

# MSD PARTNERS, L.P.

One Vanderbilt Avenue  
26<sup>th</sup> Floor  
New York, New York 10017  
[www.bdtmsd.com](http://www.bdtmsd.com)

Part 2A of Form ADV: Firm Brochure

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**This brochure provides information about the qualifications and business practices of MSD Partners, L.P. If you have any questions about the contents of this brochure, please contact us at (212) 303-4728 or [bsimonds@bdtmsd.com](mailto:bsimonds@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 the MSD Partners, L.P. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

## **ITEM 2**

### **MATERIAL CHANGES**

For purposes of this brochure (“Brochure”), the “Adviser” means MSD Partners, L.P., a Delaware limited partnership, together (where the context permits) with its affiliated general partners and similar entities (hereinafter 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.

This Brochure contains material changes from the last firm brochure dated as of January 31, 2023 and the brochure dated as of March 31, 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 to include additional risk factors, conflicts of interest and brokerage practices. In addition, the Adviser routinely makes updates throughout its 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**

#### **General Description of Advisory Firm**

The Adviser is a leading investment firm focused on maximizing long-term capital appreciation across its core areas of investing expertise – Credit, Real Estate Equity and Growth Equity – while still managing legacy private capital investments. It was founded in 2009 by principals of DFO Management, LLC (“DFO”) (formerly known as MSD Capital, L.P.), the family office that was founded in 1998 to exclusively manage the capital of Dell Technologies, Inc.’s founder and Chief Executive Officer, Michael Dell, and his family. Michael Dell is a substantial investor in Clients (as defined below) managed by the Adviser, but neither controls nor is involved in the day-to-day management of the Adviser. The Adviser is registered as an investment adviser with the SEC.

In connection with the business combination of the Adviser and BDT & Company Holdings, L.P. (“BDT LP”), in January 2023, the Adviser became a subsidiary of BDT LP and an affiliate of BDT Capital Partners, LLC (“BDT Capital”), a SEC-registered investment adviser, and BDT & MSD Partners, LLC (“BDT & MSD”), a SEC-registered broker dealer and member of the Financial Industry Regulatory Authority (“FINRA”). Following the business combination, the direct owners of the Adviser are MSD Partners (GP), LLC and BDT LP, which was renamed BDT & MSD Holdings, L.P. Except where otherwise noted, references herein to the Adviser do not include BDT Capital or any general partner, managing member or similar entity with respect to clients of BDT Capital.

#### **Description of Advisory Services**

The Adviser provides investment management services to its advisory clients, which are comprised of various private funds, including pooled investment vehicles and single investor funds, separately managed accounts and an investment vehicle that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (the “1940 Act”) (each, a “Client” and collectively, “Clients”). The Adviser’s investment advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of its Clients, managing and monitoring the performance of such investments and disposing of such investments. The Adviser generally serves as the investment adviser to its Clients on a discretionary basis.

The advisory relationship between each Client and the Adviser is governed by their respective investment management agreement (each, a “Management Agreement”). Investment advice is provided directly to Clients and not individually to the limited partners or members (hereinafter together referred to collectively as “investors”) in Clients. Investment restrictions for 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, prospectus, limited partnership agreement, limited liability agreement, Management Agreement or side letter (such documents collectively, “Governing Documents”).

All discussions of the Clients in this Brochure – including, but not limited to, their investments, the strategies used in managing the Clients, the fees and other costs associated with an investment in the Clients, the risks associated with making an investment in the Clients, and conflicts faced by the Adviser and its affiliates in connection with managing the Clients – are

qualified in their entirety by reference to each Client's respective Governing Documents. Moreover, the Adviser has and will enter into agreements, such as side letters, with certain underlying 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 underlying investors of the same Clients.

The Adviser does not participate in wrap fee programs.

As of December 31, 2022, the Adviser had approximately \$15,788,085,494 billion in assets under management on a discretionary basis and \$503,507,921 in assets under management on a non-discretionary basis. This amount reflects regulatory assets under management as calculated in Part 1 of our Form ADV.

*This Brochure generally includes information about the Adviser and its relationships with its Clients and affiliates. While much of this Brochure applies to all such Clients and affiliates, certain information included herein applies to specific Clients or affiliates only. This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Clients are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made.*

*The descriptions set forth in this Brochure of specific advisory services that the Adviser offers to Clients, and investment strategies pursued and investments made by the Adviser on behalf of its Clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Adviser considers appropriate, subject to each Client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of any invested capital. There can be no assurance that the investment objectives of any Client will be achieved.*

## ITEM 5 FEES AND COMPENSATION

### Advisory Fees and Compensation

The fees and expenses applicable to each Client are set forth in detail in each Client's Governing Documents. A brief summary of such fees and expenses is provided below.

#### *Management Fees*

Client investors generally pay the Adviser a quarterly management fee for investment management services that is deducted from the investor's capital account in advance or in arrears based on the gross asset value of each investor's shares or interests (the "Management Fee"). Management Fees for Clients are charged on a quarterly or an annual basis and when paid in advance Clients could be entitled to a refund of Management Fees depending on the facts and circumstances. In the event that an investor makes a capital contribution to a Client other than as of the first day of a quarter, a *pro rata* portion of the quarterly Management Fee in respect of such investor, based on the actual number of days or months remaining in such partial quarter, will be paid to the Adviser by the investor. In the event that an investor's gross asset value is reduced in connection with a withdrawal or redemption other than as of the last day of a quarter, the Adviser generally will repay the investor an amount equal to the *pro rata* portion of the Management Fee, based on the actual number of days or months remaining in such quarter. In the sole discretion of the Adviser or its affiliates, the Management Fee will be waived, reduced or calculated differently with respect to certain underlying investors in Clients or separately managed account investors, including (without limitation) the general partner or partners, members, employees or affiliates of the Adviser, and each of their respective family members, trusts, affiliates or foundations or other entities established by or for the benefit of such person or his or her family members (each a "Related Investor").

#### *Performance-Based Allocations*

Generally, at the end of each Client's fiscal year or other time period as specified in the Client's Governing Documents, the Adviser or an affiliate of the Adviser is entitled to an incentive allocation based on the net capital appreciation (which generally includes both realized gains and losses and unrealized appreciation and depreciation of securities held in each Client's portfolio) allocated to an investor's capital account for such fiscal year after deducting the Management Fee and other expenses debited to such investor's capital account for such fiscal year, subject to a loss carry forward mechanism (the "Incentive Allocation").

In the event that a Client is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the Incentive Allocation allocable at such time, net capital appreciation will be determined as if such dates were the end of the fiscal year or other time period specified in the Client's Governing Documents, subject to certain adjustments. In the sole discretion of the Adviser or an affiliate of the Adviser, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain investors, including (without limitation) Related Investors.

Certain Clients have side pocket investments which are investments that the Adviser has decided to segregate due to specific characteristics of these investments (e.g., the investments are riskier, illiquid or lack a readily accessible market value) (each, a "Side Pocket"). To the extent Clients have a Side Pocket, the proceeds received in connection with any realized

investment that the general partner previously designated as a Side Pocket or the value of a deemed realized Side Pocket will be credited to the Side Pocket account participating in the applicable Side Pocket at the end of the accounting period in which the Side Pocket is realized (or deemed realized). The proceeds of a realized Side Pocket (or the value of a deemed realized special investment) will then become part of the participating investor's capital account (after accounting for Management Fees and expenses and any Incentive Allocation with respect to such Side Pocket) based upon their interest in such Side Pocket account.

Additional information related to the nature and timing of the fees the Adviser charges its Clients is provided in the relevant agreement between the Adviser and the particular Client (as well as in the Governing Documents, as applicable).

## **Additional Fees and Expenses**

### *Client Expenses*

As set forth in the applicable Client's Governing Documents, a Client will bear fees, costs and expenses associated with the organization, offer and sale of interests in such Client ("Organizational Expenses") as well as direct and indirect fees, costs, expenses resulting from the operations and investments made by such Client ("Operating Expenses"). The Organizational and Operating Expenses of a particular Client include, without limitation, the following fees, costs, and expenses:

- (i) investment expenses (e.g., expenses that, in the relevant general partner's, the Adviser or its affiliates' discretion, are related to applicable Client's investments whether or not such investments are consummated, such as costs, fees and other out-of-pocket expenses directly related to:
  - a. the evaluation, discovery, and diligence of investment opportunities (whether or not consummated);
  - b. research-related expenses, including, without limitation, news and quotation equipment and services and trading related computer hardware and software expenses, market data services, fees to third-party providers of research and/or portfolio risk management services and software and brokerage costs and fees;
  - c. sourcing, negotiation, structuring, acquisition, settlement, ownership, trading, monitoring, financing (including all amounts borrowed pursuant to a commitment facility, if applicable), hedging or sale of its investments and other transaction costs;
  - d. travel expenses (for conducting diligence on investments, meeting management of existing or prospective investment targets), such as costs and expenses of accommodations, meals, entertainment and aircraft travel (including first or business class commercial airfare), and expenses of private air travel when deemed appropriate by the general partner in its reasonable discretion (taking into account travel restrictions or protocols recommended by government authorities (in respect of health reasons or

otherwise), the available flights to and from the same destination, and the departure and arrival times thereof);

- e. transaction fees, broken-deal expenses (including broken-deal expenses relating to transactions that have been offered to co-investors), loan administration and loan servicing expenses, expenses incurred in collection of monies owed a Client;
  - f. costs or expenses related to currency conversion in the case of investments denominated in currency other than U.S. dollars, consulting, advisory, investment banking, sourcing, finder's, legal, filing, corporate licensing, valuation, and other professional fees (and similar payments and compensation) relating to investments or contemplated investments, clearing and settlement charges, custodial fees, interest expenses, appraisal fees and expenses), and valuation and appraisal fees and expenses; and
  - g. costs of all subsidiaries, investment vehicles, alternative investment vehicles and other vehicles and special purpose vehicles through which investments are held or managed (including REIT subsidiaries or subsidiaries treated as taxable "C" corporations or subsidiaries thereof), including costs associated with establishing and administering such entities, admitting investors thereto, establishing, changing or maintaining residence in certain jurisdictions (including rent for office space, related overhead, board of directors expenses and employee salaries and benefits) and winding up and dissolving such entities.
- (ii) certain compliance and reporting expenses, legal expenses, trade order management expenses;
  - (iii) certain expenses payable to third parties, including agents, consultants, or other advisers, in monitoring financial and legal affairs for the Client;
  - (iv) incurrence of leverage and indebtedness for a Client, including borrowings, dollar rolls, reverse purchase agreements, credit facilities, securitizations, margin financing and derivative swaps, and including any principal and interest on a Client's borrowings and indebtedness (including, without limitation, any fees, costs, and expenses incurred in obtaining lines of credit, loan commitments, and letters of credit for the Client and in making, carrying, funding and/or otherwise resolving investment guarantees);
  - (v) costs incurred in connection with investor relations, board of directors relations, and preparing for and effectuating the listing of a Client's common stock on any securities exchange;
  - (vi) implementing or maintaining third-party or proprietary software tools, programs, or other technology for the benefit of a Client (including, without limitation, any and all fees, costs and expenses of any investment, books and records, portfolio compliance and reporting systems, general ledger or portfolio accounting systems and similar systems and services, including, without



limitation, consultant, software licensing, data management and recovery services fees and expenses;

- (vii) independent directors' fees and expenses, including reasonable travel, entertainment, lodging and meal expenses, and any legal counsel or other advisers retained by, or at the discretion or for the benefit of, the independent directors;
- (viii) costs of any reports, proxy statements or other notices to shareholders, including printing costs;
- (ix) fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- (x) costs incurred in connection with the formation or maintenance of entities or vehicles to hold Client assets for tax or other purposes;
- (xi) fees, costs, and expenses of winding up and liquidating a Client's assets;
- (xii) calculation of net asset value for applicable Clients (including cost and expenses of an independent valuation firm);
- (xiii) accounting, audit, tax preparation and other tax-related expenses (including preparation costs of financial statements, tax returns, reports to the partners and Schedules K-1);
- (xiv) expenses relating to obtaining liability and fidelity insurance for directors and officers, the relevant general partner, the investment manager and their respective partners, members, and employees;
- (xv) certain taxes and government registration fees;
- (xvi) fees and expenses of the board of directors or advisory committee, if applicable, including expenses related to meetings thereof;
- (xvii) printing and mailing costs, and expenses relating to transfers of interests in a Client;
- (xviii) the Management Fee, administration fees and related costs (including fees to the third-party administrator);
- (xix) any costs and expenses of warehousing an investment and the subsequent conveyance of any warehoused investment as well as the redemption of any seed commitment;

- (xx) all costs and expenses incurred in connection with the preparation of amendments to the Governing Documents or any alternative investment vehicle;
- (xxi) all costs and expenses associated with a defaulting investor (but only to the extent not paid by the applicable defaulting investor);
- (xxii) all costs and expenses incurred by the general partner (or its designee) in connection with serving as a “partnership representative” of the Client;
- (xxiii) all fees payable to placement agents;
- (xxiv) all costs and expenses of implementing, reporting (as applicable), monitoring and complying with investment guidelines and directives relating to a Client’s strategy, including administering side letters entered into with an investor, and distributing and implementing applicable elections pursuant to any “most favored nations” rights in side letters and any environmental, social and governance obligations or other standards;
- (xxv) the termination, liquidation, winding up and dissolution of the Client; and
- (xxvi) extraordinary expenses (including actual, threatened or otherwise anticipated litigation or other proceedings and indemnification expenses).

#### *Allocation of Fees and Expenses*

Due to the fact that the Adviser manages investments on behalf of a number of Clients, certain expenses will be incurred jointly for the benefit of more than one Client. The Adviser has adopted policies and procedures for the allocation of such fees and expenses among Clients, although the policies and procedures may change from time to time and may differ materially from those described below. If any of the above expenses or other expenses are incurred jointly for the benefit of more than one Client, such expenses will generally be allocated among the Clients in proportion to the actual or anticipated size of the investment made by each Client in the activity or entity to which the expense relates, or in such other manner as the general partner and/or the Adviser considers fair and reasonable but in their sole discretion. To the extent that expenses to be borne by a Client are paid by the general partner (in excess of its pro rata share) or the Adviser, the Client will reimburse the applicable general partner or the Adviser for such expenses. Although the Adviser aims to allocate such fees, costs, and expenses in good faith over time, there can be no assurance that such fees, costs, and expenses will in all cases be allocated proportionately. Except as otherwise described in each Client’s Governing Documents, expenses will be shared by all investors in a particular Client *pro rata* in accordance with the net asset value of their respective shares or interests or capital commitments (as applicable). Further, the Adviser reserves the right to consider strategy as a component of its allocation of investment expenses, and as a general matter will not allocate expenses associated with one Client’s equity investment to a different Client’s credit investment, or vice versa, even if the two investments are in the same portfolio company.

While some closed-end Clients incur an annual charge (typically 10 bps) for internal legal and administration work related to a Client's structuring and investments, other Clients, subject to the applicable Governing Documents, will bear a portion of compensation and overhead costs (otherwise payable by the Adviser), for administration, tax advisory, compliance, legal, finance and administration services provided by MSD personnel to the applicable Client based on an approximation of time spent. Such services typically consist of services that would otherwise be provided by a third-party whose fees, costs and expenses would be paid by the Client and will require MSD personnel to allocate their historical time spent on a monthly basis with respect to a Client or its general partner. For purposes of this Brochure, "MSD personnel" or "MSD employees" shall include personnel employed by BDT Capital and its affiliates that provide services to the Adviser, its Clients or the Adviser's affiliates. Determining such charges based on an annual charge or an approximate allocation, rather than time recorded on an hourly or similar basis (which will not be undertaken), could result in the Client being charged a different amount (including relative to another Client), which could be higher or lower, than would be the case under a different methodology. In addition, the application of an annual charge or an approximation of time spent could result in the incurrence of greater expenses by the Client than would be the case if such services were provided by third parties at market rates. Further, in certain instances a Client's Governing Documents restrict the allocation of any of the foregoing amounts to it. In these cases, such a Client could bear none of the above expenses or less than its proportionate or relative share of these expenses. In circumstances where this occurs, Clients whose Governing Documents are not restrictive could bear more of these expenses than they otherwise would have.

Furthermore, some Clients may earn a monitoring fee from a portfolio company and such fee will offset the Management Fee that will be incurred by the Client. A portion of research-related expenses and trade order management expenses may be paid for using "soft dollars" (as described in further detail in Item 12 below).

The Adviser has relationships with experienced executives, senior advisors, consultants and other similar professionals with relevant sector-specific expertise, operating or other experience who are former employees or are not employees or affiliates of the Adviser and who, from time to time, receive payments from, or allocations with respect to, portfolio investments, the Adviser or a Client. These individuals provide several benefits to the investment process and to portfolio investments, including serving as a source of proprietary deal flow and contacts, identifying operational opportunities and pitfalls during the due diligence process, providing sector-specific operational and competitive insight, providing direction and oversight post-acquisition, serving in an executive or board capacity, and helping to build and mentor management teams.

In certain cases, these advisors have certain attributes of MSD employees (e.g., they may participate in general meetings) even though they are not considered MSD employees, affiliates or personnel for purposes of the Governing Documents. If such an advisor is engaged to provide services to a Client or a portfolio investment, or as an officer or member of the board of directors of a portfolio investment, a Client and/or the applicable portfolio investment will pay for and bear all or a portion of these costs of services at rates determined in good faith by the Adviser or the portfolio investment, as applicable. In certain cases, the amount payable by a Client or the Adviser will be offset by the amount paid by a portfolio investment.

The compensation paid to such an advisor could be comprised of various types of arrangements, including one or more of the following: (i) retainers and annual fees, (ii) carried

interest distributions and/or other profit sharing arrangements, including profits realized in connection with the disposition of a single asset and (iii) other types of fees, bonuses and compensation not otherwise specified above. None of the compensation received by such persons, whether in the form of cash or equity, will reduce the Management Fee payable by the Client. In addition, one Client may bear a greater share of the advisor's minimum compensation due to the utilization of such advisor's services by such Client at a time when fewer Clients are utilizing such advisor. Furthermore, such advisors may be provided other compensation and benefits from the Adviser, including opportunities to co-invest with Clients in particular investments or other compensation from a portfolio investment (which, as noted above, would not offset the management fee), and/or opportunities to invest in Clients on advantageous terms (e.g., without paying a management fee or carried interest). From time to time, the Adviser will transition former employees to advisors or consultant status and vice versa, and the individual may retain the compensation received in such capacities prior to such transition. In addition, certain individuals will also be engaged by a Client or the Adviser as consultants to provide industry or other expertise on a deal by deal basis and will have certain of the attributes of an advisor described above but generally will not have ongoing relationships with the Adviser or its Clients.

#### **Additional Compensation and Conflicts of Interest**

Neither the Adviser nor any of its supervised persons accept compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

#### **Performance-Based Fees**

The Adviser and its affiliates receive performance-based compensation (e.g., Incentive Allocations, incentive fees or carried interest). Performance-based compensation payable to the Adviser or its affiliates is distributable as investments are realized, whether on a deal-by-deal basis, portfolio as a whole basis or as otherwise described in the payment terms and other conditions set forth in the applicable Client's Governing Documents. Any share of profits paid to the Adviser or its affiliates by a Client is separate and distinct from the Management Fee charged by the Adviser for advisory services. MSD's employees will generally not pay such performance-based allocations with respect to their direct or indirect investments in Clients.

Performance-based compensation and allocation arrangements create an incentive to favor accounts from which affiliates of the Adviser receive greater performance-based compensation (or which have no high water mark) over accounts from which affiliates of the Adviser receive less performance-based compensation. In addition, there is the incentive for a general partner to make more speculative investments on behalf of a Client than it would otherwise make in the absence of such performance based compensation arrangement, or to trade more aggressively for some Clients than others or invest in riskier assets on behalf of one Client as compared to another in an effort to maximize the profits for those Clients in which the Adviser or its affiliates would share through an Incentive Allocation. However, the Adviser generally considers performance-based compensation to better align its interests with those of its investors, particularly in instances where the Governing Documents include terms requiring clawback or giveback of performance-based compensation amounts at the end of the relevant Client's life or at certain interim intervals.

The Adviser has adopted allocation policies and procedures (as described in Item 11) to help mitigate conflicts of interest relating to the management of multiple Clients with varying types of fee arrangements.

#### **Side-by-Side Management**

The Adviser provides advisory services to Clients for which the investment mandates, compensation and fee arrangements (including with respect to performance fees and fee offsets) and other circumstances differ from Client to Client. This creates a potential conflict of interest with respect to the allocation of investment opportunities, as Clients that pay higher fees will create an incentive to direct investment ideas to, and/or to allocate investments in favor of such Clients. In addition, the Adviser enters into strategic accounts directly or indirectly with investors that commit significant capital into a particular Client. Such arrangements often include the Adviser granting certain preferential terms to these investors, including a waiver or reduction of Management Fees or performance fees or carried interest, that are lower than those applicable to Clients in which such investors invest. Where any such accounts invest in a Client, such indirect preferential terms (or other preferential terms set forth in the Governing Documents) are generally not subject to the Client's "most favored nation" provisions.

## Co-Investments

Co-investments can occur when an investment is shared between a Client and one or more third-party investor, including an investor in a Client, senior investment professionals and/or other MSD employees (such persons invited to participate in a transaction by the Adviser collectively referred to as “Co-Investors”). The Adviser reserves the right to allocate co-investment opportunities in its sole discretion and considers a range of factors, including (but not limited to) (i) the strategic value of a potential Co-Investor to the underlying investment opportunity, the applicable Client and future Clients; (ii) the transparency and predictability of the potential Co-Investor’s investment process; (iii) whether the potential Co-Investor has the financial, operational and other resources to evaluate and make the investment; (iv) historical co-investment experience with the potential Co-Investor; (v) tax and legal characteristics of a potential investment and Co-Investor and regulatory, securities laws or other legal considerations (e.g., qualified purchaser status); and (vi) a willingness of a potential Co-Investor to pay management fees and/or carried interest and to bear its portion of expenses related to the co-investment opportunity; (vii) size of the investment allocation and practicality of dividing it up among multiple co-investors; (viii) lender requirements; (ix) perceived public relations and reputational benefits or costs; and (x) whether the Adviser believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Clients or the Adviser. Such investment opportunities can arise when the opportunity exceeds the amount appropriately allocated to one or more Client under the applicable investment strategies, otherwise falls outside of a Client’s investment mandate, exceeds a Client’s investment parameters (e.g., capacity for illiquid investments or diversification limits on geography, industry, asset-class or sector).

The Adviser has not provided contractual priority co-investment rights to its investors. The Adviser in limited circumstances enters into certain agreements pursuant to which the Adviser will agree to offer available co-investment opportunities to specific Co-Investors; however, the Adviser is under no obligation to provide co-investment opportunities and may offer an investment opportunity to one or more of the categories of Co-Investors without offering such opportunity to the other categories. In such circumstances, the size of the investment opportunity otherwise available to Clients may be less than it would otherwise have been. Certain Co-Investors investing with a Client may invest on different (and more favorable) terms than those applicable to the Client and may have interests or requirements that conflict with and adversely impact the Client (for example, with respect to their liquidity requirements, available capital, the timing of acquisitions and disposals, or control rights).

With respect to consummated co-investments, the Adviser will seek to cause Co-Investors to generally bear their pro rata share of fees, costs and expenses related to the discovery, investigation, due diligence, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments; provided, however, that in determining such amounts, the fees, costs and expenses expended directly by such Co-Investors may be taken into account in allocating aggregate costs on a fair and reasonable basis. With respect to a proposed co-investment that is not consummated, the Adviser may seek to cause Co-Investors that commit to participate in such proposed co-investment to bear their share of any fees, costs or expenses that were incurred in connection with such proposed co-investment, including breakup fees or broken deal expenses (“Dead Deal Costs”). However, in instances, where Co-Investors have not yet committed to a proposed co-investment, any such

Dead Deal Costs will generally be considered Operating Expenses and be borne by the (committed or investing) Client to the extent the applicable Governing Documents of such Client permit such treatment or where disclosure of such treatment was made to its investors prior to their investment therein. This may 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. In the event that Co-Investors participate in a co-investment through one or more co-investment vehicles, they may generally bear their pro rata share of the aggregate Organizational Expenses of all such vehicles. Finally, some of the Co-Investors with whom Clients may co-invest have pre-existing investments with the Adviser, and the terms of such pre-existing investments may differ from the terms upon which such persons may invest with Clients.

Dead Deal Costs may include, among other things, legal, accounting advisory, consulting or other third-party expenses and 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.

From time to time, certain Clients will incur certain ongoing expenses that benefit a co-investment vehicle, Co-Investor (for instance, insurance premiums) or other Client. 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, Co-Investor, or other Clients not yet launched at the time of the expense allocation.

### **Over-Commitment**

To facilitate the acquisition of an investment, the Adviser or its affiliates could cause one or more of Clients to 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, Clients or other persons prior to or after the initial commitment or closing of the acquisition. The sale to co-investors, Clients or other persons will occur either at a previously agreed-upon price or, in the absence of a previously agreed-upon price, at the market value of the investment at the time of sale, and such market value may be fair value as determined by the Adviser. In such event, Client(s) bear the risk that any or all of the excess portion is not sold or sold on unattractive terms. As a consequence, the applicable Client(s) could bear the entire portion of any fees, costs and expenses related to such investment and hold a larger than expected investment or may realize lower than expected returns from such portion of such investment.

## **ITEM 7**

### **TYPES OF CLIENTS**

The Adviser provides investment advice to its Clients, which as described above includes various pooled investment vehicles (or funds), single investor funds and separately managed accounts. Investment advice is generally provided directly to its Clients (subject to the discretion and control of the applicable general partner of each such Client) and not to individual investors in each Client unless the Client is a separately managed account.

The Adviser's underlying investors are comprised primarily of family offices, endowments, foundations, banks, private corporations, and high net worth individuals. Generally, these underlying investors are required to meet certain qualifications, such as being (a) an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), (b) a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act, or (c) a "knowledgeable employee" within the meaning of Rule 3c-5 of the Investment Company Act. Typically, a minimum investment amount is imposed on underlying investors investing in the investment vehicles for which the Adviser acts as investment adviser, but can be subject to a reduction by the Adviser.



## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

The specific methods of analysis and investment strategies utilized by the Adviser's Credit, Real Estate and Growth Equity investment teams are described below. This should not be interpreted to limit in any way the Adviser's investment activities; some of the strategies set forth below incorporate sub-strategies in addition to the broad strategy described. Furthermore, the Adviser reserves the right to pursue additional strategies in the future. Please also refer to the applicable Client's Governing Documents for additional information regarding the methods of analysis and investment strategies employed on behalf of each Client.

#### **Methods of Analysis**

The Adviser's investment teams conduct due diligence when evaluating investment opportunities. Depending on the type of investment, due diligence may include evaluating certain financial, tax, accounting, environmental and legal issues and include retaining outside consultants, legal advisors, accountants, and investment bankers in varying degrees. The investment teams rely on the following types of resources: information provided by the target and consultants, publicly available information, and any other information that the investment team deems relevant. The due diligence that the investment teams carry out with respect to any investment opportunity may not reveal or highlight all relevant facts necessary or helpful in evaluating such investment opportunity, and the evaluation will not necessarily result in the investment being successful. Moreover, the level of due diligence conducted with respect to each investment will vary and the investment teams may not assess properly the appropriate amount of diligence for each investment. Notwithstanding the diligence that is conducted in connection with any investment, there can be no assurance that the investment teams will identify or review all risks or that the Adviser will be able to prevent investment losses. In addition to longer term investment strategies, the Adviser also seeks to capitalize on short-term trading opportunities in certain circumstances, which do not always involve the extensive due diligence described above.

#### **Investment Strategies and Related Risks**

##### *Credit*

The Adviser's Credit team offers the following credit strategies across the liquid and illiquid spectrum.

##### **1. Credit Opportunity**

The Credit Opportunity strategy has a broad mandate and seeks to invest across the capital structure in distressed, stressed, special situation and event-driven value opportunities, and may include investments in companies undergoing bankruptcy, restructuring or reorganization and selecting securities senior in the capital structure and/or securities that may prove to be the fulcrum security in a restructuring process. The strategy also pursues investments in event-driven and non-distressed securities selling for less than their intrinsic value due to market illiquidity and/or a lack of access to capital in the financial markets. The flexible mandate allows the strategy to invest in (including selling short) all types of financial instruments across the capital structure, including, but not limited to, bank debt, bonds, trade claims, hybrid securities, other types of loans and equities, in addition to more infrequent use of credit default

swaps and equity options. It may invest in real estate and complex and misunderstood situations involving financial restructurings, litigation claims, run-offs and break-ups, in addition to more straightforward undervalued equities and stressed credits.

## 2. Private Credit Opportunity

The Private Credit Opportunity strategy seeks to invest primarily in loans, and structured debt and debt-like securities, in businesses operating both inside and outside the United States. It primarily invests in (i) private loans that are made to companies and (ii) complex and special situations, e.g., in companies in asset classes and/or sectors that are out of favor and/or experiencing cyclical stress, or where in-depth due diligence and experience will help uncover attractive risk-adjusted returns. The Private Credit strategy has a flexible mandate that allows it to invest in all types of financial instruments across the capital structure, including, but not limited to, bank debt, bonds, trade claims, hybrid securities, other types of loans and equities, in addition to more infrequent use of credit default swaps and equity options. The strategy may invest in real estate, complex and misunderstood situations involving financial restructurings, litigation claims, run-offs and break-ups. The strategy utilizes leverage, which includes the borrowing of funds from banks and other lenders in order to carry out the business activities of the funds.

## 3. Real Estate Credit Opportunity

The Real Estate Credit Opportunity strategy seeks to invest in real estate loans, including unitranche loans, first lien/senior secured loans and second lien/mezzanine loans and preferred or structured equity. The number of investments, the target sizes, target returns and proportion of investments that are real estate loans or preferred or structured equity, can vary. The strategy expects to target investments in North America but may invest in other geographic locations as well. The strategy can acquire and own its investments, and incur leverage, through one or more subsidiary entities, some of which intend to qualify as a “real estate investment trust” for U.S. federal income tax purposes. The strategy utilizes leverage, which includes the borrowing of funds from banks and other lenders in order to carry out the business activities of the funds.

## 4. Special Investments

The Special Investments strategy seeks to invest in public and private markets up and down the capital structure to take advantage of market dislocations. The strategy has an opportunistic and flexible mandate that allows it to invest in all types of financial instruments across the capital structure, including a wide range of fixed income, equity and equity-linked investments. Investments may include, but are not limited to, unitranche loans, first lien/senior secured loans, second lien/mezzanine loans, secured notes, unsecured notes, private and public preferred and common equity securities, warrants, options, sale lease back paper and royalty interests. The strategy may invest in real estate, distressed situations, complex and misunderstood situations involving financial restructurings, litigation claims, run-offs and break-ups and expects to invest in North America but may also invest in other geographic locations as well. The strategy utilizes leverage, which includes the borrowing of funds from banks and other lenders in order to carry out the business activities of the funds.

## 5. Alpine Credit Opportunity

The Alpine Credit Opportunity strategy is an opportunistic credit strategy that invests on a long and short basis primarily in bank loans, high yield and investment grade bonds, and to a lesser

extent convertibles and structured securities. The strategy also utilizes derivative instruments, including CDX, interest rate futures and swaps, options, and single name CDS. The strategy expects to invest in North America but may also invest in other geographic locations as well.

### *Real Estate Equity*

The Real Estate Equity strategy seeks to invest primarily in equity investments in real estate and real estate-related assets, including hospitality, commercial and residential.

### *Growth Equity*

The Growth Equity strategy seeks to make minority equity investments in dynamic, growth-stage businesses in the following sectors – enterprise software, fintech, consumer internet and commerce, and healthcare information technology. The strategy targets investments in businesses with strong operating performance led by excellent management teams.

## **Risk of Loss**

All investments made by the Adviser on behalf of Clients risk the loss of capital. Set forth below are certain material risk factors applicable to all Clients and/or their investors. These risk factors do not purport to be a complete list or explanation of the risks involved in each Client. The Governing Documents applicable to certain Clients include a more detailed summary of the material risks and the investment strategy for those Clients and should be read in conjunction with the risk factors identified below. As Clients' respective strategies develop and evolve over time, an investment in a particular Client may be subject to additional and different risk factors than those described herein.

*No Assurance of Investment Returns.* The Adviser cannot give Clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of investments or assets that fall within such Clients' individual investment objectives. Clients could enter into agreements or consummate transactions that involve payments that result in substantial costs to the affected Client and the elimination of the possibility of a return, in particular if the transaction is not consummated.

*Substantial Fees and Expenses.* Clients typically pay Management Fees, Organizational Expenses and Operating Expenses as set forth in their Governing Documents and/or fee agreements, whether or not they make any profits, as well as performance-based compensation if they make profits. While it is difficult to predict the future fees and expenses of Clients, such fees and expenses could be substantial. See Item 5 for additional information on fees and expenses.

*General Market Conditions.* The success of a Client's activities will be affected by general economic and market conditions, such as changes in interest rates, availability of credit, default rates, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Client's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of a Client's investments. Volatility and/or illiquidity could impair a Client's profitability or result in losses. A Client may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets. Material changes and fluctuations in the

economic environment, particularly of the type experienced since 2008 that caused significant dislocations, illiquidity and volatility in the wider global economy, may affect a Client's ability to make investments and the value of investments held by the Client or the Client's ability to dispose of investments. The short-term and the longer-term impact of these events are uncertain, but they could continue to have a material effect on general economic conditions, consumer and business confidence and market liquidity. Any economic downturn resulting from a recurrence of such marketplace events and/or continued volatility in the financial markets could adversely affect the financial resources of issuers. Investments can be expected to be sensitive to the performance of the overall economy.

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 a Client is 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 a Client to realize its investments at favorable times or for favorable prices.

*Dependence on Key Personnel.* The success of the relationship-based investment strategy utilized by the Clients depends in substantial part upon the each Client's portfolio manager's skill and expertise. However, there can be no assurance that each Client's portfolio manager 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 Client's portfolio manager could materially and adversely affect the Clients and the performance of their investments.

*Valuation of Assets.* Many of the investments made by Clients are illiquid and thus have no readily ascertainable market prices. These investments are valued based on estimates, or an independent third party's estimate, of their fair value as of the date of determination, which often involves significant subjectivity. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. The Adviser estimates the fair value of its Clients investments based on third-party models, or models developed by the Adviser, which include discounted cash flow analyses, adjusted EBITDA and other techniques and may be based, at least in part, on independently sourced market parameters. The estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, the timing of and the estimated proceeds from expected financings, some or all of which factors may be ascribed more or less weight in light of the particular circumstances. The actual results related to any particular investment often vary materially as a result of the inaccuracy of these estimates and assumptions. Because such valuations will be inherently uncertain, may fluctuate significantly over short periods of time and will be based on estimates and other material assumptions, the Adviser's determinations of fair value may differ materially from the values that would have been used

if a readily available market for these investments existed and may differ materially from the values that a Client may ultimately realize on such investments.

*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.

*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.

*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 MSD's employees. In addition, the Clients' investments may differ from previous investments made or managed by MSD'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.

*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 ultimate impact of any such health emergencies or other events and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict but could have a significant adverse impact and result in significant losses to the Clients. In addition, the operations of the Clients, their portfolio investments, the general partners and the Adviser may be significantly impacted, or even temporarily or permanently halted, as a result of any such health crises, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their

affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

*U.S. Market Risks, Generally.* Changes in U.S. federal policy, including tax policies, and at regulatory agencies occur over time through policy and personnel changes following elections, which lead to changes involving the level of oversight and focus on the financial services industry or the tax rates paid by corporate entities. The nature, timing and economic effects of such changes remain highly uncertain. None of the general partners of the Clients or the Adviser or their respective affiliates can predict the ultimate impact of the foregoing on the Client, its business and investments, or the private equity industry generally, and any prolonged uncertainty could also have an adverse impact on the Client and its investment objectives. Further, an extended federal government shutdown resulting from failing to pass budget appropriations, adopt continuing funding resolutions, or raise the debt ceiling, and other budgetary decisions limiting or delaying deferral government spending, may negatively impact U.S. or global economic conditions, including corporate and consumer spending, and liquidity of capital markets. In addition, any changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing the financial services industry, foreign trade, manufacturing, outsourcing, development and investment in the territories and countries or types of investments in which a Client may invest, and any negative sentiments towards the United States as a result of such changes, could adversely affect the performance of a Client's investments. Moreover, media (including social media) has the potential to influence public sentiment and escalate tensions both within the U.S. and in international relations, which could cause social unrest and could negatively impact stock markets and economics around the globe and a Client's investments. Recent events concerning discrimination, race relations and inequality have led to protests, demonstrations, marches and other forms of political and social activism on a local, regional, national and international level as well as rioting in some instances. Such activism, which has ranged from peaceful to in some instances, violent, has resulted in curfews, the deployment of the national guard and other local and national interference, and could lead to increased political and social volatility and uncertainty, which was already heightened in wake of the COVID-19 pandemic. While the overall effect of such activism remains unknown, investors should note that this type of volatility and uncertainty could materially and adversely impact the securities and other assets in which a Client invests.

Furthermore, in response to the global financial crisis in 2008, the Board of Governors of the U.S. Federal Reserve System (the "Federal Reserve") and certain non-U.S. central banks acted to hold interest rates to historic lows in addition to taking other governmental actions to stabilize markets and seek to encourage economic growth. While many of these actions have ceased or slowed significantly (including the Federal Reserve electing to increase interest rates), these and other actions by the Federal Reserve and such other central banks, including changes in policies, may continue to have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the Client's investments on an absolute and/or relative basis. In early 2020 in response to the economic impact of the COVID-19 global pandemic, the U.S. government, including the Federal Reserve, took a number of measures in an effort to stabilize the U.S. economy and to inject liquidity into the U.S. capital markets, including keeping interest rates low through its targeted federal funds rate and resuming the purchase of Treasury securities and agency mortgage-backed securities in the amounts needed to support smooth market functioning. In addition, the U.S. government passed measures aimed to alleviate potential unemployment and stimulate

and support the economy. Recently, however, the Federal Reserve has raised, and is expected to continue to raise, interest rates several times. Such rate changes are, in part, a response to higher than expected rates of inflation. Any such rate changes may impact the Client and the Client's investments. There can be no assurance that actions taken by the U.S. government, including the Federal Reserve, will have a beneficial impact on the financial markets and/or a Client's returns.

*Russian Invasion of Ukraine.* Russia's invasion of the Ukraine, and corresponding events, have had, and could continue to have, severe adverse effects on regional and global economic markets. Following Russia's actions, various governments, including the United States, have issued broad-ranging economic sanctions against Russia, including, among other actions, a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs; a commitment by certain countries and the European Union to remove selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications, the electronic banking network that connects banks globally; and restrictive measures to prevent the Russian Central Bank from undermining the impact of the sanctions. The current sanctions and the potential for future sanctions, and other actions, and Russia's retaliatory responses to those sanctions and actions, may continue to adversely impact the Russian economy and may result in the further decline of the value and liquidity of Russian securities, a continued weakening of the ruble, exchange closures and may have other adverse consequences on the Russian economy that could impact the value of Russian investments and impair the ability of a Client to buy, sell, receive, or deliver those securities. Moreover, those events have, and could continue to have, an adverse effect on global markets' performance and liquidity, thereby negatively affecting the value of a Client's investments beyond any direct exposure to Russian issuers. The duration of ongoing hostilities and the vast array of sanctions and related events cannot be predicted. Those events present material uncertainty and risk with respect to markets globally and the performance of a Client and its investments or operations could be negatively impacted.

*Investment and Trading Risks Generally.* All investments risk the loss of capital. The Client's investment program will involve, without limitation, risks associated with limited diversification, use of leverage, credit deterioration and default risks, systems risks and other risks inherent in the Client's activities. Certain investment techniques of the Client can, in certain circumstances, substantially increase the impact of adverse market movements to which the Client may be subject. In addition, the Client's investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Client invests its assets.

The Client's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

*Force Majeure.* Portfolio entities may be vulnerable to a force majeure event, including acts of God, war and strike, which could result in the destruction, impairment or loss of profitability for the issuers. In addition, the damage caused by the force majeure event may adversely affect a party's ability to perform its obligations until it is able to remedy the damage. Insurance coverage of these risks may be limited, subject to large deductibles or completely unavailable, and the Adviser will determine in its discretion whether to seek insurance coverage of, or seek

alternative ways to manage or mitigate, these risks. In addition, insurance coverage, particularly business interruption insurance, may be limited or unavailable to issuers upon the occurrence of a force majeure event, which may adversely impact such issuers.

*Material, Non-Public Information (“MNPI”).* By reason of their responsibilities in connection with investments for and on behalf of Clients, investment professionals may acquire confidential or MNPI concerning specific borrowers, issuers and/or property, or may otherwise be restricted from initiating transactions in certain securities. In such instances, those investment professionals and the investment manager will not be free to act upon any such information. Due to these restrictions, the investment professionals and investment manager may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Alternatively, the investment manager may decline to receive MNPI in order to avoid trading restrictions, even though access to such information might have been advantageous and other market participants are in possession of such information.

In addition, in circumstances when an investment professional receives, in connection with a potential investment, MNPI concerning specific issuers, such investment professional’s flexibility to buy or sell securities issued by such borrowers or issuers or otherwise use such information may similarly be limited or restricted under applicable securities laws.

*Systems and Operational Risk.* MSD’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 its 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 the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

*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.

*Litigation.* The Adviser participates in restructuring activities where Clients invest in distressed securities. It is possible that certain Clients will become involved in litigation with respect to creditor disputes and similar issues among classes of claimants. Litigation entails expenses and the possibility of counterclaims against such Clients including their general partners and the Adviser, and ultimately, judgments could be rendered against a Client for which such Client does not carry insurance.

*Regulatory Risks.* Recent legal and regulatory changes could adversely impact Clients. The regulation of U.S. and non-U.S. securities, futures markets and investment funds has undergone substantial changes in recent years and such changes could continue. The effect of such new regulations on Clients could be substantial and adverse and could subject Clients to increased capital requirements, fees, expenses and limits on the types of investors they could solicit. Laws and regulations can change quickly and unpredictably in a manner adverse to the Clients' interests. As a result, Clients and/or their Adviser could be subject to unduly burdensome and restrictive regulations. The financial services industry and the activities of private funds and their managers in particular, have been subject to increasing regulatory scrutiny. This could increase the exposure of Clients to potential liabilities and additional legal, compliance and other related costs that, as a result, adversely affect the ability of Clients to achieve their investment objectives.

*Use of Subscription Line Facilities.* Certain Clients obtain subscription line facilities to facilitate investments (including on a temporary or permanent basis), 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 (including both interim and potentially permanent 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 to repay any such borrowings and related interest expenses, the use of such facility will result in a higher or 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. This will

present conflicts of interest. This will provide the general partner with an economic incentive to fund investments through such facilities in lieu of capital contributions. Client borrowings also will increase the likelihood that any hurdle or preferred return component in the Client's carried interest arrangements will be met. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors, and, to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Client nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities. 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. These types of borrowings present 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.* Certain Clients borrow and utilize various other forms of leverage and operate with a significant leverage ratio. Although leverage presents opportunities for increasing a Client's total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the total return of the leveraging Client will decrease. Accordingly, any event which adversely affects the value of a portfolio investment would be magnified to the extent a Client is leveraged. The cumulative effect of the use of leverage by Clients in a market that moves adversely to such Clients' investments or in the event portfolio investments experience credit quality deterioration could result in a substantial loss to Clients that could be substantially greater than if such Clients were not leveraged. In addition, contractual demands by lenders to a Client to reduce its leverage could force such Client to sell investments on an emergency basis at prices less than those obtainable in a more orderly liquidation. To the extent that a creditor has a claim on a Client, such claim would be senior to the rights of an investor in the Client. As a result, if a Client's losses were to exceed the amount of capital invested, an investor could lose its entire investment. The debt financing utilized by Clients to leverage investments could also be collateralized by any assets of the Client (and could be cross-collateralized with the assets of any parallel fund or alternative investment vehicle of the applicable Client or any portfolio investment, and such entities could be held jointly and severally liable for the full amount of the obligations arising out of such debt financing).

*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.

*Interest Rate Risk.* Changes in interest rates can affect the value of a Client's investments in fixed income instruments. Increases in interest rates could cause the value of a Client's investments to decline. Certain Clients could experience increased interest rate risk to the extent

they invest, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Although a Client's investments may bear interest at a floating rate, there may be (a) mismatches between the floating rates applicable to investments that bear interest at a floating rate and the SOFR rates (or other interest rates) applicable to the indebtedness of a Client, (b) timing mismatches based on different interest payment dates applicable to the investments as compared to a Client's indebtedness, and (c) likely mismatches between the aggregate outstanding amount of the indebtedness and the aggregate principal balance of the floating rate Investments. In addition, the interest rates applicable to cash equivalents held by a Client may be fixed or floating and could be lower than the interest rates on a Client's investments. Accordingly, changes in the level of SOFR or any other applicable floating rate index or the holding of significant assets in the form of cash equivalents could adversely affect the ability of a Client to make debt service payments on the aggregate outstanding amount of the indebtedness. A Client may, from time to time, subject to applicable law, enter into one or more hedge agreements to hedge interest rate risk.

*Inflation Risk.* Inflation risk is the risk that the value of assets or income from a Client's investments will be worth less in the future as inflation decreases the value of payments at future dates. The U.S. and other developed economies have recently experienced higher-than-normal inflation rates. It remains uncertain whether substantial inflation in the U.S. and other developed economies will be sustained over an extended period of time or have a significant effect on the U.S. or other economies. 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, particularly in emerging economies. For example, if a portfolio entity is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. Portfolio entities may have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, a portfolio entity may earn more revenue but may incur higher expenses. As inflation declines, a portfolio entity may not be able to reduce expenses commensurate with any resulting reduction in revenue. Furthermore, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. In an attempt to stabilize inflation, countries may impose wage and price controls or otherwise intervene in the economy. Governmental efforts to curb inflation often have negative effects on the level of economic activity. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on a Client's returns. There can be no assurance that continued and more wide-spread inflation in the U.S. and/or other economies will not become a serious problem in the future and have a material adverse impact on a Client's returns.

*Counterparty Risk.* A number of the markets in which a Client or any of its portfolio investments could affect its transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes a Client or such portfolio investment to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a Client or such portfolio investment to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events could intervene to prevent settlement, or where a Client has concentrated its transactions with a single or small group of counterparties. A Client is not

restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of a Client to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement could increase the potential for losses by a Client.

*Non-U.S. Currency Risks.* Certain Clients make investments that are denominated in non-U.S. currency and, therefore, are subject to the risk that the value of a particular currency will change in relation to one or more other currencies, including generally the currency in which the books of the Client are kept and currencies in which contributions and distributions generally will be made. Among the factors that could affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Client will incur costs in converting investment proceeds from one currency to another. The Adviser could, but is under no obligation to, employ hedging techniques to minimize these risks, although there can be no assurance that such strategies will be effective. Investments in any country in which U.S. dollars are not the local currency could be affected by such changes in the value of foreign exchange between the U.S. dollar and such currency. Such changes could have an adverse effect on the value, price or income of the investment to such investors. There could also be foreign exchange regulations applicable to investments in non-U.S. currencies in certain jurisdictions.

*Changes in Investment Focus.* It is possible that Clients are not restricted in terms of the percentage of their capital that can be invested in a particular industry, geographical region or type of investment. While a Client's Governing Documents generally contain a description of the types of investments that other Clients have historically made and/or information about the Adviser's expectations with respect to such Client, many factors could contribute to changes in emphasis in the construction of such Client's portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries. There can be no assurance that the investment portfolio of any Client will resemble the portfolio of any other Client.

*Lack of Liquidity of Investments.* Clients' portfolio investments generally consist primarily of debt investments, including, but not limited to, bonds, senior secured loans, unsecured loans, second lien loans, debtor-in-possession financings, delayed drawdown loans and revolving bank loans. Loans are not generally traded on organized exchange markets but rather would typically be traded by banks and other institutional investors engaged in loan syndications. Certain Client portfolios could include other asset classes, such as alternative investments, mortgage loans and real property. The liquidity of certain portfolio investments will depend on the liquidity of the applicable market. Trading in certain investments is subject to delays as transfers could require extensive and customized documentation, the payment of significant fees, the consent of the agent bank or underlying obligor or other party and cause significant expenses to be incurred. In addition, certain investments could be subject to legal or contractual restrictions or requirements that limit the Client's ability to transfer them or sell them for cash. The resulting illiquidity of these investments could make it difficult for a Client to sell such investments if the need arises. If a Client needs to sell all or a portion of its portfolio over a short period of time, it could realize significantly less value than the value at which it had previously recorded those investments. There can be no assurance that Clients will be able to generate returns for their investors or that the returns will be commensurate with the risks of

investing in the types of instruments described herein. As noted above, there is a possibility of partial or total loss of capital as a result of such constraints.

*Possible Lack of Diversification.* Certain Clients concentrate their portfolio investments by investing all of their assets in one or only a few issuers, industries or countries. By investing in a limited number of portfolio investments, the aggregate returns realized by a Client could be substantially affected by the unfavorable performance of a small number of such portfolio investments.

*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 the Adviser's investment personnel, regulatory action by the SEC and increased costs associated with each of the aforementioned risks.

*Investments in Distressed Securities.* A portion of the Client's investments could also be obligations or securities that are unrated or rated below investment grade by recognized rating services such as Moody's and Standard & Poor's. Securities rated below investment grade and unrated securities generally offer a higher current yield than that available from higher grade issues but typically involve greater risk. Securities rated below investment grade and unrated securities are typically subject to adverse changes in general economic conditions, changes in the financial condition of their issuers and price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of securities rated below investment grade and unrated securities could experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, could also decrease the values and liquidity of securities rated below investment grade and unrated securities, especially in a market characterized by a low volume of trading. In addition, the secondary market for high-yield securities, which is concentrated in relatively few market makers, could not be as liquid as the secondary market for more highly rated securities. As a result, the Client could find it more difficult to sell these securities or could only be able to sell the securities at prices lower than if such securities were widely traded.

*Financial Institution Risk; Distress Events.* An investment in a Client is subject to the risk that one of the Client's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Client's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, the Adviser, its Clients and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by

organizations such as the Federal Deposit Insurance Corporation (“FDIC”), in the case of banks, or the Securities Investor Protection Corporation (“SIPC”), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. In the event of such a failure of a banking institution where an investment in a Client or a portfolio company holds depository accounts (including accounts used for depositing principal and interest payments from borrowers on loans owned by the Client) access to such accounts could be restricted and 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, an investment in a Client or a portfolio company 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. One or more investors or a Client’s general partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, a Client’s general partner may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Adviser to manage the Clients and their investments, and on the ability of the Adviser, any Client and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Client to pay fees and expenses in the event the Client is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well the inability of a Client to acquire or dispose of investments at prices that the relevant general partner believes reflect the fair value of such investments and/or the inability of portfolio companies to make payroll, fulfill obligations and maintain operations. Although the Adviser expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many Financial Institutions require, as a condition to using their services or otherwise, that the Adviser and/or the relevant Client maintain all or a set amount or percentage of their respective accounts or assets with the custodian, which heightens the risks associated with a Distress Event with respect to such custodians. Although the Adviser seeks to do business with custodians that it believes are creditworthy and capable of fulfilling their respective obligations to the Clients, the Adviser is under no obligation to use a minimum number of custodians with respect to any Client, or to maintain account balances at or below the relevant insured amounts.

*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 geo-political 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-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; economic sanctions; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. One or more of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market. Non-U.S. securities may become subject to economic sanctions or other restrictions imposed by U.S. or foreign regulators, which could adversely affect the value or liquidity of those securities.

*LIBOR Risks.* Securities or loans held by an account may pay interest based on London Interbank Offered Rate (“LIBOR”) (or a local market variant thereof) or other benchmark or reference rates (each, a “Benchmark Rate”). As a result, a significant change in LIBOR could negatively impact the expected return on the account’s portfolio. Such impacts may be material. While the account may pay different prices for loans with LIBOR interest rates (excluding those with LIBOR floors), there can be no guarantee that such prices will offset changes in either current income or loan secondary market prices. To the extent that a Client’s investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on a Benchmark Rate, the Client may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market.

LIBOR has been discontinued for many currencies and the remaining USD LIBOR settings will cease publication immediately after June 30, 2023. Regulators, central banks, governments and other market participants are working to facilitate the transition of existing instruments and contracts away from LIBOR to new Benchmark Rates. Although the impact is uncertain at this time, any such transition could cause one or more of the following to occur, among other impacts: (i) there may be an increase in the volatility of LIBOR prior to the consummation of any such change; (ii) fewer investments may be made using interest payment benchmarks based on LIBOR and more investments may be made using interest payment benchmarks other than LIBOR or bearing interest at a fixed rate, resulting in differential investment returns to the account; (iii) there may be an increase in pricing volatility with respect to the account’s investments and/or a reduction in the value of the account’s investments; (iv) there may be a reduction in the account’s ability to effectively hedge interest rate risks; (v) the account may incur losses from hedging disruptions due to transition basis risk, the cessation of LIBOR or an inability of the account and its counterparties to effectively value their existing trades due to a lack of dealers providing LIBOR-based quotations in the derivatives markets; and (vi) there may be other costs and administrative burdens imposed relating to factors that include document amendments and changes in systems. There is no certainty as to what rate or rates may become market-accepted alternatives to LIBOR or how those alternatives may impact the account or its investment returns. There may not be any alternative benchmark that reflects the composition and characteristics of LIBOR, and there may be dramatic shifts in debt

investments and the debt markets generally. Any of the foregoing could materially adversely impact results for the account. Further, any future transitions to and from Benchmark Rates have the potential to have similar effects.

*Digital Assets.* In connection with a Client's mandate, the Adviser reserves the right to cause a Client to invest in cryptocurrencies, cryptofinance coins, tokens and digital assets and instruments that are based on blockchain, distributed ledger or similar technologies, or other peer-to-peer financial services (collectively "Digital Assets"). Digital Assets, and the use of Digital Assets to buy and sell goods and services, are relatively new technological innovations with a limited history, are a rapidly evolving concept, and therefore involve a high degree of business and financial risk that can result in substantial or total loss of investment. Digital Assets are based on computer-generated mathematical and/or cryptographic protocol and are generally transferred over decentralized networks, where each transaction is recorded in a blockchain. A blockchain is a digital ledger that records transactions on multiple computers, which collectively constitute that Digital Asset's network. Digital Assets also pose risks around custody, which include, without limitation, the lack of FDIC insurance for digital asset holdings, the reliance on an exchange or custodian to store the digital assets, and the absence for certain digital assets of any "qualified custodian" willing to provide custody for such assets. The success of Digital Assets is subject to a high degree of uncertainty and may be significantly affected by many factors, including, but not limited to, (i) worldwide growth and adoption (or lack thereof), including the acceptability of Digital Assets as a method of payment or indication of value, (ii) governmental and industry regulation, (iii) technological developments, (iv) general economic conditions and (v) the potential negative perception of Digital Assets generally, including the use of Digital Assets to buy illicit goods and services or its use in cybercrime. Digital Assets are extremely volatile relative to traditional asset classes and are more likely to have large increases and decreases in price. Investments in digital assets such as cryptocurrencies are subject to many specialized risks and considerations, including risks relating to (i) technology, (ii) security, (iii) regulation, (iv) user/market acceptance, (v) volatility and (vi) timing. While cryptocurrencies and their networks have been and are experiencing rapid technological development, such development may not continue at its current rapid pace. There can be no assurance that all material vulnerabilities in the technology associated with a particular cryptocurrency and its associated networks will be identified and addressed prior to a Client's investment in such cryptocurrency.

A Digital Asset is often controllable only by the possessor of unique private keys relating to the addresses in which the Digital Asset is held. The theft, loss or destruction of a private key required to access a Digital Asset may be irreversible, and any such private key would not be capable of being restored by a Client. Any loss of private keys relating to digital wallets used to store a Client's Digital Assets could result in the loss of such Digital Assets, and a limited partner could incur substantial, or even total, loss of capital.

Clients with exposure to Digital Assets, such as virtual currencies, face a number of market and operational risks, including volatile prices, disparate prices across different virtual exchanges, risk of an illiquid market, valuation risk, custody risk, risk associated with "mining" or verifying virtual currency transactions, risk of not converting virtual currencies into fiat currencies, and risk that a virtual currency exchange fails or closes due to a security breach, a distributed denial of service attack, fraud or other failure. Virtual currencies may be particularly vulnerable to virtual currency network attacks, hacking or security breaches.



Digital Assets are not legal tender in the United States, and federal, state or foreign governments may restrict the use and exchange of Digital Assets at any time. As such, Digital Assets also present a number of legal and regulatory risks as U.S. federal, state or foreign government bodies or agencies maintain different classifications for Digital Assets within their respective jurisdictions. For example, the U.S. Commodity Futures Trading Commission (“CFTC”) treats bitcoin and other virtual currencies as commodities, and the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN”) requires administrators or exchanges to register as a registered money services business. Furthermore, the global regulatory framework governing virtual currencies varies from country to country and continues to evolve. Some countries have taken an accommodating approach to the regulation of Digital Assets while others have banned their use.

Accordingly, the promulgation of any U.S. or international laws or rules, an adverse change in applicable legal or regulatory requirements, or an adverse review by an applicable judicial authority of any such law or regulation, could have a material adverse effect of the price of certain Digital Assets and on the operations and/or financial performance of Clients with exposure to virtual currencies. To the extent that new regulations are imposed, or regulatory authorities find ways to apply existing regulations to cryptocurrency in unanticipated ways, the Client’s investments may be materially adversely affected.

Some of the markets in which a Fund may effect Digital Asset transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of “exchange-based” markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such OTC Digital Asset transactions. This exposes a Client to the risk that a counterparty will not settle a Digital Asset transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a Client to suffer a loss. A Client is not restricted from dealing with any particular counterparty or from concentrating any or all of a Client’s Digital Assets transactions with one counterparty. The ability of a Client to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Client in Digital Assets investments.

In addition, it is difficult to predict the extent of the impact that recent bankruptcies of, and the financial distress experienced by, certain key participants in the Digital Assets industry will have on the industry as a whole. Specifically, there have been recent instances of fraud on a broad scale within the Digital Assets industry and such events are likely to lead, at least in the immediate term, to a decrease in the trust placed in Digital Assets, and as a result, any participants in the Digital Assets industry, by investors and, therefore, to additional significant volatility in an already very volatile market. To the extent these trends continue, a Client’s investments in Digital Assets, or any participants in the Digital Assets industry, would be expected to be subject to material decreases in value, which in turn would be expected to adversely affect the Fund and its returns.

*Hedging Policies/Risks.* In connection with certain investments, Clients and/or their portfolio investments could employ hedging strategies (whether by means of derivatives or otherwise and whether in support of financing techniques or otherwise) that are designed to reduce the

risks to Clients and/or their portfolio investments of fluctuations in interest rates, securities, commodities and other asset prices and currency exchange rates, as well as other identifiable risks. While the transactions implementing such hedging strategies could reduce certain risks, such transactions themselves could entail certain other risks such as the risk that counterparties to such transactions could default on their obligations and the risk that the prices and/or cash flows being hedged behave differently than expected. Thus, while Clients and/or their portfolio investments could benefit from the use of these hedging strategies, unanticipated changes in interest rates, securities, commodities and other asset prices or currency exchange rates or other events related to hedging activities could result in a poorer overall performance for Clients and/or their portfolio investments than if they or their portfolio investments had not implemented such hedging strategies.

*Investments in SPACs.* Affiliates of the Adviser may sponsor certain special purpose acquisition companies (“SPACs”) and certain affiliates and/or their respective principals, officers or employees (each an “Affiliated Party”) that have an interest in such SPACs. No Client of the Adviser (with the exception of a fund established for the benefit of MSD employees) invests directly in these affiliate sponsored SPACs. However, these situations create a number of conflicts of interest, including that:

- If an Affiliated Party is an officer or director of a SPAC, it will owe certain duties, e.g., time, attention and deal referral obligations, to the SPAC, and those duties may conflict with its duties to the Adviser and its Clients from time to time.
- SPAC sponsor investments and investments in private placement units/warrants and founders shares will only be profitable if the SPAC completes its initial business combination; otherwise, they will be worthless. The applicable Affiliated Parties will have incentives to allocate their time and attention to their personal duties to the SPAC at the expense of the Adviser and its Clients.
- The applicable SPAC’s pursuit of business combination targets may limit the investment universe for the Adviser’s Clients.
- If an Affiliated Party has an interest in a SPAC sponsor or is an officer or director of a SPAC, it will likely acquire material, non-public information about the SPAC and its business combination targets, or it may sign standstill or letters of intent with targets, from time to time, which will prevent the Adviser from trading the securities of targets, if any, during such times. This could materially and adversely affect the Adviser’s Clients if the Adviser could not buy/sell such Clients’ investments at the time when the Adviser would otherwise take such action due to such restrictions.

The Adviser will seek to resolve conflicts in a manner that it determines in its discretion to be fair and equitable.

*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.

*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.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

## ITEM 10

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Adviser and its management persons are not registered as broker-dealers and do not have an application pending to register, as a broker dealer or a registered representative of a broker dealer.

Similarly, the Adviser and its management persons are not registered as a commodity pool operator or commodity trading advisor and do not have an application pending to register as a commodity pool operator or commodity trading advisor. While Clients may trade commodity futures and/or commodity options contracts, each Clients' respective general partner or the Adviser has claimed an exemption from registration with the CFTC as a commodity pool operator ("CPO") pursuant to CFTC rule 4.13(a)(3). The Adviser has also availed itself of an exemption from registration with the CFTC as a commodity trading advisor.

#### **Other Related Entities**

##### *MSD Real Estate Partners, L.P. and MSD Real Estate Management, LLC*

The Adviser is affiliated with MSD Real Estate Partners, L.P. ("MSD Real Estate"), which is a partnership that was formed by certain partners of the Adviser's real estate equity team. MSD Real Estate is primarily engaged in acquiring, owning and operating real estate equity investments and conducts its investment advisory activity through its wholly owned subsidiary, MSD Real Estate Management, LLC ("MSD Real Estate Management"), which serves as investment manager to certain real estate Clients. MSD Real Estate Management is a relying adviser of the Adviser, relying upon the Adviser's investment adviser registration with the SEC.

##### *BDT Capital Partners, LLC*

The beneficial owners of the Adviser are also beneficial owners of BDT Capital. BDT Capital, a Delaware limited liability company, was founded in 2009 and serves as investment manager to certain clients that primarily make investments in privately held or publicly-traded companies, which 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. BDT Capital is a registered investment adviser with the SEC.

Pursuant to the an agreement between BDT Capital and DFO, the family office for 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 BDT Capital or MSD personnel who provide services to the family office, or to multiple Clients, will have a conflict in allocating their time and services. See "*Multiple Clients*" below for additional information.

##### *BDT & MSD Partners, LLC*

The beneficial owners of the Adviser are also beneficial owners of BDT & MSD (CRD No. 15049), a broker-dealer registered with the SEC and a member of the FINRA (together with its affiliated entities providing broker-dealer services, BDT & MSD). Certain MSD 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.

*BDT & MSD Partners International, LLP*

BDT & MSD Partners International, LLP ("BDT & MSD UK") is 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 UK are substantially similar to the material conflicts of interest described for BDT & MSD.

*BDT & MSD Partners Europe GmbH*

BDT & MSD Partners Europe GmbH ("BDT & MSD Germany") is a German limited company authorized by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") under firm reference number 155370. BDT Germany is regulated by both BaFin and the German Federal Bank (Deutsche Bundesbank, "Bundesbank"). BDT Germany shares the same ultimate beneficial owners as the Adviser.

The material conflicts of interest created by the Adviser's relationship with BDT & MSD Germany are substantially similar to the material conflicts of interest described for BDT & MSD.

## **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 (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”) that governs a number of potential conflicts of interest and sets forth the standards of business and fiduciary conduct. The Code requires, among other things, that all employees (i) place the interests of its Clients and investors first, (ii) avoid taking inappropriate advantage of their positions within the Adviser, and (iii) conduct personal securities and other investment transactions in full compliance with the Code.

The Code applies to every MSD employee (whether or not an employee of the Adviser and includes certain advisors and temporary employees) who is subject to the Adviser’s supervision and control who (i) has access to non-public information regarding Client’s purchase or sale of securities; (ii) is involved in making securities recommendations to a Client; or (iii) has access to securities recommendations made to a Client that are non-public. MSD 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. Under the Code, MSD employees are required to file certain periodic reports with the Adviser’s Chief Compliance Officer (“CCO”) and to annually certify compliance with the Code. MSD personnel are also required to promptly report any violation of the Code of which they become aware. The Code helps the Adviser detect and prevent potential conflicts of interest.

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

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

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

The Adviser, its affiliates and their employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for certain Clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients. Potential conflicts also could arise due to the fact that the Adviser, its affiliates and their personnel could have investments in some Clients, but not in others, or could have different levels of investments in the various Clients. .

The Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and periodic monitoring of employee trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as Client trades.

In addition, MSD personnel may have a direct or indirect pecuniary interest in a Client as a result of (i) direct investments in that Client or (ii) ownership interests in the Adviser’s affiliates that are entitled to receive Management Fees and/or Incentive Allocation from a Client. A

Client or its general partner, as applicable, may reduce all or a portion of Management Fees and/or Incentive Allocation related to investments held by such persons.

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 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.

### **Certain Conflicts of Interest in Providing Services to Clients**

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 Governing 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, co-investors, clients of 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 guidelines set forth in their respective Governing Documents. To the extent the Clients have overlapping investment strategies, the Adviser and/or its affiliates maintain, subject to the Clients' Governing Documents, discretion in making allocation decisions among the Clients. In making such allocations, the Adviser considers such factors that it determines in its sole discretion to be relevant, which may include the Clients' differing investment strategies, structures, terms of offerings and other relevant investment factors including but not limited to those set forth below.

The Adviser and its affiliates assess whether an investment opportunity is appropriate for a particular Client based on the Client's investment objective, strategies and structure and determine what additional factors may restrict or limit the offering of an investment opportunity to the Client. Such factors include an offering of an investment opportunity to one or more Clients, including a client of an affiliate of the Adviser, according to predetermined investment guidelines of the Adviser's investment committee, or as set out in a Client's Governing Documents. The Adviser or its affiliates may determine to offer an investment opportunity related to an investment previously made by a Client to such investor at the exclusion of, or resulting in a limited offering to, other Clients. Legal and regulatory exclusions may impact allocations. 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 and its affiliates, in their discretion, decide how to allocate such investment opportunity among the identified Clients. Generally, allocations of investments to Clients in the same fund structure (i.e., funds being managed by the same portfolio manager with the same general strategy in the same organizational structure) are performed as follows: if in a



master/feeder structure, then pro rata based on each “feeder” fund’s ownership of the “master”; or, if in a “side-by-side” structure, then pro rata based on relative assets under management. In situations where there are multiple Clients in separate fund structures that have been identified to participate in a particular investment opportunity, the opportunity is generally allocated to such Clients on a pro rata basis based on available capital. Available capital is generally calculated by aggregating the following: unfunded investor commitments, unencumbered cash, the outstanding balance of any subscription line, unfunded deal commitments and undrawn balance on any existing financing arrangements. Certain Clients, however, may calculate available capital using assets under management, aggregating total commitments and total leverage (excluding any subscription line facilities). With respect to secondary trades, allocations are generally determined based on available capital or assets under management; however, as described below, there are several other factors that may be taken into consideration.

The Adviser, as well as its affiliates, from time to time will determine to allocate investment opportunities on a non-pro rata basis and in doing so will consider a wide range of factors, including but not limited to:

- The investment objectives, strategies and structure of the Client, including the risk appetite, tolerance and/or capacity of the Client, and the availability of other suitable investments for each Client;
- Each Client’s liquidity and reserves;
- Each Client’s diversification (including the actual, relative or potential exposure of a Client to the type of investment opportunity in terms of its existing portfolio);
- Percentage position, such as allocations effected to reach portfolio managers’ target percentage positions, or when “rebalancing” due to withdrawals and/or subscriptions;
- Client composition, such as asset size, size of potential investment and transaction costs relative to assets under management, as well as industry, sector and country weightings and exposure considerations/concentration;
- Any “ramp-up” period of a newly established Client or other considerations related to life cycle of the Client;
- Amount of capital available for investment by each Client;
- The seniority of an investment and other capital structuring criteria;
- Supply or demand of an investment opportunity at a given price level;
- Whether an investment opportunity requires additional consent or authorizations from the Client, investors or third parties;
- Risk considerations as well as current market conditions and transaction terms, such as execution opportunities and costs;
- Cash flow considerations;

- Place in capital structure and whether an overlapping investment with another Client;
- Odd-lot or de minimis positions;
- Transaction sourcing and/or any existing relationship with the relevant portfolio company; and
- Any other relevant limitations imposed by or conditions set forth in the applicable Governing Documents of a Client or specific pre-determined principles established by the Adviser and/or its affiliates.

In making its allocations of investment opportunities among the Clients, the Adviser seeks not to favor or disfavor any Client or class of Clients in relation to any other Clients. The application of the considerations and factors set forth above may 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.

The Adviser, together with BDT Capital, has established an investment committee and investment sub-committees in respect to credit, growth and real estate investments to apply the above allocation principles and make allocation decisions in 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. These allocation decisions will be subject to the oversight, and in certain instances, the approval of the Adviser's CCO or designee.

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 or clients of affiliates 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.

Due to the differences in the applicability of allocation factors to each Client, there may be differences in the invested positions and securities held between Clients 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 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.

Certain Clients are subject to regulatory limitations on their ability to invest in the same issuer as other Clients. The Adviser and its affiliates have received an order from the SEC that permits the Adviser's business development company, MSD Investment Corp. ("MIC"), to co-invest in portfolio companies with certain other Clients. On February 16, 2022, MIC received an exemptive order from the SEC (the "Co-Investment Order") (Company Act Release No. 34509) permitting the Adviser to engage in co-investment opportunities that involve the participation of both non-registered Clients and MIC, subject to certain terms and conditions. As a result, to the extent specific investment opportunities are appropriate for a Client and MIC, in addition to being subject to the Adviser's allocation policy, the opportunity will also be subject to the conditions of the Co-Investment Order and other requirements, which could limit a Client's ability to participate in a co-investment transaction. Reliance on the Co-Investment Order is subject to certain terms and conditions, including, among others, internal notification of investment opportunities, independent determination by MIC's portfolio managers as to the appropriateness of each applicable investment, enhanced record keeping and, where applicable, approval of a "required majority" (as defined in Section 59(o) of the Investment Company Act of 1940 (the "Company Act")) of the independent directors of MIC. There can be no assurance that the Co-Investment Order will facilitate the successful consummation of investment opportunities that MIC believes are available to Clients as a result of the Co-Investment Order. In addition, there is also no assurance a Client will be able to participate in all investment opportunities pursued under the Co-Investment Order that are within its investment objectives. As a result of the Co-Investment Order, there will be a need to allocate investment opportunities across a larger amount of available capital. As such, the allocations available to Clients for investment opportunities that are subject to the Co-Investment Order could be adversely affected. Investment opportunities that are subject to the Co-Investment Order are also subject to additional policies and procedures as a result of the participation of MIC, which could delay deal execution and adversely impact the ability of Clients to deploy capital.

One Client may hold, acquire, or dispose of positions in an investment in which another Client invests or has invested. Such investments and transactions may raise potential conflicts of interest for a Client, particularly if the Client invests in different classes or types of securities of the same investment. In that regard, actions taken by one Client may be adverse to another Client, including, but not limited to, during a restructuring, bankruptcy or other insolvency proceeding or similar matter.

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

For the avoidance of doubt, the Adviser and its affiliates, executives, partners, principals, managing directors, officers or directors of, or investment professionals employed by 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 a Client in an investment opportunity, up to any applicable percentage limitations set forth in the Governing Documents of the applicable Client. 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 Clients and portfolio company investments by those in the GP Investment Group, which could adversely impact the Clients. 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 a

Client's interest for those persons to prioritize other portfolio companies that would be more significant drivers of overall Client 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 Client expenses. The Adviser will generally seek to ensure that any GP Investment Group co-investors and other Clients 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 a Client 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 will affect the Adviser's decision to offer certain opportunities for co-investment, will reduce the amount that could have otherwise been invested by one or more other co-investors (including investors in a Client) and may constitute the entire co-investment with respect to a particular opportunity.

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

#### *Cross Trades and Principal Transactions*

The Adviser directs, from time to time, and subject to applicable Client investment guidelines and restrictions, one Client to sell an investment to another Client through a "Cross Trade" for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Clients, or to reduce transaction costs that may arise in an open market transaction. Cross Trades give rise to potential conflicts of interests between Clients and between Clients and the Adviser. For example, one Client could be advantaged to the detriment of another Client in the event that the investments being exchanged are not priced in a manner that reflects their fair value. In addition, the Adviser could use its investment authority to transfer unappealing investments from one Client to another Client. If the Adviser decides to engage in a Cross Trade, it will determine that the trade is in the best interests of each Client involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Clients.

To the extent that Cross Trades are viewed as principal transactions due to the ownership interest in a Client by the Adviser or MSD personnel, the Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be approved or disapproved by (i) an advisory committee comprised of representatives of such investors or (ii) a committee consisting of one or more persons selected by the Adviser (or its affiliate), and any valuation approved by such a committee will be determined by an independent third-party that has appropriate experience in providing such valuations.

### *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 with other investment advisers, namely BDT Capital. 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 Adviser's Clients (or MSD 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. For example, the Adviser may purchase a particular security for one Client and sell it short for another Client. Finally, the Adviser expects to make other business decisions on behalf of certain Clients relating to investments independently of the manner in which it approaches a similar or even the same investment of other Clients. By way of example, the Adviser may choose not to hedge certain risks it hedges on behalf of other Clients.

Potential conflicts are expected to arise when and to the extent a Client makes investments in conjunction with an investment being made by another Client, or if it were to invest in the securities of a company in which another Client has already made an investment. A Client may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Clients. This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Client and the other Client(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. The Adviser and its affiliates reserve the right from time to time to express to 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.

In some instances, however, as noted earlier, the Adviser could (and often does) choose to coordinate its activities with respect to investments held by more than one Client. Such coordination could have the effect of either raising or lowering the returns with respect to an investment relative to what might have been achieved absent such coordination. The Adviser is not obligated to engage in such coordination and, in fact, may elect not to do so in any particular circumstance in its sole discretion.

It is the Adviser's policy to allocate investment opportunities among all Clients fairly, to the extent practical and in accordance with each Client's applicable investment strategies, over a period of time. The Adviser will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any Client solely because the Adviser purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any other Client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical, efficient or desirable for a particular Client or the investment opportunity is otherwise limited in nature.

In addition, potential conflicts of interest, including those identified above between the Adviser's Clients, may arise in connection with the Adviser's affiliation with BDT Capital, with such conflicts arising between Clients and BDT Capital clients. As noted previously, the Adviser, together with BDT Capital, has established certain investment committees to make allocation decisions consistent with the principles identified herein where the investment interests of Clients and affiliates overlap, which will be subject to the oversight, and in certain circumstances the approval, of the Adviser's CCO or designee. In addition, conflicts will arise where a Client has or makes an investment that a BDT Capital client 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.

Certain employees provide services to certain of the Adviser's investments that are not Clients, such as SPACs. By way of example, MSD employees that are involved in providing portfolio management services to certain Clients have direct incentive compensation arrangements with other Clients or the Adviser's investments that pay incentive or other compensation to their general partners or persons involved with or responsible for their respective investments. Such MSD employees are incentivized to: (i) dedicate additional time and resources to other Clients or such other of the Adviser's investments with which such persons have a direct incentive compensation arrangement; and (ii) allocate attractive investment opportunities to such Clients or such other the Adviser investments instead of certain Clients, each of which could have a detrimental effect on the performance of such Clients. The Adviser addresses these conflicts of interest by providing in the Adviser's Code all employees have a duty to act in the best interests of each Client, providing training with respect to conflicts of interest and how such conflicts are resolved under the Code, and through the implementation of the investment allocation procedures described above.

#### *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 investment in which another Client has previously invested. In addition, a Client may participate in releveraging and recapitalization transactions involving portfolio investments 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 an investment held by another Client will benefit from the initial evaluation, research, investigation, due diligence, and investment monitoring and activities undertaken by the Adviser on behalf of the original Client and from operational or other information about such portfolio investment acquired from the original Client's ownership of interests in the portfolio investment. 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 in which another Client invests at a later stage may be made at a higher or lower valuation than the investment by such other Client and an investment by

one or more other Clients in any such investment may dilute the original Client's interest in such portfolio investment.

#### *Affiliated Service Providers*

Certain existing real estate portfolio investments held by Clients will receive property management services and support from a team of real estate professionals employed by the Adviser ("Affiliated Service Providers"). Such Affiliated Services Providers will receive fees in respect of property management services provided to these real estate portfolio investments, which will be paid by the real estate assets and therefore indirectly by Clients. While the Adviser believes that any such Affiliated Services Providers, when engaged, provide services at rates generally consistent with those available in the market for similar services or otherwise at rates which will not exceed market rates as determined by the Adviser to be appropriate under the circumstances, there is an inherent conflict of interest that incentivizes the Adviser to engage the Adviser's affiliated services providers over third parties. The fees for services provided by such affiliated service providers may or may not be at the same rate charged by other third party service providers and the Adviser is not required to select service providers who may have lower rates (or to engage in any benchmarking of such fees).

#### *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 will act as placement agent for the Clients.

BDT & MSD UK, 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 Germany, 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 UK and BDT & MSD Germany 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 UK and BDT & MSD Germany.

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 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 MSD personnel traveling for appropriate Client-related purposes may benefit such MSD personnel to the extent the trip also serves a personal purpose.

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 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 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.

#### *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 MSD 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.

Additionally, former MSD 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 Governing Documents permit certain allocations of internal expenses to the Client. If a former MSD employee becomes an employee of, or is otherwise engaged by, a third party that also provides services to a Client, such former MSD 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 MSD 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 MSD employee.

#### *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, or client of an affiliate, has already made an investment. 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, or loans. 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 provide 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. MSD 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 Governing 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 certain circumstances, if more than one Client is participating in an investment, one Client may bear more than its pro rata share of expenses relating to such investment if the other Client or Clients do not have the resources to bear such expenses (including, for instance, as a result of insufficient reserves and/or the inability to call capital to cover such expenses). 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 an 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 MSD Personnel participate) are generally obligated to pay their proportionate share of the equity purchase price (whether pursuant to the applicable Clients’ Governing 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.

### *Diverse Membership*

Investors in Clients include taxable and tax-exempt entities and persons domiciled or organized in various jurisdictions and subject to different tax and regulatory regimes. When investors and Clients co-invest alongside each other, they could have conflicting investment, tax and other interests, relating to, among other things, the nature of investments made by the Client, the structuring or the acquisition of investments and the nature and timing of disposition of investments. As a result, conflicts of interest could arise in connection with decisions made by the Adviser, including as to the nature and structure of investments, that could be more beneficial for one type of investor than for another type of investor. The results of a Client's activities could affect individual investors differently, depending upon their individual financial and tax situations. In addition, Clients could make investments that could have a negative impact on related investments made by investors in separate transactions. Furthermore, under the new U.S. partnership audit regime, decisions made by the Adviser (or other partnership representative) in connection with tax audits (including whether or not to make an election under those rules) could be more beneficial to one type of investor than another type of investor. Also, if a Client were required to qualify as a venture capital operating company or a real estate operating company for purposes of the Employee Retirement Income Security Act of 1974, as amended, this could restrict, at any given time, the level of investment which the Client would be able to make in entities that do not qualify as operating companies and/or pursuant to which the Client was unable to attain management rights. In selecting, structuring and managing investments appropriate for Clients, the Adviser considers the investment and tax objectives of the Client or Clients as a whole, not the investment, tax or other objectives of any investor individually. However, there can be no assurance that a result will not be more advantageous to some Clients or investors than to others.

### *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 Trades and Principal 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 MSD 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 Governing 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 Trades and Principal Transactions*."

#### *Directors of Portfolio Companies*

Additional conflicts of interest arise because certain MSD employees serve as directors of, or acquire observer rights with respect to, certain companies in which Clients invest. In the event such person: (i) obtains material non-public information in such capacity with respect to any such company; or (ii) is subject to trading restrictions pursuant to the internal policies of such company, the Adviser could be prohibited from engaging in transactions with respect to the securities or instruments of such company. Such a prohibition could have an adverse effect on Clients. In addition to any fiduciary duties that MSD employees owe to Clients, as directors of portfolio companies, these MSD employees could owe fiduciary duties to shareholders of the portfolio companies, which could be other Clients, and to persons other than Clients.

In general, such director or similar positions are often important to Clients' investment strategies and could have the effect of enhancing the Adviser's ability to manage investments. However, such positions could have the effect of impairing the ability of the Adviser to sell the related securities when, and upon the terms, they could otherwise desire. In addition, because of the potential conflicting fiduciary duties that MSD employees owe to a portfolio investment, on one hand, and that the Adviser owes to the Clients, on the other hand, such positions could place MSD employees in a position where they must make a decision that is either not in the best interests of Clients or not in the best interests of the shareholders of the portfolio investment. Should an MSD employee make a decision that is not in the best interests of the shareholders of a portfolio investment, such decision could subject the Adviser and certain Clients to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In general, Clients will indemnify the Adviser and MSD employees from such claims. In addition, MSD employees could make decisions for a portfolio investment that negatively impact returns received by a Client investing in the portfolio investment or in other investments or, conversely, the Adviser could make a decision that negatively impacts a portfolio investment and the returns for other Clients that could be invested in the portfolio investment. In addition, because of conflicting fiduciary duties, the Adviser could be restricted in choosing investments for Clients, which could negatively impact returns received by the Client.

#### *Insurance Coverage*

The Adviser's Clients are covered under the Adviser's professional liability insurance policy and do not separately maintain professional liability insurance. To the extent a claim arises relating to any of the insureds during a policy period that erodes some or all limits under the Adviser's policy, there will be less coverage, or potentially no coverage, available for all insureds under the policy for the remainder of the policy period.

### *Participations; Assignments*

From time to time, certain Clients could offer other Clients participations in and/or assignments or sales of loans and securities that the Client has originated or purchased. In the event of such an offer to other Clients, in certain circumstances (such as in a “season and sell” structure) the price of the participation, assignment or sale will not be set by the Adviser but rather will be established based on third-party valuations. In determining the target amount to allocate to a particular investment opportunity, the Client will take into consideration the fact that it anticipates selling, assigning or offering participations in such investment to third parties and to other Clients as described above. If the Client is not successful in offering such participations, assignments or sales, the Client will be forced to hold the portion that it intended to transfer or syndicate, until such time as it can be disposed. This could result in the Client being “overweighted” with respect to a particular borrower, issuer or company.

### *Other Agreements*

The general partner, on its own behalf or on behalf of a Client, could enter into a side letter or similar written agreement with a limited partner without the approval of any other limited partner, that has the effect of establishing rights under, or altering or supplementing the terms of or confirming the interpretation of, the applicable Governing Documents in order to meet certain requirements or requests of such investor. Such other agreements will generally be based on such factors as the size of a limited partner’s investment, a limited partner’s existing relationships with the Adviser or any particular regulatory or legal considerations applicable to a limited partner, but the general partner could enter into such other agreements for any reason it deems necessary. As a result, returns could vary from limited partner to limited partner depending on any arrangements applicable to a given limited partner’s investment in the Client. The general partner will not be obligated to offer or disclose such terms to any other limited partner.

### *Shared Personnel*

MSD personnel will devote such time to the relevant Clients as it determines to be necessary to conduct its business affairs in an appropriate manner. However, personnel, including members of the 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, MSD personnel derive financial benefit from these other activities, including fees and performance-based compensation. Personnel of the Adviser’s affiliates share in the fees and performance-based compensation from the Clients; similarly, MSD personnel 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 MSD personnel.

### *Shared Resources*

In certain circumstances, a portfolio company could be in the business of providing goods or services that are, or could be utilized by another portfolio investment, portfolio company or property, including a portfolio investment owned by a different Client or affiliate of the Adviser. The provision of such services by certain existing and potential portfolio companies could incentivize the Adviser to facilitate arrangements with portfolio companies of other Clients in order to create business opportunities for the portfolio company providing such services. As a result of this conflict, services provided by a portfolio company to another portfolio investment could be on terms less favorable than they would be if they resulted from a negotiation of a third-party.

### *Environmental, Social and Governance (“ESG”) Considerations*

The Adviser maintains an ESG policy and seeks to integrate certain ESG factors into its investment process in accordance with its policy and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. There is no guarantee that the Adviser will be able successfully to implement its ESG policy while achieving its investment strategy.

While 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. The application of that approach could involve higher ESG compliance expenses or costs or the forgoing of certain opportunities. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Adviser, or any judgment exercised by the Adviser, will reflect the beliefs or values of any particular investor. There are no universally accepted ESG standards. There are significant differences in interpretations of what positive ESG characteristics mean by region, industry and topic, as well as the interpretations of their scope and materiality. The Adviser’s interpretations and decisions are expected to differ from others’ views and could also evolve over time. In addition, in evaluating an investment, the Adviser expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause the Adviser to incorrectly assess a company’s ESG practices and/or related risks and opportunities. The Adviser does not intend independently to verify all ESG information reported by investments or third parties. The Adviser and the respective Client’s investment team will apply (or not apply) ESG standards and considerations in their sole discretion. Further, considering ESG qualities when evaluating an investment could result in the selection or exclusion of certain investments based on the Adviser’s view of certain ESG-related and other factors and could cause the relevant Clients not to make an investment that they would have made or to make a management decision with respect to an investment differently than they would have made in the absence of the ESG Policies. For avoidance of doubt, however, the Adviser does not expect to subordinate a Client’s investment returns or increase a Client’s investment risks as a result of (or in connection with) the consideration of any ESG factors.

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 or predict the



manner in which any such future requirements (including any enforcement with respect thereto) could affect a Client or its investments. Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to the Adviser's ESG policies could impose future administrative burdens and additional costs or expose the Adviser or the Client to additional risks. Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters could hinder access to capital, as lenders could decide to reallocate capital or to not commit capital as a result of their assessment of ESG practices. These limitations in both the debt and equity capital markets could affect the Client's ability to grow as its plans for growth could include accessing the equity and debt capital markets. If those markets are unavailable, or if the Client is unable to access alternative means of financing on acceptable terms, or at all, the Client could be unable to implement its business strategy, which would have a material adverse effect on its financial condition and returns and impair the Client's ability to service its indebtedness. Further, the Client will incur additional, material costs and require additional resources to monitor, report and comply with wide ranging ESG requirements. 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. The occurrence of any of the foregoing could have a material adverse effect on the Client's business and overall returns.

#### *Secondary Transactions*

To the extent the Adviser has discretion over a secondary transfer of interests in a Client pursuant to such Client's Governing Documents, the Adviser will consider such factors as it deems relevant in exercising such discretion. Subject to any restrictions in the Governing 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, its' related persons or its affiliates may acquire the interests being transferred in a Client.

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

The Adviser, MSD employees, 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 investment 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 investment thereof that it contract for services with the Adviser or a related person of the Adviser (including a portfolio investment 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, MSD 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, MSD personnel (including, for the avoidance of doubt, through proprietary investment vehicles owned by the Adviser and/or its affiliates) and 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, MSD 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, MSD Personnel and its affiliates 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 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 MSD employees 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 investments in which MSD employees hold an interest as described above. If the Adviser, or MSD employees 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 MSD personnel have previously invested for their own accounts. Furthermore, the Adviser or MSD 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 MSD personnel invest in funds or other entities managed by investors in a Client, which could incentivize such MSD 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 MSD 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 Governing 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 Governing 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. 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 the event the general partner, or its affiliates, receive such a distribution, the general partner 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 Governing 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.

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

A conflict of interest may exist when some, but not all investors are permitted to designate a member to the advisory committee. The 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 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's 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.

### *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 Governing 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.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### **Execution Quality**

The Adviser has full discretionary authority to manage its Clients, including the authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the counterparties used to execute such transactions, and commissions or markups and markdowns paid. The Adviser's authority is limited by its own internal policies and procedures, each Client's investment guidelines and the duty to seek best execution for its Clients.

The determinative factor is not always the lowest possible per security price or commission, but whether the transaction represents the best qualitative and quantitative execution for the Client. The Adviser considers the following factors in selecting brokers for portfolio transactions:

- (i) the comfort level with the counterparty, which includes, but is not limited to the counterparty's market familiarity/expertise, reliability/responsiveness, integrity/confidentiality, quality of executions, research capability, financial reasonability and condition
- (ii) transaction specific factors, which includes, but is not limited to, best price, commission/costs of a trade, market access/ability, financing terms, trade settlement, ability to handle high volume transactions, and willingness to commit capital.

The Adviser is not required to weigh any of these factors equally.

The commission rates (or dealer markups and markdowns) charged to the Clients by counterparties in the foregoing circumstances may be higher than those charged by other counterparties who may not offer such services. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Adviser nor the Clients separately compensate any broker or dealer for any of the other services that they provide to the Adviser or the Clients, although it may choose to do so in any given circumstance for relationship or regulatory reasons, among other things.

In addition, in the ordinary course of business, the Adviser may and will utilize broker-dealers, or enter into joint ventures or other counterparty relationships with entities, that employ friends or family members of the Adviser, including individuals who have personal relationships with those who make investment or execution decisions on behalf of the Adviser's Clients and may benefit, directly or indirectly, from such brokerage business or other business relationships.

#### **Soft Dollar Arrangements**

The Adviser no longer enters into formal soft dollar arraignments with broker-dealers. However, in the ordinary course the Adviser could receive unsolicited research reports and brokerage services from full-service broker-dealers as a part of their full range of services. Such unsolicited materials could benefit Clients and therefore could be construed as soft dollar benefits.

Section 28(e) of the Securities and Exchange Act of 1934 (the “Exchange Act”) provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to investment managers in the performance of their investment decision-making responsibilities. Although the Adviser has the discretion to use soft dollars to obtain services and products that would not be within the safe harbor afforded by Section 28(e) of the Exchange Act and for which it would otherwise be required to pay in cash, it has no plans to do so, and to the extent the Adviser uses soft dollars on behalf of the Clients, it intends to seek to do so within the safe harbor. Consistent with Section 28(e) of the Exchange Act, research products or services obtained by brokers for execution of transactions in connection with one or more Clients could be used by the Adviser to service one or more other Clients, including Clients that could not have paid for the benefits.

Nonetheless, receipt of research or other products or services create an incentive for the Adviser to select or direct more business to particular broker-dealers. However, the Adviser will execute trades in accordance with the best execution principles outlined above.

### **Brokerage for Client Referrals**

Neither the Adviser nor any related person receives Client referrals from any broker-dealer or third-party.

From time to time, the Adviser or the Clients it advises, are introduced to potential investors by its prime brokers and receive other benefits from its prime brokers. In addition, the Adviser may occasionally receive similar benefits from other broker-dealers or counterparties it transacts with from time to time. Currently, neither the Adviser nor its Clients compensate such third-party brokers (other than as described in Item 14 below) for introducing the Adviser or its Clients to any potential investors. Such introductions and other products or services that the Adviser receives can present a potential conflict of interest to the extent that the Adviser uses such brokers in connection with brokerage or other activities on behalf of its Clients. However, the Adviser considers a number of factors in attempting to satisfy its fiduciary obligation to seek best execution for its Client’s securities transactions.

### **Order Aggregation**

If the Adviser determines that the purchase or sale of the same security is in the best interest of more than one Client, the Adviser could, but is not obligated to, aggregate orders in order to reduce transaction costs. When an aggregated order is filled through multiple trades at different prices from the same time period within a trade day, each participating Client will receive the average price with transaction costs allocated *pro rata* based on the size of each Client’s participation in the order (or allocation in the event of a partial fill) as determined by the Adviser. In the event of a partial fill, allocations generally will be made *pro rata* based on the initial order, but could be modified on a basis that the Adviser deems to be appropriate, including, for example, in order to avoid “odd-lot” positions or *de minimis* allocations. This could result in allocations of certain investments on other than a *pro rata* basis. See Item 11 for additional information on investment allocations.

### **Trade Errors**

The Adviser will not be responsible for any losses from any trade errors made by it, in respect of Client investments, except to the extent it is liable pursuant to the applicable Governing

Documents of such Clients (i.e., attributable to bad faith, gross negligence, willful misconduct of fraud on the part of the Adviser). Trade errors might include, for example, keystroke errors that occur when entering trades into an electronic system or typographical or drafting errors that result in purchases or sales of the wrong instrument, the wrong quantity of an instrument, or in violation of a regulatory or contractual obligation. Investors should assume that trade errors (or similar errors or deviations from accuracy or correctness in the trade process) will occur and that the Adviser will not be responsible for any resulting losses, unless it breached its standard of care as set out in applicable laws or regulations as well as the applicable Governing Documents of the respective Client.

### **ITEM 13**

#### **REVIEW OF ACCOUNTS**

Client accounts are reviewed by the relevant portfolio manager(s) who are responsible for the strategies applicable to each Client, and other appropriate investment operations, legal and compliance, and accounting personnel on a regular basis. Matters reviewed include the specific investments held by each Client, the percentage of assets in various types of asset classes, the financial and regulatory limits relating to investments, the relative and absolute performance of each Client account and liquidity, and leverage amount of each Client account.

A review of a Client account may also be triggered by any unusual activity or special circumstances.

Investors in Clients typically receive monthly or quarterly account statements (from the Client's administrator) and a copy of the audited financial statements of the relevant Client within 120 days after the fiscal year end of a Client, where applicable. In addition, monthly or quarterly reports setting forth performance and portfolio data, including an analysis of portfolio exposure, may be provided to investors. The Adviser may, from time to time, provide additional information relating to the Clients to one or more investors in connection with a request from a particular investor or as it otherwise deems appropriate.



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

**Economic Benefits for Providing Services to Clients**

Other than what is described in Item 11 above, the Adviser does not receive economic benefits from non-Clients for providing investment advice or advisory services to its Clients.

In addition, the Adviser and its related persons may, in certain instances, receive discounts or products and services provided by portfolio companies of Clients, clients of the Adviser's affiliates and/or the customers or supplies of such portfolio companies.

**Compensation to Non-Supervised Persons for Client Referrals**

While not a Client referral arrangement, from time to time, the Adviser enters into arrangements with unaffiliated third parties, such as placement agents, for introducing investors to it in respect of a particular Client. These arrangements, including the fact that such third parties are compensated, will be disclosed to the affected investors. In such instances, any fees associated with such arrangements will be paid by the Adviser, and not the Client.

## **ITEM 15**

### **CUSTODY**

The Adviser is deemed to have “custody” (within the meaning of Advisers Act Rule 206(4)-2 (the “Custody Rule”) of the underlying assets or securities held in the name of certain of its Clients, subject to certain exceptions set forth in the Custody Rule and related guidance. In addition to holding Client assets with an unaffiliated, qualified, third-party custodian, these Clients’ assets are generally subject to a year-end audit by a major accounting firm that is a member of, and subject to examination by, the Public Company Accounting Oversight Board (“PCAOB”), and the audited financial statements are then provided to the underlying investors of these Clients within 120 days (or 180 days for funds of funds) of the end of the fiscal year. For separately managed accounts (“SMAs”) managed by the Adviser, a qualified custodian sends account statements at least quarterly directly to the SMA Client, and the SMA Client should closely review those account statements. In addition, the Adviser’s authority over the SMA Client funds or securities is designed to be limited to authorized trading and fee deduction in accordance with the Custody Rule. For Clients that are pooled investment vehicles (and subject to such financial audits and reporting delivery qualifications), the Adviser relies on annual audits in accordance with the Custody Rule requirements for the “pooled vehicle annual audit exception.”

## **ITEM 16**

### **INVESTMENT DISCRETION**

The Adviser maintains discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Client. As a general policy, the Adviser does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, the Adviser and/or its affiliates have entered, and expect to enter, into side letters or similar arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a Client are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. With the exception of Clients that have established an SMA, 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. This discretionary authority is subject to the terms, investment objectives, policies and restrictions set forth in the Governing Document of each such Client. Investment advice is provided directly to SMA Clients, subject to an investment management agreement that establishes the Adviser's discretionary authority.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In instances where a Client owns equity securities in which it has the right to vote via shareholder proxy, the Adviser retains proxy voting authority with respect to the voting security. The Adviser has adopted and implemented proxy voting policies and procedures (“Proxy Voting Policy”) that are designed to reasonably ensure that the Adviser votes proxies, or elects not to vote proxies, in the best interests of its Clients for whom the Adviser has voting authority.

All voting decisions initially are referred to the applicable portfolio managers or their designees. In most cases, the portfolio managers or their designees 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.

Voting decisions concerning equity securities are reviewed 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.

The Adviser has also retained an independent third-party proxy voting service to provide voting analysis and recommendations, assemble proxies for which Clients have voting rights, provide vote execution according to the Adviser’s guidelines and quarterly reports indicating how individual votes are ultimately cast.

A copy of the Proxy Voting Policy or information about how the Adviser voted client proxies are available upon request.

**ITEM 18**  
**FINANCIAL INFORMATION**

Item 18 is not applicable. The Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.