

Investment Adviser Brochure

ATL Advisor LP  
CRD 173866  
245 Park Avenue, 38<sup>th</sup> Floor  
New York, NY 10167  
212-497-1400

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This Brochure provides information about the qualifications and business practices of ATL Advisor LP (“**ATL**” or the “**Adviser**”). If you have any questions about the contents of this Brochure, please contact us at 212-497-1381 or crichards@atlparkers.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

ATL is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

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## **Item 2– Material Changes**

This Brochure contains material changes to the previous Form ADV Part 2A filed by ATL Advisor, LP (the “Adviser”), on April 13, 2022 (the “Previous Brochure”). Immediately below is a discussion of such material changes. Such discussion sets forth only material changes to the previous Brochure. All other changes to this Brochure are not material and are solely clarifying or updating changes.

#### Item 4 – Advisory Business

ATL Advisor LP (the “**Adviser**”) is a Delaware limited partnership with its principal place of business in New York, New York. The Adviser was initially formed as a limited liability company in September 2014, and subsequently converted to a limited partnership in January 2015.

The Adviser provides investment management services to six (6) pooled investment vehicles: Aerospace, Transportation and Logistics Fund II LP (“**Fund II**”), ATL Rock It AIV, LP (the “**ATL II AIV**”), ATL II Rock It Co-Invest LP (“**Rock It CI**”), ATL II Valence Co-Invest, LP (“**Valence CI**”), ATL II Arrive Co-Invest LP (“Arrive Co-Invest”), and ATL II Arrive Co-Invest-B LP (“Arrive Co-Invest B”) (each a “Fund” and together, the “**Funds**”).

Fund II is a private equity fund that targets investment opportunities in selected subsectors within the aerospace, transportation and logistics sectors primarily in North America, and was formed by ATL II Associates LLC (the “**General Partner**”). ATL II AIV is an alternative investment vehicle formed by the Fund II General Partner, each of Rock It CI and Valence CI was formed by the General Partner for the purpose of investing alongside Fund II, and Arrive Co-Invest and Arrive Co-Invest B were formed by the General Partner for the purpose of investing alongside Fund II.

The Adviser serves as the investment advisor to Fund II pursuant to a Sub-Advisory Agreement (the “**Sub-Advisory Agreement**”) entered into with ATL II Advisor LP (the “**Manager**” or the “**Management Company**”).

The investment strategy for Fund II is described in Fund II’s marketing materials and is subject to any limitations set forth in the Amended and Restated Agreement of Limited Partnership of the ATL Fund II (as amended, modified, waived and/or restated, the “**ATL Fund II Partnership Agreement**”). Except for any investment restrictions contained in the ATL Fund II Partnership Agreement, limited partners of Fund II (“**Limited Partners**”) generally do not have the ability to limit the Adviser’s investment authority and generally participate in Fund II’s overall investment program, although certain Limited Partners may be excused from participating in certain investments or may be entitled to withdraw from Fund II under limited circumstances, in each case as set forth in the ATL Fund II Partnership Agreement, in the Agreement of Limited Partnership of the ATL II AIV (the “**ATL II AIV Partnership Agreement**”), in the Agreement of Limited Partnership of Rock It CI (the “**Rock It CI Partnership Agreement**”), and in the Agreement of Limited Partnership of Valence CI (the “**Valence Partnership Agreement**”), in the Agreement of Limited Partnership of Arrive Co-Invest, and in the Agreement of Limited Partnership of Arrive Co-Invest B, and together with the ATL Fund II Partnership Agreement, the ATL II AIV Partnership Agreement, the Rock It CI Partnership Agreement, the Valence CI Partnership Agreement, the Arrive Co-Invest Partnership Agreement and the Arrive Co-Invest B Partnership Agreement, the “**Partnership Agreement**”). Pursuant to a Sub-Advisory Agreement, the Adviser is responsible for managing the affairs of Fund II in accordance with the investment guidelines set forth in the ATL Fund II Partnership Agreement. The Adviser may engage sub-advisors and may, in its discretion, retain other professionals, including but not limited to accountants, lawyers and consultants, to assist the Adviser in rendering any services to Fund II. In addition, the Adviser may provide services directly to portfolio companies. The senior principals or other personnel of the Adviser may serve on the board of directors of any such portfolio company or otherwise act to influence control over the management of Fund II’s portfolio companies.

The General Partner controls the business and affairs of Fund II, Valence CI, Arrive Co-Invest, and Arrive Co-Invest B, and the ATL II AIV General Partner controls the business and affairs of ATL II AIV, and the Rock It CI General Partner controls the business and affairs of Rock It CI. In addition, the General Partner, the ATL II AIV General Partner, and the Rock It CI General Partner are affiliates of and under common control with the Adviser (as described below).

The Funds are advised by a team of dedicated investment professionals (the “**ATL Investment Professionals**”), together with certain senior executives comprising the “**ATL Board**”, collectively comprise the “**ATL Investment Team**”.

The Adviser is owned by Tai Tam LLC, a Delaware limited liability company that is controlled by Frank V. Nash (“**Mr. Nash**”) and owned by Mr. Nash and his spouse (1%). The General Partner and ATL II AIV General Partner are owned by ATL UGP LLC, a Delaware limited liability company controlled by Tai Tam LLC.

Additional partnerships or other parallel entities may be established to invest alongside Fund II to address legal, tax or regulatory requirements of certain investors. Except to the extent necessary to address the foregoing requirements, such parallel entities, if any, will co-invest in investments on substantially the same terms and conditions as, and on a contemporaneous basis with, Fund II. Similarly, the General Partner or one of its affiliates may form one or more alternative investment vehicles if the General Partner determines in its discretion, for legal, tax, regulatory or other reasons that an investment cannot be made through Fund II and its parallel entities.

ATL Investor II LP, a Delaware limited partnership (the “**Fund II Special Limited Partner**” or “**ATL II Investor**”), is a limited partner of Fund II and receives the carried interest payable by Fund II (as described below). The general partner of ATL II Investor is ATL UGP LLC, which is controlled by Tai Tam LLC.

The Adviser has engaged MidOcean US Advisor, LP (“MidOcean”) to provide certain services to the Adviser subject to the terms and conditions of a services agreement among the Adviser and MidOcean (the “**Services Agreement**”). MidOcean or any of its affiliates provide the Adviser with services including, but not limited to, regulatory compliance oversight for any employees who are supervised persons of the Adviser, as well as various office personnel, office space and equipment, systems and other services (the “**Services**”), all as further described on and subject to the terms and conditions set forth in the Services Agreement. As consideration for providing the Services, the Adviser compensates MidOcean through fees and cost reimbursements.

As of December 31, 2022, the Adviser had approximately \$1.3 billion of regulatory assets under management, all managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

### *General*

The Adviser (including the Fund II Special Limited Partner) receives advisory fees and carried interest allocations in connection with the investment management and administrative services the Adviser provides to Fund II. Certain Limited Partners that are affiliates or employees of the Adviser or its affiliates or certain other investors so designated by the General Partner are not subject to such fees and/or carried interest allocations.

Advisory fees, carried interest allocations and/or other compensation payable to the Adviser (including the Fund II Special Limited Partner) by Fund II and their method of calculation are set forth in the marketing materials of Fund II and in the Fund II Partnership Agreement. Fee terms of Fund II may be changed during Fund II’s term pursuant to the terms of Fund II’s Partnership Agreement. The share of compensation earned by the Adviser or its affiliates in respect of Fund II may vary between investors in Fund II pursuant to the terms of the Partnership Agreement, side letter agreements or other arrangements with specific investors in Fund II, whereby such investors receive direct or indirect reductions of advisory fees or other compensation otherwise payable with respect to their investments in Fund II.

### *Advisory Fees*

The Manager receives annual advisory fees of up to 2.0% per year of capital committed to, or the remaining invested capital of, Fund II depending on the commitment of the relevant investor and the point in time in the life cycle of the fund (the “**Advisory Fee**”). Fund II pays the Advisory Fee to the Manager quarterly in advance. The Advisory Fee is charged from March 5, 2018 (the “**Fund II Effective Date**”) and is based on total commitments to Fund II, regardless of the date on which a Limited Partner is actually admitted to Fund II.

The Advisory Fee will be reduced by 0.25% per annum for any Limited Partner whose commitment is made as part of the initial closing of Fund II (in addition to any other reduction applicable to such Limited Partner).

After the Investment Period, or upon other events as described in the Fund's Partnership Agreement, the Management Fee will be reduced by 0.25% per annum on investment capital net of realizations or permanent write downs.

In addition, a portion of the Advisory Fee may be waived, but not less than zero, pursuant to the terms of the Partnership Agreement. Advisory Fees paid in advance will not be repaid to the extent that the Manager's services terminate prior to the end of the relevant payment period. Advisory Fees payable by Fund II to the Manager may be due even if the fair value of the relevant investments is below cost or even zero.

The General Partner reserves the right in its sole discretion to accept Commitments for which the applicable Management Fee differs from those outlined above. The General Partner, the Special Limited Partner and the Manager will not be subject to the Management Fee and the General Partner may, in its sole discretion and with such Partner's consent, designate certain other Partners as "affiliated partners" that may be exempted from all or some portion of the Management Fee. Such "affiliated partners" may include "friends and family" of the Adviser or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic relationship factors.

The amount of Advisory Fees generally will not be reduced based on reductions in investment value, except where specified by the relevant Governing Documents. As a general matter, Advisory Fees will be payable during term extensions unless otherwise agreed with investors.

#### *Offset Fees*

The Fund II Advisory Fee is reduced by an amount equal to (i) 100% of closing fees, investment banking fees, placement fees, commitment fees, breakup fees, litigation proceeds from transactions not consummated, consulting fees, advisory fees, organization fees, directors' fees, broken deal fees, topping fees, set-up fees, success fees, work fees, arranging fees, funding fees, guarantee fees and other similar fees (whether in the form of cash, securities or otherwise) received by the General Partner, the Management Company, the Ultimate General Partner, the Fund II Special Limited Partner and each of their respective partners, managers, members, shareholders, officers and employees (each, an "**ATL II Person**") from any ATL Fund II portfolio company or prospective portfolio company in respect of the ATL Fund II's investment or prospective investment therein (but with respect to non-cash consideration, only to the extent of the net cash proceeds thereof as and when received by any ATL II Person). "Monitoring fees" include all portfolio company monitoring fees (whether in the form of cash, securities or otherwise) received by any ATL II person from any ATL Fund II portfolio company in respect of the ATL Fund II's investment in such Portfolio Company (but with respect to non-cash consideration, only to the extent of the net cash proceeds thereof as and when received by any ATL II Person), in each case, less any amount necessary to reimburse the ATL II Person for all unreimbursed costs and expenses (other than ordinary overhead and administrative expenses) incurred by them in connection with any consummated or unconsummated transactions or in connection with generating any such fees.

Transaction Fees shall not include, in any event, any amount received by an ATL II Person, the ATL Executive Board or any other person from a portfolio company or other person (i) as reimbursement for expenses directly related to such portfolio company or prospective investment, (ii) as payment for services provided to any portfolio company in the ordinary course of such portfolio company's business, (iii) as compensation for services provided to a portfolio company by any person as an employee of, consultant to, or in a similar capacity for such portfolio company or any of its subsidiaries, (iv) any other fees or expenses approved by the Advisory Board, (v) as compensation, including fees, incentive equity or other stock awards, for services rendered by a member of the ATL Executive Board to a portfolio company or prospective portfolio company, and (vi) as fees or other compensation from Pilot Air Freight Holdings, LLC at any time prior to the first Management Fee due date in respect of which the

Management Fee equals at least \$1,750,000 (prior to giving effect to the Management Fee reductions described above). Consequently, no such amounts will result in a reduction of the Management Fee.

To the extent that any other fund or any other entity or individual co-invests alongside Fund II in any portfolio company investment, any Transaction Fees will be allocated among Fund II and the co-investors in proportion to the cost of the investment or potential investment in the portfolio company held (or committed to be held) by each. Accordingly, Fund II will, in most cases, only benefit from the Management Fee reduction described above with respect to its allocable portion of any such Transaction Fee and not the portion of any fee allocable to any other investor in a portfolio company. In certain circumstances, the Adviser expects that co-investors or other parties will negotiate the right to share a portion of such fees from a particular investment, and the above-described offset percentage will be applied after excluding any amounts paid to such persons.

As described more fully in Fund II's marketing materials, the Adviser has relationships with certain senior professionals who provide certain key value-added services to the portfolio companies of the Funds (the "**ATL Board**"). The ATL Board members are not employees of the Adviser or members of the Adviser and will be paid for consulting services rendered to the Adviser. Such ATL Board members may receive compensation from the Fund's portfolio companies, and such compensation will not be offset against the Fund II Advisory Fee.

For the avoidance of doubt, Offset Fees shall not include, in any event, any amount received by the General Partner, the ATL Board or other person from a portfolio company (A) as reimbursement for expenses directly related to such portfolio company, (B) as payment for services provided to any portfolio company in the ordinary course of such portfolio company's business, (C) as compensation for services provided by the General Partner or other person as an employee of or in a similar capacity for such portfolio company or (D) as compensation, including fees, incentive equity or other stock awards, for services rendered by the member of the ATL Board to a portfolio company or prospective portfolio company. Consequently, no such amounts will result in a reduction of the Fund II Advisory Fee.

#### *Carried Interest*

The Fund's Special Limited Partner receives carried interest allocations with respect to the Fund from all Limited Partners (with the exception of certain Limited Partners that are affiliates or employees of the Adviser or its affiliates or certain other investors so designated by the General Partner) equal to up to 20% of the net realized returns of each portfolio investment, in excess of a preferred return, as more fully described in the Partnership Agreement. Carried interest allocations are subject to hurdle rates and clawbacks as more fully described in the Partnership Agreement. Principals or employees of the Adviser, including Mr. Nash, as well as ATL Board members, receive a portion of the carried interest allocations received by each Fund's Special Limited Partner. The General Partner reserves the right in its sole discretion to accept Commitments for which the applicable Carry Percentage differs from that outlined above. Provided below is the waterfall associated with the Fund:

#### *Fund II Waterfall*

Net proceeds of current income from investments and proceeds from the disposition of any investment as well as distributions of securities in kind tentatively will be apportioned among the Partners (including the General Partner) in accordance with their relative capital contributions in respect of such investment. The share of each distribution apportioned to the General Partner and its affiliates will be distributed to the General Partner and such affiliates, and the share of such distribution tentatively apportioned to a Limited Partner (other than the Special Limited Partner, on one hand, and the Special Limited Partner on the other hand, and are distributed as follows:

Limited Partners first receive 100% of realized capital and expenses including any investments that have been written off permanently. The Investors then receive 100% of proceeds until they receive a priority return. The Special Limited Partner for the Fund then receives a catch up until it has received a percentage of investment proceeds that are in excess of the Limited Partners Realized Capital and Costs. Finally, all remaining proceeds are split between the Limited Partner and the Special Limited Partner.

### *Advisory Expenses*

The General Partner and/or the Manager bear all ordinary overhead and administrative expenses incurred by the General Partner, the Ultimate General Partner and/or the Manager connection with maintaining and operating their respective offices (including salaries, rent and equipment expenses and the preparation of annual and other reports relating to the General Partner or the Manager or to the members and partners of the General Partner, or the Manager.

### *Organizational Expenses*

Fund II bears all Organizational Expenses, as defined in the Partnership Agreement, including all out-of-pocket expenses incurred in connection with the organization, funding and start-up of Fund II, the General Partner, ATL II Advisor and Tai Tam, LLC (the general partner of the General Partner), provided that any amount paid by Fund II in excess of \$1,500,000 reduces the Management Fee dollar for dollar. ATL II Associates bears the cost of any placement fees payable to any person in connection with the placement of limited partnership interests through a reduction of the Management Fee or otherwise, provided that any expenses incurred by such placement agent shall be reimbursed by Fund II to the extent that such expenses, if incurred by the General Partner or a related entity, would be borne by Fund II as Organizational Expenses as provided above.

### *Partnership Expenses*

In addition to organizational expenses set forth above, the Advisory Fee payable to the Manager as it relates to Fund II, and the carried interest allocable to the Fund II Special Limited Partner, the Fund bears certain expenses (“**Partnership Expenses**”) as disclosed in the marketing materials and the Partnership Agreement of the Fund.

Partnership expenses include all other fees, costs, expenses, liabilities and obligations relating to the Fund and/or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company or potential portfolio company or applied to reduce ), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, portfolio companies and the Fund’s actual and potential investments (including follow-on investments and investments for which evaluation commenced prior to the initial closing date, including, for the avoidance of doubt, any fees or expenses incurred in connection with any potential or consummated Initial Investments, except for those fees and expenses specifically attributable to Fund I, as determined in the General Partner’s sole discretion) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party diligence software and service providers, consultants (including environmental consultants and insurance consultants) and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors, including any Broken Deal Expenses (as defined below)), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Fund, the Management Company, the General Partner or any “affiliated partner” on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository (including a depository, representative or paying agent appointed pursuant to the Alternative Investment Fund Managers Directive (“AIFMD”) or any other similar law, rule or regulation in any relevant jurisdiction), trustee, record keeping, account and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with the Fund’s third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation paid to the ATL Executive Board or any of its members, consultants performing investment initiatives and other similar consultants), tax and other professional services; (vii)



reverse breakup, termination and other similar fees; (viii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) printing, communications, marketing and publicity; (xi) the preparation, review, distribution and filing of all U.S. federal, state, local and non-U.S. tax forms, including informational returns; (xii) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, Schedule K-1s, or any other administrative, compliance or regulatory diligence, filings or reports (including any filings or reports contemplated by the Foreign Account Reporting Requirements or the AIFMD or any similar law, rule or regulation), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xiii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services and cybersecurity measures and insurance) for the benefit of the Fund or the Limited Partners; (xiv) any activities with respect to protecting the confidential or non-public nature of any information or data, including Confidential Information; (xv) to the extent provided in the Partnership Agreement, or otherwise approved by the General Partner in its sole discretion, activities or proceedings of the Advisory Board (including any reasonable out-of-pocket costs and expenses incurred by representatives of the General Partner, the Advisory Board members, permitted observers and other persons in attending or otherwise participating in meetings of the Advisory Board); (xvi) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any Partner or other person pursuant to the Fund's Partnership Agreement or otherwise and advancing fees, costs and expenses incurred by any such Person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Fund's Partnership Agreement), except as otherwise set forth in the Fund's Partnership Agreement; (xvii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith, including expert witnesses, legal fees, filings, file searches and documentation; (xviii) any annual Limited Partner meeting or other periodic, if any, meetings of the Limited Partners and any other conference or meeting with any Limited Partner(s), whether telephonic, electronic or in-person, in each case to the extent incurred by the Fund, the General Partner or any affiliate of the General Partner; (xix) the Management Fee; (xx) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund to the extent not paid by the investors investing in such entities; (xxi) the termination, liquidation, winding up or dissolution of the Fund; (xxii) defaults by Partners in the payment of any capital contributions; (xxiii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, any parallel investment entities and their general partner(s), the General Partner, the Ultimate General Partner, the Management Company, the Fund II Special Limited Partner and any alternative investment vehicle of the Fund or a parallel investment entity, including the preparation, distribution and implementation thereof; (xxiv) (A) complying with any law or regulation related to the activities of the Fund (including regulatory expenses of the General Partner incurred in connection with the operation of the Fund and legal fees and expenses) and/or (B) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the Fund's Partnership Agreement; (xxv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer (it being understood that the General Partner will first endeavor to collect such amounts from the parties to such transfer or proposed transfer); (xxvi) any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed therefor by a Partner or such tax, fee or charge is treated as having been distributed to the Partners pursuant to the Fund's Partnership Agreement); (xxvii) distributions to the Partners and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses; (xxviii) unreimbursed expenses and unpaid fees of the ATL Executive Board or its members, employees or other Persons engaged by the ATL Executive Board; (xxix) compliance or regulatory matters related to the Fund, including anti-money laundering and customary "know your client" compliance, except as otherwise set forth in the Fund's offering documents; (xxx) any travel (which may include the cost of using private aircraft or other private air travel at a cost equal to the cost of equivalent first class commercial airfare), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and

disposition opportunities; (xxxi) any Excess Organizational Expenses; provided, that the amount of any Excess Organizational Expenses shall reduce the Management Fee as set forth in the Fund's Partnership Agreement; (xxxii) any Placement Fees; provided, that the amount of any Placement Fees shall reduce the Management Fee as set forth in the Fund's Partnership Agreement; and (xxxiii) any other fees, costs, expenses, liabilities or obligations approved by the Advisory Board.

If an investment using a blocker corporation or other intermediate entity is proposed to avoid causing the non-U.S. Limited Partners from incurring ECI (as defined below) and/or to avoid causing the tax-exempt Limited Partners from incurring UBTI (as defined below) from such investment, all costs and expenses related to the blocker corporation and other intermediate entities including, without limitation, those related to the structuring, formation, operation, disposition and liquidation of, and all taxes incurred in connection with, related to or imposed on, a blocker corporation or other intermediate entity ("**Blocker Expenses**") shall be borne solely by the Limited Partners investing through such intermediate entity.

If a co-investment vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Fund, although, from time to time, the Fund alongside which a co-investment vehicle is investing may bear such costs directly or indirectly. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all Broken Deal Expenses (defined below) relating to such unconsummated transaction are likely to be borne entirely by the Fund, and not by any prospective co-investors, that were to have participated in such transaction. In many cases no co-investment vehicle will have been formed at such time. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle may bear its share of such Broken Deal Expenses. "**Broken Deal Expenses**" means out-of-pocket fees, costs and expenses, if any, incurred in developing, conducting due diligence investigations into, negotiating, bidding on, structuring and arranging financing for prospective or potential investments which are not ultimately made, including (i) any legal, tax, financial, accounting, advisory, consulting or other third-party expenses in connection therewith and any travel and accommodation expenses, (ii) all fees (including commitment fees), costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment that is not ultimately made and (iii) any deposits or down payments of cash or other property which are forfeited in connection with, or amounts paid as a penalty for, a proposed investment that is not ultimately made. As a general matter, Broken Deal Expenses are allocated among Fund investors regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment.

In certain circumstances, the Fund may pay an expense common to multiple investment vehicles (e.g., including without limitation legal expenses for a transaction in which multiple vehicles participate, or other fees or expenses in connection with services the benefit of which are received by other investment vehicles over time), and be reimbursed by the other investment vehicles by their share of such expense, without interest. While highly unlikely, it is possible that one of the other investment vehicles could default on its obligation to reimburse the Fund.

### **ATL Executive Board**

A group of ATL executives (the "**ATL Executive Board**") has been retained primarily to provide acquisition, integration, rationalization and/or other operations services, acquisition or other due diligence, support or similar services to the Fund, any alternative investment vehicle or any portfolio company or prospective portfolio company of the Fund. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Members of the ATL Executive Board shall not be employees of the General Partner, the Adviser, or Manager or its affiliates. Any compensation, including fees, incentive equity or other stock awards, received by ATL Executive Board members may be paid by a portfolio company or prospective portfolio company (which payments are not included as Transaction Fees) or directly by the Fund, and such amounts will not offset the Management Fee.

Members of the ATL Executive Board receive compensation which may include but is not limited to cash fees, retainers, transaction fees, a profits or equity interest in a portfolio company, incentive equity and stock awards,

profits or equity interests in one or more Funds or General Partners, remuneration from the Adviser and/or its Funds or affiliates, guaranteed minimums, or other compensation, the amount of which typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such members of the ATL Executive Board, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows from such company. Members of the Executive Board are also generally will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset the Management Fee.

As is generally the case in private equity funds, the Governing Documents provide that a Fund's Management Fees will be calculated and charged on a basis that generally is not tied to the Fund's then-current net asset value. As further specified in the Governing Documents, from the effective date of the relevant Fund until a date specified in the Governing Documents (generally representing the earlier of the end of the Fund's defined investment period and the date the relevant General Partner (or an affiliate thereof) first begins receiving or accruing management fees from another Fund meeting certain criteria) (the "Stepdown Date"), Management Fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate Commitments. Further, after the Stepdown Date, Management Fees generally will be charged and calculated based on a formula tied to the amount of investment contributions made by the relevant Fund that have not been realized or permanently written down / completely written off for U.S. federal income tax purposes.

The Governing Documents set forth the full list of terms under which Management Fees will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full specified Management Fee rate in the Governing Documents until they are reduced in the circumstances and on the date(s) specified therein.

### **Environmental, Social and Governance**

The Fund also will generally bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in Side Letters relating thereto and there applicable, environmental, social, governance and other standards to which the General Partner has committed in making investments on behalf of the fund.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

As disclosed above, the Fund II Special Limited Partner receives performance fees in the form of carried interest allocations from the Fund. Such fees are subject to the terms established in the Fund's Partnership Agreement and are taken only on net realized gains. The Adviser structures any performance or incentive fee arrangement to comply with Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), and exemptions available thereunder, including the exemption set forth in Rule 205-3. Additionally, to the extent that Adviser personnel are assigned varying percentages of carried interest from the Fund, such personnel are subject to potential conflicts of interest in identifying investment opportunities as appropriate for the Fund from which they are entitled to receive a higher carried interest percentage. The Adviser seeks to address the potential for conflicts of interest in these matters with allocation policies and/or practices that provide that transactions and investment opportunities will be allocated to the Fund in accordance with each the Fund's investment guidelines and Partnership Agreement, as well as other factors that do not include the amount of performance-based compensation received by the Adviser or any personnel. Performance-based fee arrangements create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement, although 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 Fund's life or at certain interim intervals."

From time to time and as permitted by the Governing Documents, the Adviser expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-investment vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, and/or other persons associated with the Adviser and/or its affiliates (to the extent not prohibited by the applicable partnership agreement). In all cases, co-investors do not pay Advisory Fees or Carried Interest on their co-investment. In addition, they generally do not bear Broken Deal Expenses relating to any deal that is not consummated unless they have committed to such deal. Co-investment allocations will be allocated in accordance with the Adviser's Co-Investment Allocation Policy and Procedures and pursuant to terms of the Fund's Partnership Agreement.

#### **Item 7 – Types of Clients**

The Adviser provides investment management services to the Funds. Only “qualified purchasers” (as such term is defined in the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder) may invest in the Fund. Fund investors may include high net worth individuals, corporate pension plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, private investment funds, trust programs, sovereign funds, and other U.S. and international institutions.

The General Partner of the Fund generally requires a minimum investment in the Fund as set forth in the Fund's marketing materials. However, that minimum investment amount may be waived at the discretion of the Fund's General Partner.

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

The Fund generally seeks to make control investments including leveraged buyouts, growth capital investments, recapitalizations, going private transactions, corporate divestitures, restructurings, industry consolidations and special situations investments. Investments may take the form of common or preferred stock, warrants, certain senior or subordinated debt instruments or other securities. The Fund employs a top down, analytically driven approach to its target subsectors to help identify attractive investment targets. The ATL Investment Team rigorously evaluates each subsector against a comprehensive list of factors. This process is periodically repeated to ensure that market dynamics are reflected in the ATL Investment Team's chosen areas of focus. If needed, the Fund engages third-party professionals, as appropriate, to assist in its in-depth analysis and investigation of the management team, growth prospects, competitive dynamics, historical and projected financial performance, legal characteristics and other risk factors applicable to a particular investment.

Investors should carefully consider the following risks of investing in the Fund.

##### **Risks of Private Equity Investments**

The Fund's investment portfolio primarily consists of securities issued by companies whose securities are not publicly traded. Although private equity investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk that can result in substantial losses.

##### **Availability of Investment Opportunities**

The business of identifying and structuring investments contemplated by the Fund is competitive and involves a high degree of uncertainty. In addition, the availability of investment opportunities generally is subject to market conditions as well as, in some cases, the prevailing regulatory or political climates. Accordingly, there can be no assurance that the Fund will identify and complete attractive investments.

## **Future and Past Performance**

The performance of prior investments made by the ATL Investment Team is not necessarily indicative of the Fund's future results. In addition, certain investment professionals who were involved in prior investments described in the marketing materials of the Fund are not among the investment professionals who are managing the Fund. Furthermore, there can be no assurance that the Fund's investments will achieve results similar to those attained by previous investments of the ATL Investment Team. While the General Partner expects that the Fund will make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance that targeted internal rates of return will be achieved. On any given investment, loss of principal is possible.

## **Concentration of Investments**

The Fund participates in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Fund's investment portfolio could become concentrated and its aggregate return may be affected substantially by the performance of a few holdings.

## **Dynamic Investment Strategy**

While the General Partner generally intends to seek attractive returns for the Fund primarily through making private equity investments as described herein, the General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. The General Partner may pursue investments outside of the industries and sectors in which the ATL Investment Team have previously made investments or have internal operational experience.

## **Investments in Junior Securities**

The securities in which the Fund invests may be among the most junior securities in a company's capital structure and, therefore, subject to the greatest risk of loss. Generally, there is no collateral to protect an investment.

## **Leverage**

Investments held by the Fund in companies with a leveraged capital structure are subject to increased exposure to adverse economic factors, such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of the company or its industry. If such a company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Fund's equity investment in the company could be significantly reduced or even eliminated.

## **Subscription Lines**

The Funds may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments) which may give rise to potential conflicts of interest. Fund-level borrowing typically delays the need for limited partners to make contributions to a fund, which in certain circumstances enhances the relevant fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's Management Fee calculation, such as during periods where Management Fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's Management Fee calculation under the Governing Documents. Amounts borrowed under a subscription line typically are secured by pledges of the General Partner's right to call capital from the Limited Partners, Limited Partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any

Limited Partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's Limited Partners and the terms of the Partnership Agreement, it may be higher than the interest rate a Limited Partner could obtain individually. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio company or other fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the fund, resulting in a potential net benefit to the fund, or additionally potential liquidity constraints or other burdens on the relevant portfolio company or fund subsidiary. To the extent a particular Limited Partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a Limited Partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation.

A credit agreement may contain other terms that restrict the activities of a Fund and the Limited Partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the General Partner's ability to consent to the transfer of a Limited Partner's interest in the Fund. In addition, in order to secure a subscription line, the General Partner may request certain financial information and other documentation from Limited Partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more Limited Partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for Limited Partners that would not arise had the General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a Limited Partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the Limited Partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, Limited Partners would end up with increased exposure to the underlying investment, which could result in greater losses.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant General Partner, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the Governing Documents, this scenario potentially incentivizes the relevant General Partner to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

## **Long-Term Investments**

The return of capital and the realization of gains, if any, occurs only upon the partial or complete disposition of an investment. It is expected that many of the Fund's investments will not be sold or distributed for a number of years after they are made. Prior to such time, there generally will be no current return on those investments.

### **Risks of Realization of Investments; Illiquidity**

Given the nature of the investments contemplated by the Fund, there is a significant risk that the Fund will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise will be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the companies in which the Fund's investments are made, changes in national or international economic or political conditions (including acts of war, terrorism or other calamity or crisis), adverse conditions in national or global financial or capital markets, or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made.

The Fund's investments consist primarily of securities that are not publicly traded and may require a substantial length of time to liquidate. The Fund generally is not able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. The Fund's ability to dispose of investments may be dependent, in part, on the IPO market, which fluctuates in terms of both volume of transactions as well as the types of companies that are able to access the market. In addition, in some cases the Fund may be prohibited by contract or by applicable securities laws from selling such securities for a period of time or otherwise be restricted from disposing of such securities. The proceeds of certain investments may be distributed to Limited Partners in kind.

### **Restricted Nature of Investment Positions**

Generally, there will be no readily available market for Fund investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the Limited Partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such Limited Partners. After a distribution of securities is made to the Limited Partners, many Limited Partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such Limited Partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to the Special Limited Partner with respect to such investment.

### **Reliance on the General Partner**

The Fund has a limited operating history. Control over the operation of the Fund is vested entirely in the General Partner, which also has a limited operating history, and which delegates certain managerial and advisory functions to the Adviser, which also has a limited operating history. The Adviser has engaged MidOcean to provide Services under the Services Agreement. Both MidOcean and the Fund's anchor investor have a right, under certain circumstances set forth in the Services Agreement, to terminate the Services Agreement. Should that occur, the Adviser would need to provide or arrange for others to provide the Services.

The loss of service of one or more ATL Investment Professionals could have an adverse impact on the Fund's ability to realize its investment objectives. The Limited Partners do not make decisions with respect to the acquisition, management, disposition or other realization of any investment, or other decisions regarding the Fund's business and affairs. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on the Fund or one or more of its portfolio investments.

### **Reliance on Portfolio Company Management**

The Adviser, on behalf of the General Partner and the Fund, monitors the performance of each investment, including through participation on the boards of directors of certain portfolio companies. However, the primary responsibility for the management and operation of the portfolio companies on a day-to-day basis rests with each portfolio company's management team. There can be no assurance that these management teams will operate their respective portfolio companies successfully.

## **Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities**

The United States, pursuant to the “Foreign Account Tax Compliance Act” or “FATCA”, has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. In addition, the Organization for Economic Co-operation and Development (the “OECD”) has published a global Common Reporting Standard for multilateral exchange of information pursuant to which many countries have now signed multilateral agreements. One or more of these information exchange regimes are likely to apply to the Fund and/or alternative investment vehicles, and may require the General Partner to collect and share with applicable taxing authorities information concerning Limited Partners (including identifying information and amounts of certain income allocable or distributable to them). A Limited Partner’s failure to provide the required information may result in expulsion from the Fund and/or alternative investment vehicles. In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity’s share of most payments attributable to investments in the United States, including dividends, interest, and, beginning on January 1, 2019, gross proceeds of a disposition of stock, unless an exception applies. The Fund may be required to withhold such taxes from certain non-U.S. Limited Partners, unless an exception applies.

## **Director Liability**

The Fund often receives the right to appoint a representative or representatives to serve on the board of directors of a portfolio company. The designation of directors could expose the assets of the Fund to claims by a portfolio company, its security holders and/or its creditors. While the General Partner intends to manage the Fund to minimize exposure to these risks, the possibility of successful claims cannot be precluded.

## **Distressed Investments**

The Fund may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the General Partner will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which the Fund invested.

## **Non-Controlling Investments**

Some of the Fund’s investments may be minority positions in companies and in companies for which the Fund has no right to appoint a director or otherwise exert significant influence or protect its position. In such cases, the Fund relies significantly on the management teams and boards of directors of such companies, which may include representation by other investors whose interests may conflict with the interests of the Fund.

## **Limitations on Transfer; No Market for Limited Partnership Interests**

Limited Partners are not permitted to transfer or pledge their limited partnership interests in the Fund without the consent of the General Partner. Furthermore, the transferability of limited partnership interests in the Fund is subject to certain restrictions contained in the Partnership Agreement and is affected by restrictions imposed under applicable securities laws. In general, withdrawals by Limited Partners from the Fund are not permitted. There is currently no efficient market for limited partnership interests in the Fund, and it is not expected that one will develop.



## **Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes**

There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Fund's activities, including the ability of the Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

### **Alternative Investment Fund Managers Directive**

The European Union ("EU") Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA").

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

In the future, it may be possible for non-EEA alternative investment fund managers ("AIFMs") to market an alternative investment fund ("AIF") within the EEA pursuant to a pan-European marketing "passport", instead of under national private placement regimes. Access to this passport may be subject to the non-EEA AIFM complying with various additional requirements under the AIFMD, which may include one or more of the following: additional conduct of business and organizational requirements; rules relating to the remuneration of certain personnel; minimum regulatory capital requirements; restrictions on the use of leverage; additional disclosure and reporting requirements to both investors and EEA home state regulators; independent valuation of an AIF's assets; and the appointment of an independent depository. Certain EEA Member States have indicated that they will cease to operate national private placement regimes when, or shortly after, the passport becomes available, which would mean that non-EEA AIFMs to whom the passport is available would be required to comply with all relevant provisions of the AIFMD in order to market to professional investors in those jurisdictions. As a result, if in the future non-EEA AIFMs may only market in certain EEA jurisdictions pursuant to a passport, the General Partner and its affiliates may not seek to market interests in the Fund in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in the Fund. Alternatively, if the General Partner or an affiliate thereof sought to comply with the requirements to use the passport, this could have adverse effects including, amongst other things, increasing the regulatory burden and costs of operating and managing the Fund and its investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting the General Partner's and its affiliates' ability to recruit and retain these personnel.

### **United Kingdom ("UK") Exit from the European Union (the "EU")**

*United Kingdom ("UK") Exit from the European Union (the "EU").* The UK formally left the EU on January 31, 2020 ("Brexit"), and entered a transition period that ended on December 31, 2020. On December 30, 2020, the UK government and the EU Commission signed a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period. However, this agreement does not include an agreement on financial services and, as a result, UK firms in

the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to many of the same rules and regulations as prior to Brexit. However, the UK government has stated its intention to recast onshored EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. It is possible that the EU may respond to UK initiatives by restricting third-country access to EU markets. If the regulatory regimes for EU and UK financial services change or diverge further, this could have an adverse impact on any Fund and its investments, including the ability of a Fund to achieve its investment objectives in whole or in part (for example, owing to increased costs and complexity and/or new restrictions in relation to cross-border access between the EU and non-EU jurisdictions). There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from Brexit may adversely affect both EU- and UK-based businesses, including the Adviser and Fund portfolio companies, as applicable. Brexit has already led to disruptions in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further disruption may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

#### **Russia-Ukraine Conflict.**

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

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

#### **U.S. Taxation of Carried Interest.**

U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Fund, its General Partner, or the Adviser who were or may in the future be granted direct or

indirect interests in carried interest, which could make it more difficult for the relevant General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund. This creates potential incentives for the Adviser to cause a Fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

## **International Agreements to Improve Tax Compliance**

The United States Foreign Account Tax Compliance Act (“FATCA”) aims to combat tax evasion by United States tax residents using foreign accounts. It includes certain provisions on withholding taxes and requires financial institutions outside the United States to collect and share information about their U.S. customers either directly with the IRS or, where an applicable intergovernmental agreement (an “IGA”) is in place between such non-U.S. financial institution’s jurisdiction and the United States, via its own taxing authority).

FATCA imposes various documentation, registration, due diligence and reporting requirements on “foreign financial institutions” (“FFIs”). An FFI is generally any non-U.S. entity that (a) accepts deposits in the ordinary course of a banking or similar business, (b) holds financial assets for the benefit of one or more persons as a substantial portion of its business, or (c) is an investment entity, which includes (among other things) an entity engaged primarily in the business of investing or trading in securities or partnership interests or an entity that functions or holds itself out as a collective investment vehicle, a private equity fund, a hedge fund, a venture capital fund, a leveraged buyout fund, or any similar entity. However, whether a non-U.S. entity is an FFI may be modified by an IGA.

Different or reduced requirements apply to FFIs which (i) qualify as “exempt beneficial owners” (including certain governmental investors and certain tax-exempt organizations and pension funds), (ii) reside in a “Model 1 IGA” partner country, or (iii) enter into and comply with an agreement with the IRS (an “FFI Agreement”). IGAs, IGA-related guidance and FFI Agreements generally impose obligations on applicable FFIs to collect information concerning their account holders, report certain information about some or all account holders to the IRS or the applicable IGA country authority (which shares that information with the IRS), and, in certain cases, withhold upon payments to “recalcitrant account holders” and/or close their accounts. In addition, most FFIs are required to register with the IRS and obtain a global intermediary identification number, or “GIIN.” The foregoing FATCA requirements apply in addition to the documentation and withholding requirements described above under “Non-United States Investors.”

Failure to comply with the applicable requirements described above generally results in an FFI becoming subject to a 30% withholding tax on all of the withholdable payments made to it. “Withholdable payments” generally include any payment (or allocation from a partnership, if no corresponding payment is made) of (i) U.S.-source interest, dividends, and royalties (an “FDAP Payment”) and (ii) the gross proceeds of a disposition of any stock, debt instrument, or other property that can produce U.S.-source dividends or interest (a “Proceeds Payment”). The withholding requirements with respect to FDAP Payments generally took effect on July 1, 2014, and withholding requirements with respect to Proceeds Payments took effect on January 1, 2019. The 30% withholding tax under FATCA also applies to withholdable payments made to a non-U.S. entity that is not an FFI unless such entity provides the withholding agent with a certification identifying each substantial U.S. owner of the entity, which generally includes any U.S. person who directly or indirectly owns more than 10% of the entity, or an exception applies. Certain Limited Partners may be able to credit the amount of any FATCA withholding tax against their actual U.S. tax liability (if any) and claim a refund of any amount of such withholding tax in excess of its actual U.S. tax liability. However, such credits or refunds are subject to various limitations and conditions.

If a Limited Partner fails to comply with applicable FATCA requirements, the Fund may be required to withhold 30% of withholdable payments received by the Fund that are distributable to such Limited Partner, and may implement additional remedial measures. Additionally, if an investment in the United States is made through an alternative investment vehicle organized outside the United States, persons that make a withholdable payment to such alternative investment vehicle may be required to withhold the 30% FATCA tax unless the alternative investment vehicle complies with the FATCA requirements applicable to it. In addition to the information

collection and sharing requirements imposed by FATCA, the Organization for Economic Co-operation and Development (the “OECD”) has published a global Common Reporting Standard (the “CRS”) for automatic exchange of financial account information in tax matters pursuant to which many countries have signed and implemented multilateral agreements requiring the collection and sharing of similar information. The Fund and any alternative investment vehicles may be required to comply with some or all of the aforementioned information exchange requirements. Limited Partners will be required to provide information to the General Partner and/or Management Company pursuant to such requirements and failure to do so may result in expulsion from the Fund or alternative investment vehicles, or other remedial measures.

### **Secondaries and other GP-Led Transactions**

There continues to be a significant market in the private fund sector for secondary sales, GP-led transactions, continuation funds, successor fund investments and other transactions for the disposition of investments. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase a portion of one or more investments that will continue to be managed by the Adviser following the transaction. Such transactions are undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where the Adviser believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Funds sponsored by the Adviser and its affiliates). However, certain of such transactions are expected to require a limited partner to invest additional capital in the existing Fund and/or other investment vehicles, a greater exposure to one or more particular portfolio company, and/or a delay in the full liquidation of its investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant General Partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a Fund or limited partner and those of the Adviser or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where the Adviser or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction, their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, the Adviser, the relevant General Partner and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. Further, the relevant General Partner is expected to be incentivized to make investments in portfolio companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Fund, and in such circumstances the Adviser reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant advisory committee prior to the closing of the transaction, there can be no assurance that the Adviser will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Fund or any individual limited partner or group of limited partners. However, the Adviser reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Governing Documents.

### **Regulatory Clearances and Approvals Affect Certain Investments**

Some of the companies in which the Fund invests may be subject to government regulation in the United States, Europe and/or elsewhere. The products or services of such companies are dependent upon obtaining regulatory clearances and approvals in various jurisdictions. The process of obtaining these approvals can be lengthy,

expensive and uncertain, and there is no assurance that these approvals will be obtained. Failure to obtain these approvals could have a significant adverse effect on a portfolio company's performance or the ability of the Fund to dispose of its investments in the portfolio company at an attractive time or price.

### **Limitation of Recourse and Indemnification**

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

### **Litigation**

In the ordinary course of its business, the Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partner's and the Principals' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

### **Need for Follow-On Investments**

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

### **Non-United States Investments**

The Fund may invest in companies that are based and operate outside of the United States. Investments in non-U.S. securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various other currencies in which the Fund's non-U.S. investments are denominated, and costs associated with conversion of investment principal and income from one currency into another, (b) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative liquidity of some non-U.S. securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (c) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation and (d) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities.

### **Hedging Arrangements; Related Regulations**

The General Partner may (but is not obligated to) endeavor to manage the Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which may be undertaken in

exchange-traded or over-the-counter (“OTC”) contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

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

Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (“CFTC”) or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirement.

### **Significant Adverse Consequences for Default**

The Partnership Agreement provides for significant adverse consequences in the event a Limited Partner defaults on its Commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting Limited Partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to 10 years, without interest.

### **Public Company Holdings**

Subject to the limitations set forth in the Partnership Agreement, the Fund’s investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies’ executives and board members, including the Principals, and increased costs associated with each of the aforementioned risks.

### **Dilution**

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

### **Carried Interest**

The fact that carried interest payable to an affiliate of the General Partner is based on a percentage of net profits may create an incentive for the General Partner to cause the Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case.

### **Transfer by General Partner**

To the extent the General Partner, its partners, the Principals, other members of the ATL Team and/or their respective affiliates commit to make a direct or indirect investment in or along-side the Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.

## **Advisory Board**

The General Partner will appoint one or more Limited Partner representatives to the Advisory Board. The Partnership Agreement provides that to the fullest extent permitted by applicable law, none of the Advisory Board members shall owe any fiduciary duties to the Fund or any other Partner (except as specifically set forth therein). In addition, representatives of the Advisory Board may have various business and other relationships with Management Company and its partners, employees and affiliates, including the Principals and other members of the ATL Team. These relationships may influence their decisions as members of the Advisory Board.

## **Delayed Tax Information**

The Fund may not be able to provide final tax filing information to Limited Partners for any given fiscal year until after the initial tax filing deadlines for Limited Partner tax returns. Limited Partners should plan to obtain extensions of the filing dates for their income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Fund.

## **Consequences of Failure to Make Payment in Full**

If a Limited Partner fails to fund any installment of its capital commitment or to make any other payment to the Fund when due, the defaulting Limited Partner may be required, among other things, to forfeit a substantial portion of its capital account and rights to future profits (but not losses) that otherwise would have been allocable to the Limited Partner. The General Partner may designate a person or entity to assume the entire unpaid balance of the defaulting Limited Partner's capital commitment and succeed to all of the rights of the defaulting Limited Partner's interest. In addition, the General Partner may take other actions provided in the Partnership Agreement and pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by the defaulting Limited Partner.

## **Imposition of Tax Regardless of Cash Distributions**

Limited Partners are required to recognize for U.S. federal income tax purposes their pro rata shares of the taxable net income of the Fund, whether or not the Limited Partners received distributions from the Fund to cover such tax liabilities. The Fund may generate taxable income for a Limited Partner even though the value of the Limited Partner's interest in the Fund has declined.

## **Indemnification**

The General Partner, the Adviser and certain of their related persons are entitled to indemnification from the Fund, except under certain limited circumstances. Any money paid to the General Partner, the Adviser or certain of their related persons to cover indemnification expenses reduces amounts that would otherwise be payable to the Limited Partners.

## **Absence of Statutory Regulation**

The Fund is not registered under the U.S. Investment Company Act of 1940, as amended, and therefore will not benefit from the statutory protections of such law.

## **Uncertain Economic and Political Environment**

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In

addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Fund's portfolio companies.

### **Public Health Emergencies; COVID-19**

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

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

The ultimate impact of any such health emergency — and 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 Funds. The extent of the impact on the Funds' and their portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds' ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their portfolio companies, the General Partners and the Adviser may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

### **Market Conditions**

The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may



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

### **Environmental, Social and Governance ("ESG") Matters**

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 to successfully to implement its ESG policy or to make investments in companies that create a positive ESG impact while achieving its investment strategy. 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 also significant differences in interpretations of what positive ESG characteristics mean by region, industry and topic. 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. 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 Funds 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, which could negatively impact the Adviser's performance. For avoidance of doubt, however, the Adviser does not expect to subordinate a Fund's investment returns or increase a Fund's investment risks as a result of (or in connection with) the consideration of any ESG factors.

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

### **Cyber Security Breaches and Identity Theft**

The Fund and its portfolio companies will be reliant upon their respective financial, accounting and technology systems and networks to process, transmit and store information, including sensitive client and proprietary information, and to conduct many business activities and transactions with clients, advisors, vendors and other third parties. The Fund will rely on third parties for certain aspects of the Fund's business, including financial

intermediaries and technology infrastructure and service providers, and these parties are also susceptible to cyber security risks.

Although the Adviser will take protective measures and endeavor to modify them as circumstances warrant, the Fund's and its portfolio companies' information and computer systems, software, networks and mobile devices, and those of third parties on whom the foregoing entities will rely, may be vulnerable to cyber-attacks, breaches, unauthorized access, theft, misuse, computer viruses or other malicious code, network failures, computer and telecommunication failures, usage errors by their respective professionals, power outages, fires, tornadoes, floods, hurricanes, earthquakes and other events that could have a security impact. If any such events occur, it could jeopardize each affected entity's, as well as their clients', employees' or counterparties' confidential, proprietary and other sensitive information processed and stored in, and transmitted through, the Fund's or third-party computer systems, networks and mobile devices, or otherwise cause interruptions or malfunctions in operations of the affected entities. Despite the Adviser's efforts to ensure the integrity of the Fund's systems and networks, it is possible that the Adviser may not be able to anticipate or to implement effective preventive measures against all threats, especially because the techniques used change frequently and can originate from a wide variety of sources. As a result, affected entities could experience disruption of their business, significant losses, increased costs, reputational harm, regulatory actions or legal liability, any of which could have a material adverse effect on the Fund's financial performance. Affected entities may be required to spend significant additional resources to modify their protective measures or to investigate and remediate vulnerabilities or other exposures, and they may be subject to litigation and financial losses that are either not insured against fully or not fully covered through any insurance that such entities maintain.

#### **Privacy and Data Protection Law Compliance Risk**

The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations ("Privacy Laws") in the United States, Europe and elsewhere could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Adviser, the General Partner, the Fund and/or its portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Adviser, the General Partners, the Fund and/or its portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

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

#### **Material Non-Public Information; Other Regulatory Restrictions**

As a result of the operations of the funds and its affiliates and personnel, the ATL Investment Professionals frequently come into possession of confidential or material, non-public information. Therefore, the ATL Investment Professionals and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by the Fund. Consequently, the Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or ATL II Advisor's internal policies. Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent the Adviser or the Fund from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on

behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust remedies relating to one Fund's acquisition of a portfolio company may require the Fund to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, the Fund may be adversely affected because of the Adviser's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent the Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by the Adviser or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that the Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

### **Pay-to-Play Laws, Regulations and Policies**

A number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has adopted a rule that, among other things, prohibits an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. If the Management Company, the General Partner, any of their employees or affiliates or any service provider acting on their behalf fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on the Fund. Limited Partners may also seek to pursue individual remedies, including withdrawal rights, which may be included in side letters or otherwise imposed by statute.

### **Outside Activities**

The Adviser's personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. Unless restricted by the Governing Documents, the Adviser's personnel are permitted to serve on boards or act in other roles unaffiliated with the Adviser, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

### **Anti-Corruption Law Considerations**

The ATL Team and the Fund are committed to complying with the aspects of the U.S. Foreign Corrupt Practices Act ("FCPA"), the Bribery Act ("UKBA") and other anti-corruption and anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, the Fund may be adversely affected or miss out on opportunities because of its or the Management Company's unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for the Fund to act successfully on investment opportunities and for portfolio companies to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In particular, U.S. regulators recently have been focused on private equity firms and their compliance with

the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. The UK government passed into law the UKBA in 2010. The UKBA criminalizes both the bribery of foreign public officials and commercial bribery. The UKBA also makes provision for a strict liability corporate offense of failing to prevent bribery committed by employees or third parties associated with a company. The corporate offense applies to any organization which carries on business or part of a business in the UK. The corporate offense is subject to an affirmative defense which is engaged if a company can show that it had in place adequate procedures to prevent bribery committed on its behalf.

While the Management Company has developed and implemented policies and procedures designed to ensure strict compliance by the Management Company and its personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of the Management Company's policies and procedures, affiliates of portfolio companies, particularly in cases where the Fund or another fund or vehicle sponsored by the Management Company or its affiliates does not control such portfolio company, may engage in activities that could result in FCPA and/or UKBA violations. Any determination that the Management Company has violated the FCPA, the UKBA or other applicable anti-corruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and/or a general loss of investor confidence, any one of which could adversely affect the Management Company's business prospects and/or financial position, as well as the Fund's ability to achieve its investment objective and/or conduct its operations.

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no information applicable to this Item.

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

As discussed above in Item 5 – Fees and Compensation – Offset Fees, the Adviser and its affiliates may provide various management and financial services to Fund portfolio companies and may receive additional compensation from these companies in connection with such services. Any such compensation may be offset against future Advisory Fees as required by the Partnership Agreement.

As discussed above in Item 4 – Advisory Business, MidOcean provides certain Services to the Adviser pursuant to a Services Agreement. The Adviser compensates MidOcean for such services through fees and cost reimbursements.

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

##### *Code of Ethics*

The Adviser has adopted a Code of Ethics for all supervised persons describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at the Adviser must acknowledge the terms of the Code of Ethics annually, or as amended.

The Adviser is built upon the principles of fair dealing and ethical conduct of its employees. Its reputation for integrity and excellence requires careful observance of the spirit and letter of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity. The continued success of the Adviser will be dependent upon its clients' trust, and the Adviser is dedicated to preserving that trust. Employees

owe a duty to the Adviser, to its clients and to its investors to act in a way that will merit the continued confidence of the public.

The Adviser complies with all applicable laws and regulations and expects its employees and partners to conduct business in accordance with the letter, spirit and intent of all relevant laws and to refrain from any illegal, dishonest or unethical conduct. If a situation arises where it is difficult to determine the proper course of action, the matter should be discussed openly with an immediate supervisor or the Chief Compliance Officer for advice and consultation.

The Adviser will provide its Code of Ethics to any client or prospective client who requests it. Requests should be sent to Candice Richards at [crichards@atlpartners.com](mailto:crichards@atlpartners.com).

#### *Participation or Interest in Client Transactions and Personal Trading*

Members of the ATL Board, principals and employees of the Adviser and its affiliates may directly or indirectly own an interest in the Fund. To the extent that employee co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Fund.

Through the Code of Ethics, the Adviser seeks to ensure that the personal securities transactions, activities and interests of its employees will not interfere with (i) making decisions in the interest of advisory clients or (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, the Code of Ethics requires pre-clearance of all transactions including any limited offerings or IPOs. Employee trading is monitored in order to reasonably detect and prevent violations.

#### *Allocation of Investment Opportunities*

Principals or employees of the Adviser may be contractually obligated to notify MidOcean of certain investment opportunities of which they are actually aware that might be suitable as add-on acquisitions for any of the existing portfolio companies of MidOcean Partners. Such investment opportunities may also be appropriate investment opportunities for the Fund. The Adviser and MidOcean have agreed to engage in good faith discussions to determine whether any such investments should be made by MidOcean or by the Fund. No such investment shall be made until such determination has been made. Some of the factors that the Adviser and MidOcean will take into account include their respective clients' investment restrictions and objectives (including those set forth in the relevant client's governing documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level and applicable regulatory restrictions.

As noted above, co-investment allocations will be allocated in accordance with the Adviser's Co-Investment Allocation Policy and Procedures and pursuant to terms of the Fund's Partnership Agreement. Although a prospective co-investor's willingness to invest in future Funds may be considered by the Adviser, it will not be the sole determining factor considered by the Adviser in identifying co-investors. The Adviser or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other Fund investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund and the Adviser expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to Management Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons and (iii) co-investors' proportionate share of a particular investment typically is not subject to the Management Fee offset provisions of a Fund's Governing Documents. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated

at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the General Partner's interest in limiting the Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment.

When and to the extent that employees and related persons of the Adviser and its affiliates make capital investments in or alongside certain Funds, the Adviser and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

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

#### *Other Conflicts of Interest*

An investment in the Fund may involve complex tax, structural and other considerations that may differ for individual investors. Furthermore, it is possible that individual Limited Partners may have conflicting interests with regard to the nature of investments made by the Fund and the structuring and realization of such investments. In selecting and structuring investments and divestments of the Fund, consideration will be given to the interests of the Fund rather than the interests of any individual Limited Partner.

A portfolio company typically will reimburse the Management Company or service providers retained at the Management Company's discretion for expenses (including without limitation travel expenses) incurred by the Management Company or such service providers in connection with its performance of services for such portfolio company. This subjects the Management Company and its affiliates to conflicts of interest because Fund II generally does not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. The Management Company determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in Fund II, their effect is reflected in Fund II's audited financial statements, and any fee paid or expense reimbursed to the Management Company or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

The Adviser has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as the Adviser has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option.

Portfolio companies typically pay certain fees to members of the ATL Executive Board and third party consultants (including consultants introduced or arranged by the Management Company and/or its affiliates that may regularly provide services to one or more portfolio companies), and such fees do not offset the Advisory Fee as described herein. Although the involvement of an ATL Executive Board member or the use of a consultant and the allocation

of compensation paid to them by the Management Company, its affiliates and/or the portfolio companies may subject the Management Company and/or its affiliates to potential conflicts of interest. The Management Company believes that such potential conflicts may be reduced by the anticipated value added and cost savings to portfolio companies (which is expected to be to the benefit of Fund II that will result if the cost of such expertise or the consultant is lower than market rates for the services provided and/or if the quality of the services make a greater contribution to the success of the portfolio company. The Management Company also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that the Management Company believes will align such persons' interests with those of the Fund II's limited partners.

The Management Company may be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses to Fund II. The Management Company, in its sole discretion, will allocate fees and expenses in accordance with the Fund's Partnership Agreement and in a manner that it believes in good faith is fair and equitable to the Fund under the circumstances and considering such factors as it deems relevant. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of funds or co-investors receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or to the Adviser.

Fund II generally seeks to make controlling investments in portfolio companies. As a result of these controlling interests, the Management Company may have the right to appoint portfolio company board members (including ATL Executive Board members, current or former personnel of the Management Company or its affiliates or persons serving at their request), or to influence their appointment, and to determine or influence the determination of their compensation. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to the Management Company in connection with services provided by the Management Company and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the Partnership Agreement's offset provision, are in addition to the Advisory Fee or carried interest discussed herein. The Management Company's authority to appoint or influence the appointment of portfolio company board members who may be involved in approving compensation payable to the Management Company subjects the Management Company and any such portfolio company board appointees to potential conflicts of interest.

The Management Company may also, from time to time, employ personnel with pre-existing ownership interests in or who were employed by portfolio companies owned by Fund II or other funds or investment vehicles advised by the Management Company; conversely, former personnel or executives of the Management Company and its affiliates may serve in significant management roles at portfolio companies or service providers recommended by the Management Company. Similarly, the Management Company and/or its personnel, and other members of the ATL Team, maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Management Company, Fund II and/or other funds or other investment vehicles managed or advised by the Management Company or its affiliates. The Management Company may have a conflict of interest with Fund II in recommending the retention or continuation of a third-party service provider to Fund II or a portfolio company owned by Fund II if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more funds managed or advised by the Management Company or its affiliates, will provide the Management Company information about markets and industries in which the Management Company or its affiliates operate (or are contemplating in operating) or will provide other services that may be beneficial to the Management Company or its affiliates. The Management Company may have a conflict of interest in making such recommendations, in that the Management Company has an incentive to maintain goodwill between itself and the existing and prospective portfolio companies for Fund II and other funds and investment vehicles managed or advised by the Management Company or its affiliates, while the products or services recommended may not necessarily be the best available to the portfolio companies held by Fund II.

Over the life of the Fund, the Management Company generally expects to exercise its discretion to recommend to the Fund or to a portfolio company thereof that it contract for services with various service providers, potentially

including, among others: (i) members of the ATL Team, including principals of the Management Company and the General Partner (or their affiliates, which may include other portfolio companies of the Fund or other investment funds sponsored by the Management Company or its affiliates) and at rates determined or substantively influenced by the Management Company; (ii) an entity with which the Management Company or its affiliates or current or former members of their personnel has a relationship or from which such person derive a financial or other benefit; or (iii) a Limited Partner (or a limited partner of another fund) or its affiliates. For example, the Adviser may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects the Management Company to potential conflicts of interest, because although it intends to select service providers that it believes are aligned with its operational strategies and that will enhance portfolio company performance, the Management Company may have an incentive to recommend the related or other person because of its financial or business interest. Additionally, there is a possibility that the Management Company, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to ATL II Advisor, the Fund or other investment funds sponsored by the Management Company or its affiliates), may favor such retention or continuation even if a better price and/or quality of service provider could be obtained from another person. The Management Company will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio company to incur) such expenses. Although the Management Company generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. In certain circumstances where the Adviser commits or has committed to seek "market" or "arms-length" rates or terms, the Management Company will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. The Management Company reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is "arms-length." Consequently, the Management Company undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking relates specifically to the assets, services or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, the Management Company reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest. Whether or not the Management Company has a relationship with or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The General Partner reserves the right to enter into side letter arrangements with certain investors in the Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures or arrangements (including discounted or rebated compensation terms, information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's advisory committee, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, investment pacing restrictions, as well as economic, procedural and other terms. Side letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds. Other Side Letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Fund or of limited partners as a whole, including in the event that a Side Letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Fund.

Except where required by Governing Documents, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, the General Partner or any of its affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. As a consequence of one or more limited partners being excused or excluded, or from regulatory or other factors limiting their participation in investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments. The Fund II Special Limited Partners (whose partners include principals and employees of the Adviser) receive a carried interest allocation from the Fund II. Because the carried interest is payable only on profits, partners of the Special Limited Partners may have an interest in increasing profits on assets at the expense of a more



conservative investment strategy that focuses on the return of invested capital. For example, if the Fund, on advice from the Adviser, holds a portfolio company on the expectation that its price will continue to rise, it may forego opportunities to liquidate the portfolio company at a time it can be assured of returning capital to the Limited Partners.

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

Any of these situations subjects the General Partner, the Management Company and/or their affiliates to potential conflicts of interest. The General Partner attempts to resolve such conflicts of interest in light of its obligations to investors in the Fund and the obligations owed by the General Partner's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the Fund, other funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the General Partner will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, the General Partner consults and receives consent to conflicts from an advisory committee consisting of Limited Partners of the Fund and limited partners of such other investment vehicles.

## **Item 12 – Brokerage Practices**

Investors in the Fund authorize the General Partner to act on behalf of the Fund. The Adviser as the investment manager to the Fund, and the General Partner as the general partner of the Fund, make all decisions related to the investment and divestment of the Fund's assets, including the selection of investments, the size of investments, the banker or other advisor in such transactions or, in the case of securities that are traded, the broker or dealer to be used and the commissions to be paid, if any. Although trading in public securities is not a daily occurrence for the Fund, at times the Fund may hold public stocks that are unrestricted or will trade on foreign exchanges or in foreign currency as necessary. On all of its trades, the Adviser seeks to get best execution for the Fund's trades and will seek to pay market commissions, as applicable. The Adviser does not receive research or other services associated with the execution of its trades, nor does it use any form of soft dollars.

## **Item 13 – Review of Accounts**

As is standard for private equity funds, the Adviser will provide its clients with quarterly financial statements, quarterly capital account statements and annual audited financial statements. These reports provide information about the holdings of the Funds, the valuation of the holdings, amounts that have been called for investments, advisory fees or expenses and any obligations that are deemed to be significant. The Adviser and its administrator review the accounts, cash and status of the Funds' account periodically to confirm that they accurately reflect the Fund's activities.

As part of its ongoing management oversight, the Adviser oversees the performance of the Fund's investments and interacts with each portfolio company on a regular basis to evaluate the company's performance against projections and budgets. In addition to reviewing board materials, the Adviser reviews periodic financials and sales reports as

appropriate to monitor the portfolio company's performance against expectations and to determine if strategic initiatives, including integrations, scheduled cost saves, new product launches, *etc.* are proceeding in accordance with expectations and projections.

In addition, prior to an investment being made, the Adviser confirms that any investment will be in compliance with the investment limitations set forth in the Fund's Partnership Agreement.

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

The Adviser has one employee who is responsible for marketing and investor relations and client service. The Adviser will determine overall compensation for this professional based upon success in identifying potential investors, helping to prepare marketing materials, or responding to client requests.

The Adviser does not currently have any placement agent arrangements in place.

#### **Item 15 – Custody**

The Adviser generally expects that it will be deemed to have "custody" (within the meaning of Advisers Act Rule 206(4)-2 (the "Custody Rule")) of funds or securities held in the name of one or more Funds, subject to certain exceptions set forth in the Custody Rule and related guidance, and intends to maintain such assets with Bank of America, a qualified custodian.

Limited Partners will receive quarterly unaudited statements from the respective custodian that holds and maintains the Fund's investment assets.

The Adviser provides Limited Partners with Fund audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the Fund's fiscal year end and as such, will be deemed to comply with Rule 206(4)-2.

#### **Item 16 – Investment Discretion**

As discussed, the Adviser has discretionary authority to manage investments on behalf of the Fund. The Adviser assumes this discretionary authority pursuant to the Sub-Advisory Agreement, as it relates to Fund II.

In general, Limited Partners cannot place limits on the Adviser's authority, although the Adviser is subject to any limitations on investments set forth in the Partnership Agreement. In addition, the Partnership Agreement allows the General Partner to enter into "side letter" arrangements with certain Limited Partners whereby such Limited Partners may have the right to opt out of certain investments for legal, tax, regulatory or similar reasons.

#### **Item 17 – Voting Client Securities**

As required by Rule 206(4)-6 under the Advisers Act, the Adviser has adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") that is reasonably designed to ensure that the Adviser votes proxies in the best interests of clients and that address how the Adviser resolves material conflicts of interest that may arise between the Adviser's interests and the interests of the Funds. The Chief Compliance Officer is responsible for overseeing the Adviser's compliance with the Proxy Policy.

The Adviser generally believes its interests are aligned with those of its clients through the principals' beneficial ownership interests in the Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence, if applicable, of the Fund's Limited Partner advisory board, if any, on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the Fund's Limited Partner advisory board, if any, may approve the Adviser's vote in a particular solicitation. The Adviser does not consider service on portfolio company boards by Adviser personnel or the Adviser's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Adviser when voting proxies on behalf of a client.

If you would like a copy of the Adviser's Proxy Policy or information regarding how the Adviser voted proxies for particular portfolio companies, please contact Candice Richards at 212.497.1381, and the Proxy Policy and/or information will be provided to you free of charge.

#### **Item 18 – Financial Information**

The Adviser does not require the prepayment of fees more than six months in advance. In addition, the Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.