquidity of the new rates and how to appropriately adjust these rates to eliminate any economic value transfer at the time of transition remain a significant concern. It is difficult to predict the full impact of the transition away from LIBOR on the Clients. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments held by the Clients or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses for the Clients. Since the usefulness of LIBOR as a benchmark could also deteriorate during the transition period, effects could occur at any time.

#### *The Alternative Investment Fund Managers Directive and the Alternative Investment Fund Managers Regulations*

The Directive 2011/61/EU of the European Parliament and of the European Council on Alternative Investment Fund Managers (including all national, implementing or supplementary measures, laws and regulations, the “AIFMD”) regulates the activities of certain alternative investment fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (“EEA”). If a Client is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no relief is available: (i) such Client may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in such Client incurring additional costs and expenses; (ii) such Client and/or their respective general partners may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in such Client incurring additional costs and expenses or otherwise affect the management and operation of such Client; (iii) the general partner of such Client may be required to make detailed information relating to the Client and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of the Client in relation to EEA portfolio companies, if any, including, in some circumstances, the Client’s ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those EEA jurisdictions, which may make it more difficult for the Client to raise its targeted amount of capital commitments. Certain Clients qualify as alternative investment funds (“AIF”) within the meaning of the AIFMD and are managed by a fully authorized AIFM in Luxembourg; as such they are subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in such Clients incurring costs and expenses. The European Commission recently published a proposed directive (known as “AIFMD II”) to amend AIFMD as it applies in the EEA. AIFMD II (which is not expected to come into force before 2024 at the earliest) includes significant proposals in respect of, among other things, delegation, loan origination, liquidity risk management, data reporting, depositaries and public disclosure via the European Single Access Point. At this stage, the Adviser cannot rule out that the changes currently set out in AIFMD II will not change further or that new changes will not be introduced (each of which could again have a material impact upon the Clients, their investments



and/or other costs or expenses which investors are required to bear) as the proposals are considered by the European Parliament and the European Council as part of the EU legislative process.

### *Enhanced Governmental Scrutiny and Increased Regulation of Industry*

There continues to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the alternative asset management industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Clients' activities, including the ability of a Client to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives. As a result, the Clients may invest in fewer transactions or incur greater expenses or delays in completing and/or exiting investments than it otherwise would have.

### *Inflation*

The U.S. economy is currently in a period of high inflation. Investments could have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, an investment could earn more revenue but could incur higher expenses. As inflation declines, an investment might not be able to reduce expenses commensurate with any resulting reduction in revenue. During periods of rising inflation, interest rates related to portfolio investments could increase, which would tend to reduce returns to the Clients and underlying investors. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets. Furthermore, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. Governmental efforts to curb inflation often have negative effects on the level of economic activity. Central banks, such as the U.S. Federal Reserve, generally attempt to control inflation by regulating the pace of economic activity. They typically attempt to affect economic activity by raising and lowering short-term interest rates. At times, governments may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity and potentially adversely impacting market liquidity conditions. Inflation rates may change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and a Client's investments may not keep pace with inflation, which may result in losses to the Client and its investors. If inflation continues to increase, the real value of a Client's investments could decline and the interest payments on a Client's borrowings, if any, may increase. There can be no assurance that a higher rate of inflation will not have a material adverse effect on the Clients' investments.

### *Russian Invasion of Ukraine*

On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine and the conflict is currently ongoing. In response, the United States, United Kingdom, and European Union imposed sanctions designed to target the Russian financial system, and thereafter a number of countries banned Russian planes from their airspace. Further sanctions may be forthcoming, and the U.S. and allied countries have announced they are committed to taking steps to prevent certain Russian banks from accessing international payment systems. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to

neighboring countries and the increasing international sanctions could have a negative impact on the economy and business activity globally, and therefore could adversely affect the performance of the Clients' investments. Furthermore, given the ongoing and evolving nature of the conflict between the two nations and its ongoing escalation (such as Russia's decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to the Clients and the performance of their investments or operations, and the ability of the Clients to achieve their investment objectives.

### *Cybersecurity Risk*

The Adviser, the Clients' 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 Clients and their investors, despite the efforts of the Adviser and the Clients' 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 security, confidentiality, integrity and availability of information belonging to the Client and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to these systems of the Adviser, the Clients' service providers and counterparties, as well as the data stored by these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Clients' investors. A successful penetration or circumvention of the security of the Adviser'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 Clients, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, the Adviser may incur substantial costs related to investigation of the origin and scope of a cybersecurity incident, increasing and upgrading cybersecurity protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage, or litigation, regulatory actions or other legal risks.

Similar types of operational and technology risks are also present for the companies in which the Clients invest, which could have material adverse consequences for such companies, and may cause the Clients' investments to lose value.

### *Tax Reform Risks*

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 Adviser to cause a Client to hold an investment for longer than three years 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 the Adviser may take these potential adverse consequences into account in their management and operation of funds and in addressing these adverse consequences, the interests of the general partner and the Adviser, on the one hand, may diverge from the interests of the investors, on the other hand.

### *Effects of Health Crises and Other Catastrophic Events*

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war, regional and global conflicts, or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on Clients’ investments and the Adviser’s operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for Client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

The global outbreak of the 2019 novel coronavirus (“COVID-19”) has meaningfully disrupted, and other global pandemics that may arise in the future will have the potential to meaningfully disrupt, the global economy and markets. COVID-19 has and may continue to have ongoing material adverse effects across many aspects of the regional, national and global economy. The full effects, duration and costs of the COVID-19 pandemic remain impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

### *Environmental, Social and Governance Matters*

While environmental, social or governance (“ESG”) is only one of the many factors the Adviser will consider in making an investment, there is no guarantee that the Adviser will successfully implement and make investments in companies that create positive ESG impact while enhancing long-term shareholder value and achieving financial returns. To the extent that the Adviser engages with companies on ESG-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and social results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of the Adviser will depend on the Adviser’s skill in properly identifying and analyzing material ESG and other factors and their impact-related value, and there can be no assurance that the strategy or techniques employed will be successful.

In evaluating a company, the Adviser is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause the Adviser to incorrectly assess a company's ESG practices and/or related risks and opportunities. ESG-related practices differ by region, industry and issue and are evolving accordingly, and a company's ESG-related practices or the Adviser's assessment of such practices may change over time.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and the Adviser's adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. The Adviser's ESG policies could become subject to additional regulation in the future, and the Adviser cannot guarantee that its current approach will meet future regulatory requirements.

#### *Possibility of Fraud and Other Misconduct of Employees and Service Providers*

Misconduct by employees of the Adviser, service providers to the Adviser or the Clients and/or their respective affiliates could cause significant losses to such Clients. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Clients, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Clients and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Clients. The Adviser has controls and procedures through which it seeks to minimize the risk of such misconduct occurring. However, no assurances can be given that the Adviser will be able to identify or prevent such misconduct.

#### *Climate Change*

The Clients may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the Clients' business and operations. Physical impacts of climate change may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the Clients may be vulnerable to the following: risks of property damage to the Clients' investments; indirect financial and operational impacts from disruptions to the operations of the Clients' investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the Clients' investments; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of

water, food or other natural resources on which the Clients' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change; incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

### *Custody and Banking*

The Clients 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 Clients, their portfolio companies and/or the Adviser transact may inhibit the ability of the Clients or their portfolio companies to access depository accounts or lines of credit at all or in a timely manner. In such cases, the Clients 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 Clients. In the event of such a failure of a banking institution where a Client 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 Clients 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 Clients or their portfolio companies. This risk is increased as the Adviser and its affiliates, the Clients and Adviser personnel all may utilize the same banking institutions. One or more investors or a general partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, a 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.

### **Item 9. Disciplinary Information**

Item 9 is not applicable to the Adviser.

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

#### **Related General Partners**

Various entities serve as general partners of the Clients, and the Adviser serves as the manager of such general partners. For a description of material conflicts of interest created by the relationship among the Adviser and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

## **Other Related Entities**

The beneficial owners of the Adviser are also beneficial owners of BDT & MSD Partners, LLC (CRD No. 150459), a broker-dealer registered with the Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority (FINRA) (together with its affiliated entities providing broker-dealer services, “BDT & MSD”). In addition, certain Adviser principals and employees are registered representatives or registered principals of BDT & MSD. For a description of material conflicts of interest created by the Adviser’s relationship with BDT & MSD, as well as a description of how such conflicts are handled, please see Item 11 below.

The beneficial owners of the Adviser are the ultimate beneficial owners of BDT & MSD Partners International, LLP, an affiliated U.K. MIFIDPRU firm authorized and regulated by the U.K. Financial Conduct Authority. The material conflicts of interest created by the Adviser’s relationship with BDT & MSD Partners International, LLP are substantially similar to the material conflicts of interest described for BDT & MSD. The beneficial owners of the Adviser are also the ultimate beneficial owners of BDT & MSD Partners Europe GmbH, a German limited company authorized by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, “BaFin”) under firm reference number 155370. BDT & MSD Partners Europe GmbH is regulated by both BaFin and the German Federal Bank (Deutsche Bundesbank, “Bundesbank”). The material conflicts of interest created by the Adviser’s relationship with BDT & MSD Partners Europe GmbH are substantially similar to the material conflicts of interest described for BDT & MSD.

The Adviser is affiliated with MSD Partners, a Delaware limited partnership that was founded in 2009 and serves as investment manager to certain clients that primarily make credit, growth equity and, prior to the merger, private capital investments. MSD Partners is a registered investment adviser with the SEC. The Adviser is affiliated with MSD Real Estate Management, LLC, a Delaware limited liability company that was founded in 2018 and serves as investment manager to certain clients that primarily engage in acquiring, owning and operating real estate equity investments. MSD Real Estate Management is a relying adviser of MSD Partners, relying upon MSD Partners’ investment adviser registration with the SEC.

In addition, pursuant to an agreement between the Adviser and DFO Management, LLC, which is with respect to the family office for Dell Technologies founder and Chief Executive Officer, Michael Dell, and his family, each party to the agreement and certain of its personnel provide services and support to the other. Such services and support are generally provided on a cost basis. Those Adviser personnel who provide services with respect to such family office, or to multiple Clients, will have a conflict in allocating their time and services. See “*Management of the Clients*” and “*Multiple Clients*” for additional information.

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

### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to every Adviser principal and employee as well as every natural person (whether or not an employee of the Adviser) who is

subject to the Adviser's supervision and control who (i) has access to nonpublic information regarding a Client's purchase or sale of securities, (ii) is involved in making securities recommendations to a Client, or (iii) has access to securities recommendations to a Client that are nonpublic (collectively, "Adviser Personnel").

The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the "Advisers Act"), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Client, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are required to file certain periodic reports with the Adviser's Chief Compliance Officer ("CCO") and to annually certify compliance with the Code of Ethics. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: [legal&compliance@bdtmsd.com](mailto:legal&compliance@bdtmsd.com).

### **Participation or Interest in Client Transactions**

The Adviser and certain Adviser principals and other employees as well as affiliates of the Adviser may invest in the Clients, either through the general partners, as direct investors in the Clients or otherwise. A Client or its general partner, as applicable, may reduce all or a portion of the Management Fee and Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

Due in part to the fact that potential investors in a Client (including purchasers of an investor's interests in a secondary transaction) or a co-investment opportunity (see below) may ask different questions and request different information, the Adviser may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or current investors.

### **Conflicts of Interest**

The Adviser and its related entities engage in a range of financial services activities, including investment activities for their own account. In the ordinary course of conducting its activities, the interests of a Client may conflict with the interests of the Adviser, other Clients or their respective affiliates. Certain of these conflicts of interest, as well as a description of how the Adviser addresses such conflicts of interest, can be found below.

In accordance with a Client's Organizational Documents, the Adviser has in the past and may, from time to time in the future, establish certain investment vehicles through which certain employees of the Adviser or its affiliates, certain business associates, or other persons invest

alongside one or more Clients. Such vehicles are contractually required, subject to applicable legal, tax or regulatory constraints, to purchase and sell each investment opportunity at substantially the same time and on substantially the same terms as the applicable Client that is invested in that investment opportunity.

In addition, the Adviser, its affiliates, Adviser principals, officers and other employees of the Adviser (including, for the avoidance of doubt, proprietary investment vehicles owned by the Adviser and/or its affiliates) may make proprietary investments in portfolio companies that are held by the Clients, or that are offered to and/or evaluated by but rejected by Clients. See *“Conflicts Relating to the General Partner and the Adviser”* for additional information the conflicts relating to these types of investments.

### *Resolution of Conflicts*

In the case of all conflicts of interest, the Adviser’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser’s best judgment, but in its sole discretion subject to the Clients’ Organizational Documents. In resolving conflicts, the Adviser will consider various factors, including the interests of the applicable Clients 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, the following factors may mitigate, but will not eliminate, conflicts of interest:

- A Client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered from the viewpoint of such Client;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant Organizational Documents for the Clients;
- Consultation with an advisory committee (which may be an advisory committee for multiple Clients), consisting of representatives of investors not affiliated with the Adviser (each a “Client Advisory Committee”). The advisory committees meet as required to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;
- The Adviser has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest;
- Where the Adviser deems appropriate, unaffiliated third parties are used to help resolve conflicts, such as the use of an independent third party to opine as to the fairness of a purchase or sale price; and
- Prior to subscribing for interests in a Client, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Client.

In addition, certain provisions of a Client’s Organizational Documents are designed to protect the interests of investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in



a manner adverse to a Client and its ability to achieve its investment objectives. While the Adviser endeavors 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 the Adviser will identify or resolve all conflicts in a manner that is favorable to the Clients and the Clients' investors are not entitled to receive notice or disclosure of the actual occurrence of conflicts or have any right to consent to them as they arise.

### *Conflicts*

The material conflicts of interest encountered by a Client include those discussed below. Other material conflicts are disclosed throughout this brochure, including in Item 6 with respect to performance fees, and/or in a Client's Organizational Documents.

### *Allocation of Investment Opportunities Among Clients*

In connection with its investment activities, the Adviser encounters situations in which it must determine how to allocate investment opportunities (including follow-on investments) among various Clients and co-investors, the Adviser and its affiliates, and other persons (including, for example, individuals and entities that wish to make direct investments (*i.e.*, not through an investment vehicle) side-by-side with one or more Clients in particular transactions and/or individuals or entities acting as "co-sponsors" with the Adviser with respect to a particular transaction).

The Clients are generally subject to investment allocation requirements (collectively, "Investment Allocation Requirements"), including as set forth in a Client's Organizational Documents, agreements with investors or the Adviser's applicable compliance policies and procedures. To the extent the Investment Allocation Requirements of a Client do not include specific procedures and/or allow the Adviser discretion in making allocation decisions among the Clients, the Adviser has adopted written policies and procedures relating to the allocation of investment opportunities, which are briefly summarized below.

The Adviser must first determine which Clients will participate in an investment opportunity, based on a Client's investment objectives, strategies and structure, and any additional factors that may restrict or limit the offering of an investment opportunity to the Client(s). Possible restrictions include, but are not limited to follow-on and related investments, and legal and regulatory exclusions. For example, the Adviser may determine that certain Clients, or investors in such Clients, 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 Clients that will participate in a particular investment have been identified, the Adviser, in its discretion, decides how to allocate such investment opportunity among the identified Clients. In allocating such investment opportunity, the Adviser will consider a wide range of factors, including but not limited to a Client's liquidity and reserves, diversification (including the actual, relative or potential exposure of a Client to the type of investment opportunity in terms of its existing portfolio), any "ramp-up" period of a newly established Client, the amount of capital available for investment by a Client, the availability of other suitable investments, the seniority of an investment and other capital structuring criteria, supply or demand of an investment opportunity

at a given price level, transaction sourcing and/or any existing relationship with the relevant portfolio company, whether an investment opportunity requires additional consents or authorizations from the Client, investors or third-parties, risk considerations, and any relevant limitations imposed by a the Client's Organizational Documents.

In making its allocations of investment opportunities among the Clients, the Adviser will not favor or disfavor, consistently or consciously, any Client or class of Clients in relation to any other Clients. The application of the Investment Allocation Requirements and factors set forth above will often result in allocation on a non-pro rata basis and there can be no assurance that a Client will participate in all investment opportunities that fall within its investment objectives. The Adviser makes allocation determinations based solely on the Adviser's expectations, 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 Client in hindsight.

Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. For example, in allocating an investment opportunity among Clients with differing fee, expense and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Clients from which the Adviser and/or its related persons derive, directly or indirectly, higher fees, compensation or other benefits. Notwithstanding the foregoing, the Adviser will not allocate investment opportunities among the Clients based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Client or (ii) the profitability of any Client as it would impact the Adviser or its related persons.

The Adviser and its affiliates, including MSD Partners and its relying adviser(s), have adopted joint policies with respect to allocation of investment opportunities among their advised funds and accounts (collectively, the "Accounts") and have established investment committees to apply the allocation principles and determine allocations in certain situations where the investment interests of multiple Clients or clients of affiliates overlap. The composition of these committees includes senior Adviser professionals and those of its affiliates. For certain clients of MSD Partners, compliance approval of an allocation of an investment opportunity among one or more of such clients is required. The Accounts are generally subject to Investment Allocation Requirements, which include offering of certain investment opportunities to one or more Accounts, including a client of an Adviser affiliate, according to predetermined principles established by the Adviser and/or its affiliates, including the Adviser's investment committee, or as set out in an Account's Organizational Documents. To the extent the Accounts have overlapping investment strategies, the Adviser and/or its affiliates maintain, subject to the Accounts' Organizational Documents, discretion in making allocation decisions among the Accounts. In making such allocations, the Adviser considers such factors that it determines in its sole discretion to be relevant, which may include the Accounts' differing investment strategies, structures, terms of offerings and other relevant investment factors including but not limited to the factors set forth above. The Adviser or its affiliates may determine to offer an investment opportunity related to an investment previously made by an Account to such Account at the exclusion of, or resulting in a limited offering to, other Accounts. Legal and regulatory exclusions can impact allocations. In situations where there are multiple Accounts in separate fund structures that have been identified to participate in a particular investment opportunity, the opportunity is generally allocated to such Accounts on a pro rata basis based on available capital. With respect to secondary trades,

allocations are generally determined based on available capital or assets under management; however, as described above, there are several other factors that may be taken into consideration.

Due to the differences in the applicability of allocation factors to each Account, there may be differences in the invested positions and securities held between Accounts within the same investment strategy. The Adviser is not obligated to purchase or sell an investment instrument or provide an investment opportunity to a Client because the Adviser purchases or sells the same investment instrument for or provides an opportunity to another Client if, in its reasonable opinion, the transaction does not appear to be suitable, practical or desirable for the Client.

In addition, the Adviser and its affiliates, as well as Adviser principals and other Adviser Personnel, invest indirectly in and may be permitted to invest directly in Accounts and may therefore participate indirectly in investments made by the Accounts in which they invest. Such interests will vary Account by Account and may create an incentive to allocate particularly attractive investment opportunities to the Account in which such persons hold a greater interest. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to an Account.

In certain circumstances, regulatory or policy restrictions imposed on significant investors in the Clients cause a Client to be prohibited from participating in an investment (or, in some circumstances required to make a certain investment, or not make, as the case may be) that the Adviser would otherwise seek to make on behalf of a given Client, including (without limitation) participating in new issue offerings.

#### *Allocation of Co-Investment Opportunities*

The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Accounts, or if an investment might otherwise benefit from the involvement of co-investors, in which case an investment opportunity may be offered to one or more co-investors pursuant to the procedures included in such Accounts' Organizational Documents and other agreements, and as set forth in the following paragraphs. There may be circumstances where an amount that, the Adviser determines for strategic or other reasons, could have otherwise been invested by a particular Account is instead allocated to one or more co-investors. The Adviser is not required to consult with the Accounts' advisory committees or other investors not being offered an opportunity to co-invest prior to offering such co-investment opportunities.

Subject to any Investment Allocation Requirements or other specific agreements with investors, in general, (i) other than the Adviser, an Account's general partner or their respective affiliates, which in certain instances participate in a co-investment pro rata to their commitment to the Account set forth in the Organizational Documents of the applicable Account, no investor in an Account has a right to participate in any co-investment opportunity and investing in an Account 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 on which a co-investment is made, are made in the sole discretion of the Adviser or its related persons and investors may be offered a smaller amount of co-investment opportunities than originally requested and an investor may be offered fewer co-investment opportunities than

other investors in the same Account, with the same, larger or smaller capital commitments to such Account, (iii) co-investment opportunities typically will be offered to some and not other investors in the Accounts, in the sole discretion of the Adviser or its related persons, and (iv) certain persons other than investors in the Accounts (including other Accounts managed by the Adviser, Adviser principals, consultants, persons associated with a portfolio company and other third parties, including persons the Adviser believes will provide a benefit to the Adviser, an Account and/or one or more portfolio companies) rather than one or more investors in an Account, may be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons.

For the avoidance of doubt, the Adviser and its affiliates, executives, partners, principals, managing directors, officers or directors of, or investment professionals employed by, the Adviser or any of its affiliates, along with any of their permitted family members and trusts, partnerships or other vehicles, programs or entities formed for the benefit of or owned by any of the foregoing (collectively, the “GP Investment Group”), will, from time to time, invest alongside an Account in an investment opportunity, up to any applicable percentage limitations set forth in the Organizational Documents of the applicable Account. In addition, the GP Investment Group will have the right to acquire any co-investment interests offered to individuals serving as directors or officers of portfolio companies. Conflicts of interest arise in connection with the management of the Accounts and portfolio company investments by those in the GP Investment Group, which could adversely impact the Accounts. For instance, such persons will co-invest in certain portfolio companies and not others, and co-investments will be at differing amounts. In such cases, there will be an incentive to allocate more time, services or functions with respect to co-investments from which those persons would derive a higher economic benefit, even if it would be in an Account’s interest for those persons to prioritize other portfolio companies that would be more significant drivers of overall Account returns. In addition, there are conflicts of interest with respect to other transactions, governance and engagements with respect to the portfolio companies co-invested in by the GP Investment Group, including with respect to releveraging and recapitalization transactions involving portfolio companies, follow-on investments and engagements with service providers and Operating Consultants. Investors from the GP Investment Group generally will not pay Management Fees or Carried Interest, though they will pay for their pro rata share of certain Account expenses and as set forth under “*Co-Investment Vehicle Fees and Expenses*.” The Adviser will generally seek to ensure that any GP Investment Group co-investors and other Accounts participate in any co-investment and any related transactions on comparable economic terms to the extent reasonably practicable and subject to legal, tax and regulatory considerations, though such participation could not be practicable in all circumstances and will depend on terms negotiated by such co-investors, and an Account could potentially participate in such investments on different and potentially less favorable economic terms than such parties. Any co-investment by the GP Investment Group may affect the Adviser’s decision to offer certain opportunities for investor co-investment, will reduce the amount that could have otherwise been invested by one or more other co-investors (including investors in an Account) and may constitute the entire co-investment with respect to a particular opportunity.

Each co-investment opportunity (should any exist) is likely to be different and allocation of each such opportunity will be dependent upon facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, projected holding period, exit strategy and counterparty).

The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons and in the manner discussed above often will not result in pro-rata allocations and such allocations may be more or less advantageous to some persons relative to other such persons. For example, the Adviser may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons. While the Adviser will determine how to allocate investment opportunities using its reasonable judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that an Account'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 the Adviser is subject, discussed herein, did not exist.

In the event the Adviser determines to offer an investment opportunity to co-investors, there can be no assurance that the Adviser 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, that the co-investment will take place on the terms and conditions that will be preferable for the Account or that expenses incurred by the Account with respect to the syndication of the co-investment will not be substantial. In order to facilitate the acquisition of an investment, the Adviser or one or more of its affiliates may, on behalf of itself or one or more of Accounts, make or commit to make an investment that exceeds the desired amount with a view to selling a portion of such investment to co-investors or other Accounts prior to or after the closing of the acquisition. In such event, Accounts bear the risk that any or all of the excess portion of such investment may not be sold or may be sold on unattractive terms. As a consequence, the Account may bear the entire portion of any fees, costs and expenses related to such investment, including but not limited to, break-up fees, and hold a larger than expected portion of such investment. An investment that is not syndicated to co-investors as originally anticipated could significantly reduce an Account's overall investment returns. Therefore, it is possible that an Account 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, interests of potential co-investment parties may differ from the interest of the Account and the Account's investors. It is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of an Account and as a result, may take a different view from the Adviser as to the appropriate strategy for an investment or may be in a position to take a contrary action to an Account's investment objective.

The Adviser or its affiliates may establish dedicated co-investment vehicles for specific investors in order to facilitate investments by the relevant investors as co-investment parties alongside an Account that often have more favorable rights and/or terms than the Clients and/or other co-investors. Any such vehicle will be established at the Adviser or its affiliates' sole discretion and the Adviser and its affiliates have no obligation to offer a similar opportunity to any other investor.

To the extent permitted by applicable law and an Account's organizational documents, the Adviser or its affiliated broker dealer may receive commissions or fees in connection with sales of assets by an Account to co-investors or co-investment vehicles. Such amounts would offset or reduce Management Fees only to the extent required by the applicable Account's Organizational Documents.

### *Secondary Transactions*

To the extent the Adviser has discretion over a secondary transfer of interests in a Client pursuant to such Client's Organizational Documents, the Adviser will consider such factors as it deems relevant in exercising such discretion and make any transfer of interests subject to conditions as determined by the Adviser (including requiring the applicable investor to pay the Adviser a fee or other compensation with respect to any transfer of interests for a transfer of interests to a non-affiliate of the Adviser). Subject to any restrictions in the Organizational Documents of the applicable Client, the Adviser or its related persons may be asked to identify a limited number of persons to potentially acquire the interest being transferred. In addition, the Adviser or its related persons may acquire the interests being transferred in a Client.

### *Conflicts Related to Purchases and Sales*

Conflicts may arise when a Client makes investments in conjunction with an investment being made by other Clients or a client of the Adviser's affiliates, or in a transaction where another Client, a client of an affiliate or an affiliate has already made an investment or has an interest. Investment opportunities may be appropriate for Clients, and/or clients of the Adviser's affiliates, at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly when these clients may invest in different types of securities in a single portfolio company.

Certain Clients invest in securities of companies in which other Clients hold securities, including equity securities. Conflicts arise in these circumstances, particularly where the underlying company is facing financial distress. For example, conflicts of interest arise in determining: (i) whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced; and (ii) 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, and the Adviser may be incentivized to choose a course of action that benefits one Client to the detriment of another Client. In the event that one Client has a controlling or significantly influential position in a portfolio company, it will have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, a controlling Client is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a company. Such management and operational decisions may, at times, be in direct conflict with other Clients, and/or clients of the Adviser's affiliates, that have invested in the same portfolio company that do not have the same level of control or influence over the portfolio company.

The involvement of Clients, and/or clients of the Adviser's affiliates, at both the equity and debt levels also could inhibit strategic information exchanges among fellow creditors, and Clients, and/or clients of the Adviser's affiliates, may be prohibited from exercising voting or other rights and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties of a portfolio company, or to finance growth or other opportunities, the Clients may or may not provide such additional

capital, and if provided each Client will supply such additional capital in such amounts, if any, as determined by the Adviser. In the event one Client is unable to Client its share of additional capital (e.g., in the event such Client does not have sufficient available capital), the other Client may fund more than its share of such amount. In such event, one Client will gain greater exposure to such investment than may have been intended and the other Client will be diluted in such investment. The returns of each Client may be negatively impacted as a result of the foregoing.

A conflict also may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Client or a portfolio company of another Client. Investments by more than one client of the Adviser or its affiliates in a portfolio company also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by other clients of the Adviser or its affiliates, or that a client may remain passive in a situation in which it is entitled to vote. 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. Furthermore, from time to time a Client and a co-investment vehicle may receive securities in-kind as a result of an investment disposition. The Adviser may determine, for liquidity, strategy or other reasons, to dispose of the Client's shares and the co-investment vehicle's shares at different times which may result in each entity receiving a different value for the securities. These variations in timing may be detrimental to a Client. Adviser Personnel and related persons of the Adviser and its affiliates have made or may make capital investments in or alongside certain Clients, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

The applicable Client's Organizational Documents are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Clients in different classes of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall 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.

In addition, investors may receive different consideration (for instance, investors in one Client may receive cash whereas investors in another Client may be provided the opportunity to receive distributions in-kind), which may impact the realized return ultimately received by each Client.

In such circumstances described above, the Adviser could take steps to reduce the potential conflicts of interest between the various Clients, including causing a Client to take certain actions that, in the absence of such conflict, it would not take (e.g., a Client may divest itself of an asset it otherwise may have retained, the Adviser may establish information barriers, certain matters may be referred to a Client Advisory Committee or a third party, or a Client may only invest in securities that to seek to align interests with other investing Clients). Any such steps could have the effect of benefiting one Client or the Adviser at the expense of another Client.

The Clients may from time to time enter into equity commitment arrangements whereby, subject to any applicable documentation, a Client agrees that upon the closing of a transaction with respect to a potential portfolio company, it will purchase equity securities in a transaction. Furthermore, in certain instances the Clients will also enter into (a) limited guarantee arrangements whereby,

subject to any applicable documentation, a Client agrees that if a transaction with respect to a potential portfolio company is not consummated, it will pay a percentage of the total value of the transaction as a “reverse termination fee” to the seller entity and (b) full guarantee arrangements where a Client agrees to close a transaction even if the debt financing for such transaction is not available or has not been funded. While certain co-investment vehicles with investments contractually tied to the Client (including co-investment vehicles through which Adviser Personnel participate) are generally obligated to pay their proportionate share of the equity purchase price (whether pursuant to the applicable Clients’ Organizational Documents or otherwise), such co-investment vehicles are generally not direct parties to the equity commitment arrangements or guarantees and, in any event, are not obligated to pay their proportionate share of any reverse termination fees. Therefore, in the unlikely event that a co-investment vehicle defaults on an arrangement with the Client to pay its proportionate share of the equity purchase price (if any) or such an arrangement does not exist, the Client could be held responsible for the entire equity purchase price or reverse termination fee, or obligations, as applicable.

The Clients, from time to time, co-invest with third-parties through partnerships, joint ventures or other similar entities or arrangements. These investments may involve risks and conflicts that would not otherwise be present in investments where a third-party is not involved. Such risks include, among other things, the possibility that the third-party may have differing economic or business goals than those of the Client, or that the third-party may be in a position to take actions that are inconsistent with the investment objectives of the Clients. There may also be instances where the Clients will be liable for the actions of such third-party co-investors. There can be no assurance that the return of a Client participating in a transaction with a third party would be equal to and not less than another Client participating in the same transaction or that it would have been as favorable as it would have been had such situation not existed.

### *Multiple Clients*

Certain inherent conflicts of interest arise from the fact that the Adviser provides investment management services to more than one Client that could have overlapping or even conflicting investment objectives or strategies, and that the Adviser is affiliated with through common ownership other investment advisers, namely MSD Partners and its relying adviser(s). These activities could adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients. For example, the Adviser could recommend investments to or purchase securities for the account of one Client that could differ from investments recommended or bought for other Clients, even though the investment objectives of the Clients involved could be similar or even identical. Moreover, the Clients (or Adviser personnel) could make investments or engage in other activities that express inconsistent views with respect to an entity in which they have invested, a particular security or relevant market conditions.

The Adviser and its affiliates reserve the right from time to time to express inconsistent views of commonly held investments or of market conditions more generally, including in instances where different portfolio managers or personnel express different views regarding the same investment. There can be no assurance that the return on one Client’s investments will be the same as the returns obtained by other Clients participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that



is beneficial to both Clients. In that regard, actions taken for one or more Clients may adversely affect other Clients.

Potential conflicts of interest, including those identified above between the Clients, may arise in connection with the Adviser's affiliation with MSD Partners and its relying adviser(s), with such conflicts arising between Clients and clients of those MSD advisers. As noted above, the Adviser and its affiliates, including MSD Partners and its relying adviser(s), have established investment committees to apply the allocation principles and determine allocations in certain situations where the investment interests of multiple Clients or clients of affiliates overlap. In addition, conflicts will arise where a Client has or makes an investment that a client of MSD Partners, or MSD Real Estate Management, makes or has made. There can be no assurance that any such conflict that arises as a result of the same or a similar investment (including potentially in different parts of the capital structure) will be resolved in a manner beneficial to Clients. See "*Conflicts Related to Purchases and Sales*."

### *Cross-Transactions*

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

Depending on the transaction structure, these transactions may disproportionately benefit the purchasing, selling, or merging Client (or the Adviser as a result of its interests in a particular Client), and one Client may incur expenses or forego gains that would have been obtained had it not entered into such transaction. For example, the Adviser may be incentivized to support a less successful portfolio company of an older Client by causing a newer Client with a longer remaining term and investment period to purchase a part or all of such portfolio company in order to provide the Adviser additional time to potentially manage it to a successful exit and increase the likelihood of the Adviser or an affiliate receiving Carried Interest. Conversely, the Adviser may be incentivized to sell an attractive investment in an older Client to a newer Client to increase the amount of fees received by the Adviser or an affiliate with respect to such an investment. Determining the valuation or other terms of such transactions may also create a conflict of interest due to the Adviser's consideration of the particular terms (including the fee terms) of the Clients and the Adviser's interest in such Clients. Such acquisition or merger may result in the acquiring entity purchasing a Client's portfolio company at a valuation that is: (a) not the highest price than could have been obtained in the market had there been a robust sales process with multiple third-party bidders or (b) higher than the value of the company resulting in an overvaluation.

Under certain circumstances, the Adviser may wish to reduce the investment of one or more Clients in an investment and increase the investment of other Client(s) in such investment, and may, therefore, effect such transactions by directing the transfer of such investment between such Clients or through any other transaction structure (for example, distribution of portfolio company interests from one Client and contribution of such interests to another Client). Any costs and expenses associated with any such transaction will be borne by such Clients in accordance with such Clients' Organizational Documents and to the extent not addressed in the applicable Organizational Documents, on an allocation that the Adviser deems in good faith to be fair and reasonable.

To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Clients (e.g., the Organizational Documents of certain Clients may provide for the rebalancing of investments at certain times and at a cost set forth in those documents so that these Clients' resulting ownership of investments is generally proportionate to the relative capital commitments of the Client). To the extent such matters are not addressed in the Investment Allocation Requirements, the Adviser, and where appropriate the applicable Client Advisory Committee, will be responsible for confirming that the Adviser (i) considers its respective duties to each Client and (ii) obtains any required Client-related approvals of the transaction's terms and conditions after having made full disclosure of all material terms. There can be no assurance that any such conflicts can be resolved in a manner that is beneficial to each Client or portfolio company nor is there any assurance that such transaction will be equally or similarly profitable or advantageous to each participating Client.

### *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. 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. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

### *Continuation Transactions*

From time to time the Adviser may determine that it is in the best interest of a Client holding an investment (the "selling Client") to transact with another Client (the "purchasing Client") in order to provide the selling Client's investors with an option to either: (1) receive cash proceeds from the selling Client's sale or transfer of such portfolio company and/or (2) "roll" (i.e., retain) their interest in such portfolio company. These types of transactions are often referred to as "continuation transactions." In connection with such continuation transactions, the Adviser may require the investors in the purchasing Client to make an additional investment in a Client or commit to invest in a future Client. In addition to those conflicts of interest described above under

“*Cross-Transactions*”, conflicts of interest arise in these continuation transactions because (i) the Adviser and its affiliates are charging investors in the purchasing Client a Management Fee and Carried Interest (which economics are likely to be different than the selling Client) and the transactions have the potential to result in the receipt of additional Management Fees and Carried Interest by the Adviser and its affiliates; (ii) the Adviser and Adviser Personnel are expected to have the ability to make material investments in the purchasing Client, which may cause them to take actions that benefit the purchasing Client; (iii) the Adviser is actively involved in negotiating the terms of the sale on behalf of the selling Client, on the one hand, and the purchasing Client, on the other hand (including allocation of expenses incurred in the transaction); and/or (iv) of the requirement for an investor in the purchasing Client to make an investment in a Client or a commitment to invest in a future Client, which (a) incentivizes the Adviser to favor such investors because of the potential for the Adviser and its affiliates to earn additional Management Fees with respect to any such investment or commitment to invest, and (b) could affect the price such investors offer to purchase the asset from the selling Client. Additionally, conflicts of interest arise in continuation transactions as a result of the allocation of fees and expenses, because fees and expenses will be incurred in connection with the transaction, and the Adviser might determine to allocate bankers’ fees and certain other fees and expenses solely to selling investors and not to the “rolling investors” or “new investors” in the purchasing Client or vice versa.

To the extent not addressed in a Client’s Organizational Documents, the Adviser will address conflicts of interest that arise in connection with continuation transactions considering items, as relevant, as set forth above under “*Cross-Transactions*.”

### *Management of the Clients*

The Adviser manages Clients that may have investment objectives similar to each other. It is likely that the Adviser or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different (and potentially conflicting) from, those of the current Clients. Allocation of available investment opportunities between the Clients and any such investment fund could give rise to conflicts of interest. See “*Allocation of Investment Opportunities Among Clients*” and “*Allocation of Co-Investment Opportunities*” above. The Adviser may give advice or take actions with respect to, the investments of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives or strategies. As a result, Clients with similar strategies may not hold the same securities or achieve the same performance. In addition, a Client may not be able to invest through the same investment vehicles or have access to similar credit or utilize similar investment strategies as another Client. These differences result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

In addition, it is expected that Adviser Personnel responsible for managing a particular Client will have responsibilities with respect to other Clients managed by the Adviser, including funds raised in the future or to proprietary investments made by the Adviser and/or its principals. Conflicts of interest may arise in allocating time, services or functions of Adviser Personnel. Adviser Personnel will devote such time to the Clients as the Adviser determines to be necessary to conduct its business affairs in an appropriate manner. However, Adviser Personnel, including members of the Adviser’s investment committee, will work on other projects, serve on other committees and source potential investments for and otherwise assist the investment programs of clients of the

Adviser's affiliates and their portfolio investments. Certain members of the Clients' investment teams are also members of other Clients' or other affiliated clients' investment teams and will continue to serve in those roles (which in some cases is their primary responsibility) and as a result, not all of their business time will be devoted to a particular Client. Time spent on these other initiatives diverts attention from the activities of the Clients, which could negatively impact the Clients and their investors. Certain non-investment professionals are not dedicated solely to a particular Client and are permitted to perform work for other Clients or the clients of affiliated advisers which is expected to detract from the time such persons devote to a particular Client. Furthermore, Adviser Personnel derive financial benefit from these other activities, including fees and performance-based compensation. Employees of the Adviser's affiliates share in the fees and performance-based compensation from the Clients; similarly, the Adviser's employees share in the fees and performance-based compensation generated by clients of the Adviser's affiliated advisers. These and other factors create conflicts of interest in the allocation of time by the Adviser's employees. For example, the Adviser has an incentive to allocate more time, services or functions to the Client or Clients from which the Adviser or its employees derives a higher economic benefit and/or to better performing Clients.

The Adviser has in the past and may, from time to time in the future, consider and reject an investment opportunity on behalf of one Client, and the Adviser or an affiliate of the Adviser may subsequently determine to have the Adviser or an affiliate of an Adviser, or another Client or client of the Adviser's affiliates, make an investment in the same company. A conflict of interest arises because the Adviser, its affiliate, or the investing Client (or client of the affiliate) will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by the original Client considering the investment.

In addition, the Adviser receives and generates various kinds of portfolio company data and other information, including related to or created in connection with financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors, ESG and other metrics, financial information, commercial and transactional information, user data, cost data and related data or information. This information may, in certain instances, include confidential and/or sensitive information received or generated in connection with efforts on behalf of one Client's investment (or prospective investment) in a portfolio company. As a result, the Adviser may be better able to anticipate macroeconomic and other trends and financial opportunities, enhance and improve operations of portfolio companies and otherwise develop investment strategies or identify specific investment or business opportunities. The Adviser may, in the future, utilize such data for purposes of identifying new investment opportunities for the Clients. Information from a portfolio company owned by a Client could enable the Adviser to better understand a particular industry and develop and execute investment strategies in reliance on that understanding for the Adviser and other Clients that do not own an interest in such portfolio company, without compensation or benefit to such Client or its portfolio companies. Further, data may be aggregated across the Client and their respective portfolio companies and, in connection therewith, the Adviser may elect to serve as the repository for certain data, including with ownership, use and distribution rights therein. The Adviser may also share data from a portfolio company of one Client with a portfolio entity of another Client. In the event such data is utilized in this manner, portfolio companies may incur incremental expenses in collecting and organizing information requested or required to be furnished to the Adviser (which expenses are indirectly borne by the Clients). The Adviser has in the past entered into and is likely in the future to enter into information sharing and confidentiality

arrangements with portfolio companies and other sources of information that may limit the internal distribution and use of such data. The Adviser may in the future in certain instances use this information in a manner that may provide a material benefit to the Adviser, its affiliates, or to certain other Clients without compensating or otherwise benefitting the Client or Clients from which such information was obtained. In addition, the Adviser may have an incentive to pursue investments in portfolio companies based in part on the data and information expected to be received or generated. Furthermore, except for (a) contractual obligations to third parties to maintain confidentiality of certain information or otherwise limit the scope and purpose of its use of distribution, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws prohibiting insider trading, anti-corruption laws and laws protecting national security interests, the Adviser is generally free to use data and information from a Client's activities in its sole discretion for the benefit of the Adviser and other Clients and their portfolio companies. The potential sharing and use of data and other information as described above present potential conflicts of interest and any benefits received by the Adviser or its personnel will not be subject to the Management Fee offset provisions or otherwise shared with a Client or its investors. The Adviser may in the future utilize such information to benefit the Adviser, its affiliates and/or certain Clients.

Certain of the Clients have in the past and may in the future enter into borrowing arrangements that require the Clients to be jointly and severally liable for the obligations. If one Client defaults on such arrangement, the other Clients that have entered into such arrangements will be held responsible for the defaulted amount.

#### *Follow-on Investments*

Investments to finance follow-on acquisitions 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 acquisitions by one Client in a portfolio company in which another Client has previously invested. In addition, a Client may participate in leveraging and recapitalization transactions involving portfolio companies in which another Client has already invested or will invest. 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 and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

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

### *Conflicts Relating to the General Partner and the Adviser*

The Adviser, Adviser principals, officers and other Adviser Personnel and other related persons of the Adviser and its affiliates have made and may make capital investments in or alongside certain Clients. These investments may be at different times or in non-pro rata amounts, or in different classes or levels of the capital structure. Such persons therefore have additional conflicting interests in connection with these investments.

The Adviser generally may, in its discretion, (i) contract with any related person of the Adviser (including a portfolio company of a Client) to perform services for the Adviser in connection with its provision of services to the Clients, and/or (ii) recommend to a Client or a portfolio company thereof that it contract for services with the Adviser or a related person of the Adviser (including a portfolio company of a Client) or an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. The Adviser may have an incentive to contract with or recommend the related person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, Adviser principals, officers and other Adviser Personnel (including, for the avoidance of doubt, through proprietary investment vehicles owned by the Adviser and/or its affiliates) and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to Clients. Additionally, the Adviser, its affiliates, Adviser principals, officers and other Adviser Personnel (including, for the avoidance of doubt, through proprietary investment vehicles owned by the Adviser and/or its affiliates) may buy securities in transactions offered to and/or evaluated by, but rejected by, Clients. In such circumstances, the Adviser uses its judgment in determining how to categorize and allocate expenses incurred in connection with such a Client's rejected investment. In certain instances, a conflict may arise because it may be difficult to determine the value of any benefit received by the Adviser, Adviser principals, officers and other Adviser Personnel (in particular, where the investment is made after a period of time has elapsed or after the evaluating Client has been dissolved) and the Adviser, Adviser principals, officers and other Adviser Personnel may not reimburse the Clients for any expenses or costs incurred in connection with the investigation of the investment opportunity. The transactions described above are subject to the policies and procedures set forth in the Adviser'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 Clients. In the event Adviser principals, officers and other Adviser Personnel make an investment with the intent to source future investments for the Clients, there is a greater likelihood that the Clients will make investments in the same portfolio companies in which Adviser principals, officers and other Adviser Personnel hold an interest as described above. If the Adviser, or Adviser principals, officers and other Adviser Personnel have made large capital investments in or alongside the Clients they will have conflicting interests with respect to these investments. In addition, Clients from time to time invest in securities of companies in which the Adviser, or Adviser principals, officers and other Adviser Personnel have previously invested for their own accounts. Furthermore, the Adviser, or Adviser principals, officers and other Adviser Personnel, from time to time invest for their own accounts in securities of companies in which the Clients have previously invested, and while the significant interests of such persons generally align their interest

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

From time to time, the Adviser, its affiliates and/or Adviser Personnel invest in funds or other entities managed by investors in a Client, which could incentivize such Adviser Personnel to afford the limited partner 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 Client for investment opportunities or invest in competing portfolio companies.

By reason of their responsibilities in connection with other activities of the Adviser, certain Adviser Personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Clients will not be free to act upon any such information. Due to these restrictions, the Clients may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold.

#### *Fee Structure*

Because the Management Fee is payable through liquidation of a Client and there is a fixed investment period after which capital from investors in the Clients will only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of the Clients, based upon capital called or invested by the Clients, this fee structure creates an incentive to defer the realization of investments and/or call or deploy capital when the Adviser would not otherwise have done so.

Additionally, as discussed above in Item 6, the general partners of many Clients are entitled to Carried Interest under the terms of the Organizational Documents of such Clients. Such general partners are affiliates of the Adviser. The existence of the general partners' Carried Interest may create an incentive for the general partners to cause such Clients to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

The Organizational Documents of certain Clients permit the general partner of each such Client to cause such Client to distribute such general partner's share of securities resulting from an investment disposition by such Client to such general partner or its affiliates (including managing directors and other employees) in-kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners or vice versa. The general partner's direct or indirect partners will exercise independent control over such securities once received, and may hold, manage or dispose of such securities as they see fit, subject to any applicable laws or contractual obligations. This ability creates conflicts of interest between the general partners and the investors in the applicable Client. In addition, in the event the general partner causes a Client to distribute shares in-kind to both investors and general partners, a conflict of interest exists because the general partner may have more information with respect to the investment than the investors and the general partner will generally act in its owner interest with respect to its share of securities and is under no obligation to share any such information with investors. Furthermore, the general partner, or its affiliates, may receive distributions in kind from an investment disposition.

In connection with in-kind distributions of marketable securities, in certain instances, the Adviser may agree to assist an investor in administering a sale on behalf of such investor of the marketable securities that would otherwise be distributed to such investor in-kind. The distribution will still be made in accordance with the valuation provisions set forth in the applicable Organizational Documents and the investor will bear the full risk of loss or delay in connection with any such disposition, and the net proceeds received by the investor from such sale may differ significantly from (a) the net proceeds ultimately obtained from a sale by the general partner or any investor that received such distribution in-kind or (b) the value assigned to such assets for purposes of determination of the general partner's Carried Interest. Furthermore, in circumstances where the Adviser assists an investor in administering a sale, it will likely be the case that the general partner and its affiliates also received an in-kind distribution with respect to the investment. The general partner, its affiliates or their direct or indirect owners may dispose of their securities at a different time than the disposition in respect of the investors that they are assisting in administering a sale, and may ultimately receive more proceeds than the investors.

In the event a Client's general partner, or its affiliates (including direct and indirect managing directors, officers, employees and other similar personnel), receive distributions in-kind from an investment disposition, each of the general partner and its affiliates will generally act in its own interest with respect to its share of securities and may determine to sell the distributed securities (which may include selling its securities prior to the time at which the investor sells its distributed securities), or hold on to the distributed securities for such time as the general partner shall determine, which creates a conflict of interest between the general partner or affiliate, as an adviser to the Client, and the Client.

The Organizational Documents of certain Clients permit each such Client's general partner or its affiliates, to lend money to the applicable Client. Such lending arrangements create conflicts of interest between the applicable general partner, or affiliate and the Client acting as borrower.

#### *Client Level Borrowing*

The Clients from time to time borrow funds or enter into other financing arrangements for various reasons, including to pay Client expenses, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors), to make payments under hedging transactions, to bridge the capital calls of investor of subsequent closes during the fundraising period, to cover any shortfall resulting from an investor's default or exclusion. If a Client makes a borrowing, the borrowing would be used for all partners participating in the credit line associated with such Client on a pro-rata basis, including the general partner. The Clients' use of borrowing facilities to facilitate closing a transaction may also benefit co-investment parties. For example, a Client will borrow to fund a co-investment party's pro rata share of an investment or expense related to an investment. While the Adviser expects that all parties participating in an investment (including the general partner and any co-investment party) will bear its pro rata share of the interest expenses but not necessarily origination and other costs allocable to the extension of credit, the Client will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties.

To the extent a Client uses borrowed funds in advance or in lieu of capital contributions, such Client's investors generally make correspondingly later capital contributions, but the Client will



bear the expense of interest on such borrowed funds. As a result, such Client's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and generally make net IRR calculations higher than it otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. While the Client will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by the Client's general partner, or may result in the Client's general partner receiving Carried Interest earlier than it would otherwise have, by decreasing the amount of distributions from the Client that are required to be made to Client investors in satisfaction of any preferred return. The general partner therefore has a conflict of interest in deciding whether to borrow funds because the general partner may receive disproportionate benefits from such borrowings. Furthermore, the use of Client-level borrowing for investment purposes is treated as part of the net cost basis for purposes of calculating the relevant Client's Management Fee. Therefore, investors pay Management Fees on borrowed amounts used to fund an investment even though such amounts would not accrue a preferred return as described above.

To the extent a borrowing facility is due upon demand by a lender (such as upon an event of default or otherwise), such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of such liquidity constraints and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. The batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. Moreover, the existence of a borrowing facility may impair an investor's ability to transfer its interest in a Client as a result of restrictions imposed on such transfers by a lender.

Borrowing by a Client will generally be secured by capital commitments made by the investors to the Client and/or by the Client's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Client-level borrowing. Moreover, tax-exempt investors should note that the use of borrowings by a Client may cause the realization of UBTI.

The use of Client-level borrowings will differ based on available credit facility capacity and contractual terms applicable to each Client and each such credit facility. Therefore, as the subscription credit facilities utilized by the Clients may have different terms, while the Clients may be invested in the same investment, and while the valuation of such investment would be consistently determined pursuant to the relevant Organizational Documents, the investment return can, in certain circumstances, differ among the Clients as a result.

### *Related Services*

As described in Item 5 above, the Adviser and its affiliates may perform Related Services for, and will receive fees from, actual or prospective portfolio companies or other investment vehicles of the Clients (including co-investment vehicles). For example, BDT & MSD, a registered broker-dealer and affiliate of the Adviser, and its affiliates may receive fees for performing certain financial advisory and transaction execution services to portfolio companies or other investment vehicles of the Clients, including the structuring and execution of merger, acquisition and private placement assignments and general financial and strategic advisory services. BDT & MSD's

advisory business may also provide advice and certain services to portfolio companies or other investment vehicles of the Clients relating to structuring and the overall execution of an offering of securities and/or debt instruments and introduce potential investors to participate in a transaction, and in exchange for such services, receive compensation, which may be in the form of a payment directly from such portfolio company or investment vehicle or an allocation of the fee pool that is payable to a bank syndicate. Such fees will be in addition to any Management Fees or Carried Interest paid by the Clients to the Adviser and will not be shared with the applicable Client and/or investors in such Client; however, as described in Item 5, the Adviser may in certain circumstances reduce the amount of Management Fee or expenses paid by the applicable Client in connection with the receipt of such fees or arrange for a portfolio company to credit the Client with capital usage fees which may have the effect of reducing the cost basis of a Client investment in such portfolio company. Additionally, as discussed in Item 5 above, a portfolio company or other investment vehicle may reimburse the Adviser for expenses (including without limitation travel and travel-related expenses) incurred by the Adviser in connection with its performance of services for such portfolio company or other investment vehicle. This creates a conflict of interest between the Adviser and its affiliates and the Clients and their investors because the amounts of these fees and reimbursements may be substantial and the Clients and their investors generally do not have an interest in these fees and reimbursements. In instances where the Clients take a control position in a portfolio company, the Adviser determines the amount of these fees for Related Services 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, and the amount of such fees and reimbursements may not (except in connection with the reductions described below) be disclosed to investors in the Clients. The Adviser and its affiliates may in some circumstances reduce the amount of Management Fees paid by the applicable Client in connection with the receipt of the applicable Client's share of such fees. The amount and nature of this reduction varies from Client to Client and is set forth in the Organizational Documents of the applicable Client. Entities other than Clients that participate in investments alongside the Clients (such as entities through which the Adviser and certain employees and affiliates of the Adviser invest alongside the Clients) may have a right to share in such fees, and Management Fees will generally not be reduced in connection with the receipt of such entities' share of such fees.

#### *Diverse Membership*

The investors in the Clients often have conflicting investment, tax and other interests with respect to their investments in the Clients. As a consequence, conflicts of interest arise in connection with decisions made by the Adviser, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations and the tax treatment of different Clients. In selecting and structuring investments appropriate for a Client, the Adviser will consider the investment and tax objectives of the applicable Client, not the investment, tax or other objectives of any investor individually.

#### *Conflicts of Interest Involving the Client Advisory Committees*

A conflict of interest may exist when some, but not all investors are permitted to designate a member to a Client Advisory Committee. The Client Advisory Committee may also have the

ability to approve conflicts of interests with respect to the Adviser and the applicable Client, which could be disadvantageous to the investors, including those investors who do not designate a member to the Client Advisory Committee. There is no assurance that the views of the Client Advisory Committee will be representative of the views of the investors as a whole. In addition, even if the Client Advisory Committee were to act in a manner that it believes to be the best interests of the investors as a whole or in the best interests of a majority in interest of the investors, there is no assurance that such action will be in the best interests of any particular investor under the circumstances.

Certain members of a Client Advisory Committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Client or portfolio companies. The general partner or the Adviser of a Client may from time to time utilize the services of investors and their affiliates on an arm's length basis with commercially reasonable terms, as it deems appropriate.

#### *Business with and Among Portfolio Companies and Investors and Prospective Investors*

Given the collaborative nature of the Adviser's business and the portfolio companies in which the Clients have invested, there are often situations where the Adviser may recommend the services of a portfolio company to other portfolio companies, which may involve discounts to the Adviser, an affiliate, or a portfolio company. The Adviser may have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill with the existing and prospective portfolio companies providing the products and services, while the products or services recommended may not necessarily be the best available to the other portfolio companies or provided at the lowest available cost. The benefits received by a portfolio company providing a service may be greater than those received by the Client(s) and its portfolio companies receiving the service.

The Adviser may have an incentive to recommend the products or services of certain investors or prospective investors in the Clients, certain third parties, or their related businesses to the Clients or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Clients or the portfolio companies.

In addition, from time to time the Adviser or its affiliates engage in business with investors and prospective investors including, without limitation, entering into lending arrangements with such investors and prospective investors, and the Adviser or its affiliates will receive fees or other payments in connection with such arrangements. Neither the Clients nor Client investors as a group will benefit from any transactions between the Adviser or its affiliates, on the one hand, and an investor or prospective investor, on the other hand.

Current and former officers and executives of portfolio companies may also invest in a Client. As a result, the Adviser may, in certain circumstances, be incentivized to take (or refrain from taking) certain actions with respect to a portfolio company in order to maintain goodwill with such portfolio company management team investor.

Portfolio companies controlled by a Client may provide services to certain Client investors or prospective investors. The Adviser may have an incentive to cause the portfolio company to favor 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 to the Client. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Client.

In addition, certain portfolio companies controlled by a Client may engage in activities that could adversely affect another Client and/or its portfolio company, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer 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 a Client and/or a portfolio company being used to satisfy the obligations or liabilities of another Client or its portfolio company.

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

In addition, the Adviser may cause a Client to transact with a portfolio company of the Client or another Client, including purchasing an asset from, or selling an asset to, a portfolio company. This creates a conflict of interest as the interests of the purchasing or selling Client differ from those of the counterparty portfolio company.

In certain instances, a Client's portfolio company competes with, is a customer of, or is a service provider to, another Client's portfolio company. In providing advice to a portfolio company's business, the Adviser may consider the interests of one portfolio company or Client and is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or Clients. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by the Adviser to a portfolio company may have adverse consequences to a separate portfolio company owned by another Client. 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 at the expense of another portfolio company, withdraw business from another portfolio company in favor of another company offering the same product or service at a lower price, 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.

A Client's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Clients managed by the Adviser or the Adviser's affiliates that, although the Adviser determines to be consistent with the requirements of such Clients' Organizational Documents, may not have otherwise been entered into but for the affiliation with the Adviser, and which may provide economic or other benefits to affiliates of the Adviser that do not reduce the Management Fee as described herein. While the Adviser may have

a conflict of interest because its economic benefit may incentivize the Adviser to maintain such arrangements, the Adviser believes that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and the Adviser's benefits from such arrangements are reduced because the Adviser only benefits at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated with the Adviser will only take actions that are beneficial to, or not opposed to, the interests of a Client and its portfolio companies. These agreements, transactions and other arrangements will involve payment of fees and other amounts, none of which will result in any offset to the Management Fee. Such agreements, transactions and other arrangements will generally be entered into without the consent or direct involvement of the Clients and/or the Adviser or the consent of any Client Advisory Committee.

The Adviser and its affiliates have in the past and may, from time to time hire part-time or full-time employees (including interns) who are relatives of, or are otherwise associated with an investor, portfolio company, former portfolio company, investment target, or service provider. Although the Adviser uses reasonable care to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee the Adviser can control all such conflicts of interest and there may be a continuing appearance of a conflict of interest (including, for instance, preferential hiring arrangements).

#### *Service Providers*

Services required by a Client (including some services historically provided by the Adviser or its affiliates to the Clients) may, for certain reasons including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of the Adviser or its affiliates. The Adviser and its affiliates have an incentive to outsource such services at the expense of the Clients to, among other things, leverage the use of Adviser Personnel. Such services may include, without limitation, deal sourcing, information technology, marketing and marketing-reviews, license software, valuation, depository, data processing, client relations, administration, custodial, human resources, compliance, director services, accounting, legal and tax support and other similar services. Outsourcing may not occur universally for all Clients and accordingly, certain costs may be incurred by a Client for a third-party service provider that is not incurred for comparable services by other Clients. The decision by the Adviser to initially perform a service for a Client in-house 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 and the Adviser has no obligation to inform such Clients or investors of such a change. Such services may also supplement or be performed alongside services performed by the Adviser. In addition, certain internal service providers (such as internal accountants) may "shadow" or otherwise review the reports of other services provided by such third parties. The costs and expenses of any such third-party service providers will be borne by the relevant Clients.

Additionally, employees of the Adviser or its affiliates, and/or their family members or relatives may have ownership, employment, or other interests in such service providers. These relationships that an Adviser may have with a service provider can influence the Adviser in determining whether to select or recommend such service provider to perform services for a Client or a portfolio company. The Adviser may also have a conflict of interest with the Clients in recommending the retention or continuation of a service provider to the Clients or a portfolio company if such

recommendation, for example, is motivated by a belief that the service provider will continue to invest in Clients or will provide the Adviser information about markets and industries in which the Adviser operates or is interested or will provide other services that are beneficial to the Adviser. Although the Adviser selects service providers that it believes will enhance portfolio company performance (and, in turn, the performance of the relevant Client(s)), there is a possibility that the Adviser, because of financial, business interest or for 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 the Adviser does not actively negotiate for, or have influence regarding, advantageous service rates or arrangements for comparable services, there will be situations in which the Adviser receives more favorable service rates or arrangements than the Clients or their portfolio companies.

Certain other service providers to the Adviser, the Clients and/or the portfolio companies, or affiliates of such service providers, also provide goods or services to or have business, personal, financial or other relationships with the Adviser, its affiliates, or their respective portfolio companies. Such service providers (or their employees) may also be sources of investment opportunities, be co-investors or commercial counterparties or entities in which the Adviser and/or the Clients have an investment. As a result, payments made by a Client and/or such portfolio companies to such service providers may indirectly benefit the Adviser and/or such Client.

The Adviser, its affiliates and the Clients generally will engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Law firms engaged to represent the Clients may also represent one or more portfolio companies or investors in a Client. In the event of a significant dispute or divergence of interest between Clients, the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser, its personnel and the Clients and the portfolio companies of the Clients 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 the Adviser, its personnel, the Clients, and/or the portfolio companies.

The Adviser from time to time expects to cause the Clients to bear the full cost and expense of engaging certain third-party service providers on behalf of a portfolio company. In the event a Client is not the sole shareholder of the portfolio company, other shareholders will benefit from the costs incurred by such Client and will not reimburse the Client for its pro rata portion of the cost of any such service provider.

The Adviser or its affiliates and service providers, often charge varying amounts or may have different fee arrangements for different types of services provided. 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. As a result, to the extent the services required by the Adviser, its affiliates or its personnel differ from those required by the Clients and/or its portfolio companies, the Adviser, its affiliates and its personnel will pay different rates and fees than those paid by the Clients and/or its portfolio companies. Notwithstanding the foregoing, the Adviser generally does not negotiate any arrangement with a service provider that provides for a lower rate or discount than those available to a Client or a portfolio company for comparable services.

The Adviser or its affiliates engage certain service providers (including law firms) on behalf of the Clients and personnel of such service provider may, from time to time, be seconded to the Adviser or its affiliates on a temporary basis, pursuant to various arrangements including at cost or at no cost, or a service provider may provide the services of certain employees at a discount or at no cost (“Personnel Discounts”). The Adviser is, from time to time, a beneficiary of Personnel Discounts as well. Such personnel may provide services in respect of multiple matters, including in respect of matters related to the Adviser, its affiliates and/or portfolio companies and in any such circumstance the benefits or costs of any such personnel will be allocated in the Adviser’s discretion taking into consideration the usage of such personnel. In such circumstances, a conflict of interest exists because the Adviser or its affiliates have an incentive to select one service provider over another on the basis that the Adviser or its affiliates may receive a Personnel Discount.

Additionally, former Adviser employees may also become employees, officers or directors of, or otherwise be engaged by, third-party service providers that provide services to the Adviser, the Clients and/or portfolio companies. While employed by the Adviser, the cost of the compensation, benefits and attributable overhead provided to these individuals are paid by the Adviser unless a Client’s Organizational Documents permit certain allocations of internal expenses to the Client. If a former Adviser employee becomes an employee of, or is otherwise engaged by, a third party that also provides services to a Client, such former Adviser employee may be assigned by such third party to provide services to that account. In such instance, the cost of the third-party service provider attributable to the former Adviser employee working on the Client will be borne entirely by the Client and no such amounts will reduce the Management Fee paid or the Carried Interest distributed by such Client on the basis that such person used to be a former Adviser employee.

#### *Positions with Portfolio Companies*

Adviser Personnel may serve as directors of, or observers on boards with respect to, certain portfolio companies. While conflicts of interest may arise in the event that any Adviser Personnel’s fiduciary duties as a director conflict with those of the Client, it is expected that the interests will be aligned. However, any Adviser Personnel serving as a director to a portfolio company may owe a fiduciary duty to the portfolio company, on the one hand, and the relevant Client, on the other hand, and such Adviser Personnel may be in a position where they must make a decision that is either not in the best interest of the Client, or is not in the best interest of the portfolio company. Adviser Personnel serving as directors may make decisions for a portfolio company that negatively impact returns received by a Client investing in the portfolio company.

In addition, to the extent any Adviser Personnel serves as a director on the board of more than one portfolio company, such Adviser Personnel’s fiduciary duties among the two portfolio companies may create a conflict of interest. Such Adviser Personnel generally are required to remit any remuneration (including, without limitation, stock of the portfolio company or other non-cash compensation) they may receive as directors to the applicable Clients. However, Adviser Personnel may leave the employment of the Adviser or its affiliates and become a director, officer or employee of a portfolio company, and not be required to remit any remuneration they may receive to the Clients.

Decisions made by a director may subject the Adviser, its affiliates or a Client 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 Clients will indemnify the Adviser and its partners, principals and other Adviser Personnel from such claims.

From time-to-time Adviser Personnel may also be asked to serve as directors of, or observers with respect to, certain entities in which a Client has fully exited its ownership interest and/or following the termination of such employee's employment with the Adviser. In such circumstances, any compensation or fees received with respect to such exited investment or by such former employee is not subject to the Management Fee offset described above, or otherwise shared with the Clients and/or investors.

In addition, the Adviser may continue to receive other fees from a portfolio company after a Client has fully exited its ownership interest (for instance, in respect of consulting arrangements or group purchasing arrangements). In such circumstances, any fees received with respect to such exited investment are not subject to the management fee offset described above, or otherwise shared with the Clients and/or investors.

Certain personnel of the Adviser or its affiliates may also be temporarily seconded to or otherwise engaged by certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. In such instances, the portfolio companies will pay such person's directors' fees, salaries, consultant fees, other cash compensation, stock options, other equity grants or other compensation and incentives and may reimburse the Adviser or such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. The Adviser may also advance compensation to seconded employees and be subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by the Adviser or its affiliates to such persons will typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the Management Fee paid or Carried Interest distributed by the Client to the Adviser will not be reduced. Any amounts paid to such persons by a portfolio company (or paid by the Adviser and reimbursed by a portfolio company) will not be treated as expenses to be borne by the Client and will not reduce the Management Fee otherwise payable to the Adviser or any Carried Interest otherwise payable to the Adviser or its affiliates. All or a portion of any such compensation and incentives will be borne by the Client, directly or indirectly, via its ownership interest in such portfolio company. In certain instances, whether an individual who provides services to a portfolio company should be characterized as an Operating Consultant, an employee or former employee of the Adviser, or a seconded employee may be unclear. In such cases, the Adviser will make a determination in good faith based on its evaluation of the relevant facts and circumstances.

#### *Side Letter Agreements*

The Adviser (or applicable general partner) enters into certain side letter arrangements with certain investors in a Client providing such investors with different or preferential rights or terms, including but not limited to information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations



applicable to a particular investor, modification of representations, indemnification and/or liability and other obligations, veto rights and liquidity or transfer rights. Except as otherwise agreed with an investor or as set forth in the applicable Client's Organizational Documents, the Adviser (or applicable general partner) is not required to disclose the terms of side letter arrangements with other investors in the same Client. Also, investors will have no recourse against a Client, the applicable Client's general partner, the Adviser or their respective affiliates in the event that certain investors receive additional or different rights or terms pursuant to such side letters, some of which rights may impact the rights and/or increase the obligations of other investors.

### *Certain Brokerage Transactions*

As described above in response to Item 10, BDT & MSD, an affiliate of the Adviser, is a broker-dealer registered with the Securities and Exchange Commission and certain management persons of the Adviser are registered representatives or registered principals of BDT & MSD. BDT & MSD's primary business is to provide financial services to closely-held public and private companies and their principals and affiliates worldwide. BDT & MSD also acts as a placement agent for the private placement of securities. In the United States, BDT & MSD generally acts as placement agent for the Clients.

BDT & MSD Partners International, LLP, an affiliate of the Adviser, is a MIFIDPRU firm registered and authorized by the Financial Conduct Authority in the United Kingdom. In addition, BDT & MSD Partners Europe GmbH, an affiliate of the Adviser, is a German limited company authorized by BaFin and regulated by both BaFin and Bundesbank. The businesses of both BDT & MSD Partners International, LLP and BDT & MSD Partners Europe GmbH are substantially similar to that of BDT & MSD except that such businesses are not in the United States. The potential conflicts described below for BDT & MSD apply as well to BDT & MSD Partners International, LLP and BDT & MSD Partners Europe GmbH.

In the course of providing financial services, BDT & MSD may engage in activities that could result in a conflict of interest between the financial services business and the Clients. The Adviser anticipates that some investment opportunities for the Clients will be sourced from clients of the financial services business. To the extent that a Client makes a portfolio investment in, or associated with, a client of BDT & MSD, the interests of the Client and its investors could diverge from those of BDT & MSD, giving rise to potential conflicts of interests. If BDT & MSD is acting as a placement agent for a private offering of securities by one of its clients, and a Client is a purchaser of those securities, BDT & MSD will remit to the Client, other than certain co-investment Clients, any fee in connection with that sale.

The Clients may also face restrictions in the resale, hedging or other transfers of all or a portion of a portfolio investment due to the advisory business activities conducted by BDT & MSD or information obtained in connection with such advisory business activities. Further, the Clients may be limited in accumulating further positions in portfolio investments due to the advisory business activities conducted by BDT & MSD.

In addition, portfolio companies controlled by a Client may provide services to certain advisory clients of BDT & MSD and its affiliates. The Adviser may have an incentive to cause the portfolio

company to favor those advisory clients relative to other or customers in terms of pricing or otherwise, which could adversely affect the company's profitability to the Client.

### *Other Potential Conflicts*

The Organizational Documents of a Client establish complex arrangements among the Clients, the Adviser, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Organizational Documents, if any, may be broad, ambiguous, and/or may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Client or its investors.

The Adviser 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 a Client, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Client expenses may result in "miles" or "points" or credit in loyalty/status programs to the Adviser and/or its personnel, and such benefits, rewards and/or amounts (whether or not *de minimis* or difficult to value), will exclusively benefit the Adviser and/or such personnel even though the cost of the underlying service is being borne by the Clients, its investors and/or the portfolio companies. Any such benefits, rewards and/or amounts will not be subject to the offset arrangements described above or otherwise shared with such Client, its investors and/or the portfolio companies. In addition, airline travel incurred as a Client expense for Adviser Personnel traveling for appropriate Client-related purposes may benefit such Adviser Personnel to the extent the trip also serves a personal purpose.

In its discretion, the Adviser may have or cause the Clients and/or their portfolio companies to have ongoing business dealings with persons who are former employees of the Adviser. Such Clients and portfolio companies may bear, directly or indirectly, the costs of these dealings. In such circumstances, there may be a conflict of interest between the Adviser and the Clients (or their portfolio companies) in determining whether to engage in or to continue such dealings, including the possibility that the Adviser 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.

Investors may be introduced to the Adviser, or may be brought into a Client, by a third-party consultant or finder from which the Adviser or a related person purchase products and to which the Adviser or a related person may make payments, including in connection with conferences sponsored or hosted by the third-party consultant or finder.

The Clients may create or invest in a platform for acquiring companies in a particular industry for the purpose of creating synergies across, and adding value to, such companies (e.g., merging companies together to create economies of scale or running certain companies in a coordinated manner). In such instances, a holding company ("Holding Company") would be created that would acquire and manage the companies in the platform. The investments in the Holding Company may be managed together (including, for example, combined and/or otherwise sold

together as part of a single transaction or series of related transactions) and may use common service providers. The Holding Company would be staffed with personnel responsible for sourcing, acquiring and managing companies for the Holding Company. In certain circumstances, such Holding Company employees may include former employees of the Adviser, or current or former senior advisors or consultants to the Adviser and its affiliates. All of the Holding Company's costs and expenses, initial or ongoing for any purpose, including compensation for its personnel (which compensation may include, among other things, salary, benefits, retainers and the granting of profit participation in certain investments of Holding Company and/or a capital interest in such investments or the underlying assets), overhead expenses (including, without limitation, rent, property taxes and utilities allocable to the workspaces) and all expenses related to sourcing would be borne by the Holding Company (and, therefore, indirectly borne by the Clients). Such costs and expenses will not reduce the Management Fees and are in addition to Management Fees and other compensation (e.g., Carried Interest) received by the Adviser. In addition, as the Adviser earns Management Fees and Carried Interest from the Clients, the Adviser will benefit from the assets, income and gains of Holding Company.

In addition, from time to time, the Adviser may recruit a management team to pursue a new "platform" opportunity expected to lead to the formation of a future portfolio company (either as a proprietary investment or as an investment on behalf of a Client), or to undertake a "build-up strategy" to acquire and develop assets in a particular sector or involving a particular strategy. In other instances, a new platform could be formed to recruit an existing or newly formed management team to build such platform through acquisitions and organic growth. In certain circumstances, such platform employees may include former employees of the Adviser, or current or former senior advisors or consultants to the Adviser and its affiliates. The structure of each platform and the engagement of personnel will vary, including whether a management team's services are exclusive to the platform and whether the members of the management team are employed directly by the platform or indirectly through a separate management company established to manage such platform. Platform structures may change during the investments' hold period, for instance, in connection with restructurings or dispositions. The management team of a platform investment may provide services with respect to other platform investments of more than one Client or provide the same or similar services for unaffiliated parties. The services provided by the platform management team could be similar to, and in some cases overlap with, the services provided by the Adviser to the Clients. Generally, the Client will bear the expenses of the management team or portfolio company, as the case may be, including any sourcing costs and management costs, overhead expenses, management or other fees, employee compensation (including cash compensation and profits interest), diligence expenses or other related expenses in connection with backing the management team or the build out of the platform company, although in certain instances, the Adviser may bear such expenses. In the event such expenses are borne by the applicable Client, such expenses are either borne directly, as Client expenses, or indirectly, as the Client bears the start-up and ongoing expenses of the newly-formed platform portfolio company. Such costs and expenses borne by a Client will not offset the Management Fee and are in addition to Management Fees and other compensation (e.g., Carried Interest) received by the Adviser.

The Adviser has in the past and may, from time to time in the future, cause one or more Clients to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Clients, the applicable general partner,

the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the Client Advisory Committee and other indemnified parties, against liability in connection with the activities of the Clients. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Adviser that cover one or more Clients and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the Client Advisory Committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Clients, and/or the Adviser on a fair and reasonable basis and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Client bearing less (or more) premiums, fees, costs and expenses for insurance policies.

The Adviser may, from time to time, require, cause or invite the Clients and/or a portfolio company to make contributions to charitable initiatives, or other non-profit organizations that the Adviser believes could, directly or indirectly, enhance the value of the Clients’ investments, assist in completing an acquisition of a portfolio company or other transaction (whether or not documented at the time of such acquisition or transaction) or otherwise serve a business purpose for, or be beneficial to, the Clients or such portfolio company. Such contributions could be designed to benefit employees of a portfolio company, the community in which a portfolio company operates or a charitable cause essential to, or consistent with, the business purpose of a portfolio company. In certain instances, such charitable initiatives could be sponsored by, affiliated with or related to current or former employees of the Adviser, portfolio company management teams, advisors, service providers, vendors, joint venture partners, and/or other persons or organizations associated with the Adviser, the Clients or the portfolio companies. These relationships could influence the Adviser’s decision whether to require, cause or invite the Clients or the portfolio companies to make charitable contributions. Further, from time to time, such charitable contributions by the Clients or the portfolio companies could supplement or replace charitable contributions that the Adviser would have otherwise made. Also, in certain instances, the Adviser may, from time to time, select a service provider or other counterparty to the Clients or their investments based, in part, on the charitable initiatives of such person where the Adviser believes such charitable initiatives could, directly or indirectly, enhance the value of the Clients’ investments or otherwise be beneficial to the portfolio companies.

A Client may invest in a pooled investment vehicle that is advised by, or that has another relationship with, the Adviser or its related persons. In such a case, investors in the Client will bear not only the direct Management Fees and other expenses associated with their investment in the Client, but also the expenses and certain fees associated with the investment in the underlying pooled investment vehicle, some of which may be paid to the Adviser or its related persons. Additionally, the interests of the Client, as an investor, may conflict with the interests of the underlying pooled investment vehicle or the Adviser or its related persons in the context of their other relationship with the underlying pooled investment vehicle, which would create a conflict of interest for the Adviser.

In the regular course of its financial services business, BDT & MSD, an affiliate of the Adviser, provides a range of advisory services and represents potential purchasers, sellers and other involved parties, including corporations, financial buyers, management, shareholders and

institutions, with respect to assets which may be suitable for investment by the Clients. In certain cases, BDT & MSD's client may require BDT & MSD to act exclusively on its behalf, thereby precluding the Clients from acquiring such assets. BDT & MSD will be under no obligation to decline such engagements in order to make the investment opportunity available to the Clients.

The Organizational Documents of certain Clients permit each such Client's general partner to withhold information from certain investors in such Client in certain circumstances. For instance, information may be withheld from investors that are subject to Freedom of Information Act or similar requirements which conflict with such investors' obligations to keep confidential certain business and trade secrets, for example, of portfolio companies or other investors associated with the Clients. The general partner may elect to withhold certain information to such investors for reasons relating to the general partner's public reputation or overall business strategy, despite the potential benefits to such investors of receiving such information.

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

## **Item 12. Brokerage Practices**

Certain Clients invest in publicly traded securities from time to time. To meet its fiduciary duties to the Clients, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### **Selection of Brokers and Dealers**

The Adviser has full discretionary authority to direct each Client's transactions and use a wide range of counterparties to execute such transactions, including full service brokers, dealers, market makers, electronic communication networks or any emerging trading technologies/solutions that may be available in the future. The selection of a particular counterparty for each transaction must be consistent with the Adviser's fiduciary obligation to obtain best execution for its Clients.

In placing orders to purchase and sell securities for each Client, the Adviser considers a number of factors in selecting appropriate counterparties (including the selection of prime brokers) to obtain the most favorable result under the circumstances, considering the full range of services provided, within the current parameters of the market. Best execution is not necessarily measured by the circumstances surrounding a single transaction but may be measured over time.

In determining whether a particular counterparty is likely to provide best execution for a particular trade, the Adviser may consider the following factors (understanding that different factors will have different levels of importance with each unique order).

- Comfort level with counterparty (including, but not limited to):
  - Market Familiarity/Expertise: trading expertise, including ability to minimize total trading costs and trade without unduly impacting the market, as well as the broker's knowledge of the market for that particular security.

- Reliability/Responsiveness: history of being able to provide support when placing a difficult trade and/or the attention and consistency of trading personnel, including the willingness of the counterparty to address problems that may arise.
- Integrity/Confidentiality: respecting the Adviser's desire to keep certain trading confidential.
- Quality of Executions: technological infrastructure and operational capabilities to execute and settle the trade (i.e., history of accurate and timely executions, lack of errors, etc.).
- Research Capability: provision of valuable research, including the nature and quality of investment ideas and the ability to provide access to company management and industry specialists.
- Financial Responsibility and Condition: financial condition and creditworthiness, including an assessment of the jurisdiction and bankruptcy laws governing the entity that holds the Client's assets.
- Transaction Specific Factors (including, but not limited to):
  - Best Price: ability to obtain the best overall price and to sell or buy with minimal disruption to the market price.
  - Commission/Costs of a Trade: commissions, mark-ups, mark- downs or spreads in the context of the Adviser's knowledge of negotiated commission rates / transaction costs currently available.
  - Market Access/Ability: ability to provide access to liquidity, volume, underwritten offerings, IPOs and secondary markets.
  - Financing Terms: quality of the terms required by the counterparty.
  - Trade Settlement (settlement risk): ability to ensure securities will be delivered on settlement date.
  - High Volume Transaction: ability to handle block orders, block positioning or large program trades.
  - Willingness to Commit Capital: willingness to purchase for its own account a thinly-traded issue when there is limited interest in the security.
- Counterparty Performance Survey: In order to monitor best execution, the counterparties selected to receive compensation through commissions are evaluated at least quarterly. The results of the performance survey will be aggregated and reported to the Adviser's investment committee.

Reviews of best execution are conducted quarterly by members of the Adviser's Compliance Department and the Finance Department and overseen by the CCO.

### **Aggregation of Trades**

The Adviser and its affiliates may aggregate (or bunch) the orders of more than one Client for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ

this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser may combine orders on behalf of Clients with orders for other Clients, or in which it or its affiliates have an economic interest. In such cases, the Adviser generally aggregates trade orders for publicly traded securities so that each participating Client will receive the average price for each execution of a transaction.

If an order for more than one Client for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

### **Item 13. Review of Accounts**

#### **Oversight and Monitoring**

The investment portfolios of the Clients are substantially private, illiquid and long-term in nature, and accordingly the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Clients and generally maintains an ongoing oversight position in such portfolio companies. The portfolios are reviewed by a team composed of Adviser principals and other investment professionals on an on-going basis. The team provides reports to the Adviser's investment committee on a quarterly basis and will provide interim reports if a material change in a particular investment occurs.

#### **Reporting**

Investors in the Clients typically receive a copy of audited financial statements of the relevant Client within 120 days after the fiscal year end of such Client, as well as quarterly financial reports after each fiscal quarter end. The Adviser and the applicable general partner will from time to time, in their sole discretion, provide additional information relating to such Client to one or more investors in such Client as they deem appropriate.

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

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, the Adviser and its related persons may, in certain instances, receive discounts on products and services provided by portfolio companies of Clients and/or the customers or suppliers of such portfolio companies.

### **Item 15. Custody**

Certain Clients are required to undergo an annual audit of their financial statements to comply with certain exemptions set forth in Rule 206(4)-2 of the Advisers Act. To the extent a Client does not have its financial statements audited on an annual basis and instead, is subject to a surprise examination of its assets, the assets of such Client are held by one or more custodial banks or broker-dealers, and such custodial banks or broker-dealers send account statements to investors in such Client. The investors in such Clients should compare the account statement received from the custodial bank or broker-dealer to account statements the Adviser delivers to them.

## **Item 16. Investment Discretion**

Investment advice is provided directly to the Clients, subject to the direction and control of the general partner of each Client, and not individually to the investors in the Clients. Services are provided to the Clients in accordance with the Management Agreements with the Clients and/or Organizational Documents of the applicable Client. Investment restrictions for the Clients, if any, are generally established in the Organizational Documents of the applicable Client.

## **Item 17. Voting Client Securities**

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Clients. The Adviser votes in the best interests of each Client taking into account the relevant Client's investment horizon, the contractual obligations under the relevant Management Agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The Adviser does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser's general policy to vote or give consent on all matters presented to security holders. However, the Adviser reserves the right to abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser's partnership committee or the relevant Adviser investment professional, the costs associated with voting on such issue outweigh the benefits to the relevant Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Clients.

Clients generally cannot direct how the Adviser votes.

All voting decisions initially are referred to the Adviser's Co-CIOs, their designees or the applicable portfolio managers. In most cases, the Adviser's Co-CIOs, their designees or the applicable portfolio managers will make the decision as to the appropriate vote for any particular issue. In making such decision, he or she may rely on any of the information and/or research available to him or her. If the Co-CIOs are making the voting decision, the Co-CIOs will inform the Adviser's Legal Department of any such voting decision, and if the Adviser's Legal Department does not object to such decision as a result of their conflict of interest review, the vote will be cast in such manner.

All voting decisions require a mandatory conflicts of interest review by the Adviser's Legal Department, which will include consideration of whether the Adviser, any investment professional or other person recommending how to vote, any affiliate of the Adviser or client has an interest in the vote that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to voting in accordance with the principles set forth above, the first priority being to act in the best interest of the relevant Clients. The Adviser's Legal Department will use their best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Clients.

Where the Adviser's Legal Department deems appropriate in their sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser's Legal Department shall have the power to retain independent fiduciaries, consultants, or professionals to assist with



voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

In the event that the Adviser's Legal Department retains independent fiduciaries, consultants or professionals to assist with voting decisions and/or delegates such voting or consent power to such fiduciaries, consultants or professionals, the Adviser's Legal Department will follow the procedures below regarding third party accountability to the Clients:

- Ascertain whether the third party has the capacity and competency to adequately analyze proxy and other voting issues, including the adequacy of the third party's personnel and policies and procedures with regard to identifying and addressing conflicts of interest;
- Adopt ongoing oversight policies of the third party to ensure that, where delegated, the third party continues to vote proxies in the best interest of the Clients;
- Determine that the third party has the capacity and competency to adequately analyze proxy and other voting issues by providing materially accurate information.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Client and copies of proxy voting policies are available to any client or prospective client upon written request to: [legal&compliance@bdtmsd.com](mailto:legal&compliance@bdtmsd.com).

#### **Item 18. Financial Information**

Item 18 is not applicable to the Adviser.

#### **Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.