

ITEM 1 - COVER PAGE



PART 2A OF FORM ADV:
FIRM BROCHURE

March 31, 2023

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This brochure provides information about the qualifications and business practices of Solace Capital Partners, L.P. If you have any questions about the contents of this brochure, please contact us at (310) 919-5401. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Solace Capital Partners, L.P. is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Solace Capital Partners, L.P. is registered with the SEC as an investment adviser; however, this registration does not imply a certain level of skill or training.

ITEM 2 - MATERIAL CHANGES

Solace Capital Partners, L.P. (“Solace” or the “Manager”) filed its most recent Form ADV Part 2 on March 31, 2022. This annual amendment contains certain routine updates but Solace does not consider such updates to be material.

ITEM 3 - TABLE OF CONTENTS

ITEM 1 - COVER PAGE	1
ITEM 2 - MATERIAL CHANGES.....	2
ITEM 3 - TABLE OF CONTENTS.....	3
ITEM 4 - ADVISORY BUSINESS.....	4
ITEM 5 - FEES AND COMPENSATION	5
ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT ..	10
ITEM 7 - TYPES OF CLIENTS.....	11
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	12
ITEM 9 - DISCIPLINARY INFORMATION.....	33
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS...	34
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING.....	35
ITEM 12 - BROKERAGE PRACTICES	37
ITEM 13 - REVIEW OF ACCOUNTS	38
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION	39
ITEM 15 - CUSTODY.....	40
ITEM 16 - INVESTMENT DISCRETION	41
ITEM 17 - VOTING CLIENT SECURITIES	42
ITEM 18 - FINANCIAL INFORMATION.....	43

ITEM 4 - ADVISORY BUSINESS

Solace is an investment management firm headquartered in Los Angeles, California that was formed on July 14, 2014 and commenced operations as an investment adviser on April 10, 2015. Solace provides investment management services to Solace Capital Special Situations Fund, L.P. (the “Fund”), a private fund focused on control-oriented special situations and distressed-for-control investments in complex, distressed or capital-constrained, lower-middle market companies, located primarily in North America.

Solace General Partner, LLC, an affiliate of Solace, acts as the general partner of the Fund (the “General Partner”). The limited partners of the Fund are herein referred to as the “Limited Partners”.

Solace is owned primarily by family limited partnerships and trusts that are ultimately controlled by Christopher Brothers and Brett Wyard, (the “Managing Partners”).

Solace provides discretionary investment services to the Fund. Solace provides investment advice directly to the Fund according to the Fund’s investment objectives and not individually to the Limited Partners. In general, Solace makes investment decisions on behalf of the Fund in its discretion based on the Fund’s investment objectives. Currently the Fund is past its commitment period and can make follow-on investments in its current portfolio companies. The Fund has been restructured such that different Limited Partners have been issued different classes of interests that correspond to different pools of assets and different economic terms as set forth in the Partnership Agreement (as defined below).

As of December 31, 2022, Solace was managing approximately \$543,218,000 of Fund assets (including commitments) on a discretionary basis.

ITEM 5 - FEES AND COMPENSATION

Solace provides investment management services to the Fund pursuant to an investment management agreement which, along with the governing documents of the Fund, sets forth in detail the fee structures relevant to the Fund.

In general, Solace receives compensation in the form of management fees charged to the Fund based on a percentage of the total capital commitments to the Fund (the “Management Fee”). Solace also receives Portfolio Company Fees (as defined below) which offset all or a portion of Management Fees, subject to certain thresholds. In addition, an affiliate of the Manager, Solace Special Limited Partner II, LLC (the “Special Limited Partner”), receives performance-based compensation in the form of a carried interest participation in the Fund (“Carried Interest”). These compensation arrangements, which are briefly described below, are described in detail in the governing documents applicable to the Fund. While compensation is generally not negotiable, under certain circumstances, Solace has, in its discretion, waived a portion of its Management Fees or Carried Interest with respect to a particular investor (*e.g.*, investors that offer strategic opportunities or benefits to the Fund, including but not limited to the timing and size of its capital commitment to the Fund). Moreover, Solace has waived or reduced all or part of the Management Fees and the Carried Interest with respect to certain investors, including, but not limited to, “friends and family” investors, affiliates and employees (and their families) of the Manager, (the “Solace Investors”). Typically, Fund Limited Partners bear their portion of the fees and expenses incurred by the Fund.

Management Fees

With respect to any quarterly period, the Fund pays to the Manager a periodic Management Fee equal to (i) with respect to certain Limited Partners, 1.75% per annum (or 0.4375% quarterly) of invested capital and (ii) with respect to other Limited Partners, (A) 0.375% quarterly in respect of certain existing assets of the Fund as of August 6, 2021 and follow-on investments thereon for the remainder of 2021 and for 2022 and 2023, 0.25% quarterly for calendar year 2024 and 0% thereafter and (B) 0.375% in respect of investment made by the Fund after August 6, 2021 and follow-on investments thereon for the remainder of 2021 and for calendar years 2022, 2023 and 2024, 0.25% for calendar year 2025 and 0% thereafter (less, in the case of any such investment that has been written down, the amount of such write down net of any subsequent write up).

The Management Fee is payable quarterly in advance, is deducted from the Fund’s assets and is paid from capital called from the Limited Partners or from amounts otherwise available for distribution to the Limited Partners. In the event of termination of the Manager, the Manager shall not be entitled to any compensation other than the portion of the Management Fee accrued through the date of such termination and will refund any unearned Management Fee, subject to reasonable expenses.

Carried Interest

A portion of the Fund’s net investment proceeds will be distributed, if earned, to the Special Limited Partner as Carried Interest distributions. Generally, the Special Limited Partner is entitled to receive (i) 20% of the investment profits of the Fund in respect of certain Limited Partners, and

(ii) 10% to 20% of the investment profits of the Fund pursuant to a tiered waterfall for other Limited Partners, in each case pursuant to a distribution waterfall described in the offering and governing documents of the Fund.

Portfolio Company Fees

100% of the Fund's allocable share of any Portfolio Company Fees received by a Solace Party (net of the portion thereof allocable to the capital commitments of the Solace Investors) are required to be shared with Limited Partners by reducing Management Fees otherwise payable by the Limited Partners to the Manager on a dollar-for-dollar basis. "Portfolio Company Fees" include advisory, monitoring, directors', transaction, break-up (net of broken deal expenses) and other fees received by a Solace Party from a portfolio company in which the Fund invests or in connection with unconsummated Fund investments. The term "Solace Parties" includes the General Partner, the Manager, their respective affiliates and each employee, member or partner of the Manager and its affiliates, but specifically excludes Operating Partners and Operating Advisors (both as described in more detail below), even if any such person is or becomes an employee, member or partner of the Manager or its affiliates. "OP Service Fees" (as described in more detail below), which are authorized to be paid by the Fund or a Fund portfolio company directly to an Operating Partner, or to Solace or one of its affiliates and then used by such entities to pay the salary and bonus of Operating Partners, are not treated as Portfolio Company Fees (nor are reimbursements of out-of-pocket expenses incurred by Operating Partners in connection with their service activities so long as such expenses constitute "Partnership Expenses" as described below). Similarly, Operating Advisor compensation and expense reimbursements are not treated as Portfolio Company Fees. In situations where the Fund invests in a portfolio company alongside of other investors and such other investors agree to be responsible for any fees paid by a portfolio company to a Solace Party (it being understood that such other investors are not obligated to be so responsible), only the Fund's allocable share of such fees (based on the portion of its investment relative to other similarly situated investors) will be subject to the Management Fee offset described above.

Partnership Expenses

The Fund is also responsible for the payment of all costs, expenses and liabilities relating to its operations, that are not otherwise reimbursed by portfolio companies, including, but not limited to: (i) Management Fees; (ii) expenses related to Fund investments (or proposed Fund investments which are not consummated) including, without limitation, the fees and expenses of outside counsel, accountants, consultants, experts and other third party service providers (including without limitation, third party valuation and pricing services), third party research expenses, due diligence expenses, investment banking and finders' fees, appraisal fees, clearing and settlement charges, brokerage fees, custodial fees, stamp and transfer taxes, hedging costs and travel expenses; (iii) fees, expenses and other amounts paid to its operating partners (the "Operating Partners") (in their capacities as employees of the Manager or through SCO LLC, as further described under Item 10 "Other Financial Industry Activities and Affiliations" below) and its operating advisers (the "Operating Advisors") (the Operating Partner fee payments are referred to herein as the "OP Service Fees"), as more fully described under "Operating Team Fees and Expenses" below); (iv) expenses associated with the operation and administration of the Fund including, without limitation, outside counsel, third party valuation, accounting, audit, tax

preparation and other out-of-pocket expenses and the fees and expenses of any third party fund administrator; (v) expenses associated with reporting and providing information to Limited Partners; (vi) expenses associated with the General Partner's role as the tax matters partner or as the partnership representative; (vii) expenses associated with meetings of the Limited Partners and of the Fund's Limited Partner advisory committee (the "LP Advisory Committee") and the reasonable out-of-pocket expenses of the members of the LP Advisory Committee in connection with their services; (viii) compliance expenses relating to the operation of the Fund or its investments, including, without limitation, expenses associated with regulatory investigations, inquiries and proceedings relating to the Fund, the Manager, the General Partner or their respective affiliates (but excluding routine or periodic compliance expenses such as expenses incurred in connection with Form PF, Form ADV and other periodic regulatory filings or updates); (ix) the costs of forming and operating any alternative investment vehicle (including, without limitation, administrative costs); (x) expenses associated with the recapitalization of the Fund; (xi) commitment fees and other fees and amounts (including, without limitation, attorneys' fees, interest payments and facility fees) incurred in connection with the negotiation, documentation, and performance of any credit facility or permitted guarantee; (xii) insurance premiums or similar expenses incurred by the Fund, the General Partner, the Manager or their affiliates in connection with the activities or operations of the Fund, its related vehicles and/or feeder funds (including without limitation, directors and officers, errors and omission, fidelity, general liability and workers compensation insurance costs); (xiii) indemnification costs; (xiv) certain taxes as described in the relevant governing documents of the Fund; (xv) costs and expenses associated with litigation, threatened litigation or governmental or regulatory inquiry involving the Fund, its investments or Fund activities (including, without limitation, attorneys' fees, any judgments, settlements or other amounts paid in connection therewith) and all other extraordinary expenses; (xvi) fees paid to any placement agent, subject to certain offsets; and (xvii) all other costs and expenses incurred in connection with the Fund, the alternative investment vehicles or the feeder funds or that otherwise may be authorized by the Fund's partnership agreement (the "Partnership Agreement") or approved by the General Partner and a majority in interest of the Limited Partners or the LP Advisory Committee.

Co-investors participating in a co-investment could, in certain instances, be subject to any of the costs and expenses enumerated above. In general, however, the Fund will bear 100% of all expenses (including, without limitation, legal and accounting costs and travel expenses) associated with any investment that is not consummated, including any portion thereof that may or would have been allocated to potential co-investors had such investment been consummated, subject to certain limited instances (set forth in the Solace co-investment policy) in which co-investors may be required to bear their pro rata share of such expenses. Solace and its affiliates are permitted to elect to reduce or waive any or all such fees, carried interest and other amounts for the benefit of one or more co-investors without offering such reduction or waiver to the other co-investors.

Operating Team Fees and Expenses

The Operating Partners. Solace is authorized to use "Operating Partners," which are employees of the Manager who provide all or a portion their time to certain portfolio support services ("OP Services") to the Fund and/or a Fund portfolio company. OP Services are generally differentiated in nature from the types of services that the Manager's other employees would typically provide

as part of their investment management activities (for example, OP Services often involve operating advice and expertise of the type provided by third party consultants). The Fund or Fund portfolio companies are required to pay certain fees, expenses and other amounts (“OP Service Fees”) in respect of any OP Services provided by the Operating Partners. OP Service Fees may be paid to Solace or its affiliates (including SCO LLC) or directly to the Operating Partners (generally, OP Service Fees are paid to Solace or SCO LLC, which then uses them to pay the salaries and bonuses of Operating Partners). OP Service Fees are generally not negotiated on an arm’s length basis and could exceed market rates.

Subject to the following sentence and as further described in the Partnership Agreement, OP Service Fees paid or borne by the Fund (either directly or indirectly in respect of its interest in a Fund portfolio company) will reduce Management Fees otherwise payable by Limited Partners on a dollar-for-dollar basis with respect to (x) certain portfolio company assets of the Fund in excess of \$1 million and (y) the portfolio company assets described in clause (x) above as well as new platform investments made by the Fund on or after August 6, 2021 to the extent such fees exceed 1% of the value of such assets in any fiscal year (based on the highest aggregate value during such fiscal year as determined by the General Partner). In situations where the Fund invests in a portfolio company alongside of other investors and such other investors agree to be responsible for any OP Service Fees paid by a portfolio company (it being understood that such other investors are not obligated to be so responsible), only the Fund’s allocable share of such OP Service Fees (based on the portion of its investment relative to other similarly situated investors) will be subject to the \$1 million cap described in the preceding sentence. In addition, the Fund’s allocable share of any OP Service Fees received by the Manager or its affiliates (including SCO LLC) that are not used during any annual period to pay the salaries or bonuses of any Operating Partners will be treated as “Portfolio Company Fees” and, as such, will be subject to the Management Fee offset described above.

The Operating Advisors. Solace is authorized to use Operating Advisors to provide operational advice or services to the Fund in respect of prospective or actual portfolio company investments and to the portfolio companies in which the Fund invests. Operating Advisors are consultants, are not Solace employees, are not expected to provide recurring/ongoing consulting services to Solace and are not likely to participate in a portion of the Carried Interest distributions of the Fund along with Solace and its employees. Operating Advisors are compensated at an hourly or per diem rate that Solace believes to be at market. Their compensation is not subject to offsets (*i.e.*, any Operating Advisor Payments are paid by the Fund or the portfolio companies and are not offset against the Management Fee). Also, Operating Advisors generally would be expected to, in connection with their services to the portfolio companies, receive equity interests and/or other incentive compensation from the portfolio companies similar to that provided to the portfolio company’s senior management, unaffiliated board directors or, if there are no unaffiliated board directors, incentive compensation customarily provided by similar companies to unaffiliated board directors, as determined in good faith by the Manager.

Allocation of Management Fee Offsets

Reductions of Management Fees for Portfolio Company Fees and compensation to Operating Partners and Operating Advisors are calculated, allocated and applied on a pool-by-pool basis to the Limited Partners participating in the applicable pools of investments.

With respect to certain Limited Partners, reductions of Management Fees for Portfolio Company Fees and compensation to Operating Partners and Operating Advisors shall apply on to the amount of Portfolio Company Fees received by a Solace Party in excess of \$3.5 million with respect to each of 2021 and 2022, \$1.75 million with respect to the first six months of 2023, and 100% of such Portfolio Company Fees received by a Solace Party with respect to periods thereafter. Notwithstanding the foregoing, following the date on which a successor fund to the Fund primarily for the purpose of making control-oriented special situations and distressed-for-control investments in distressed or capital-constrained, lower-middle market companies (but, for the avoidance of doubt, excluding alternative investment vehicles and co-investment vehicles) has closed on aggregate fee-paying capital commitments of at least \$350 million on which the Manager, the General Partner or any of their respective affiliates draws capital, the applicable offset exclusion amount shall be reduced by 50% (i.e., \$3.5 million will be reduced to \$1.75 million, and \$1.75 million will be reduced to \$875,000).

Please refer to Item 12 “Brokerage Practices” below for information about brokerage fees and co-investment allocation.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Solace currently provides management services to one client, the Fund, and therefore believes that it does not have side-by-side management-related conflicts of interest. However, the fact that Solace and its affiliates are compensated based on a share of performance-based investment profits from the Fund, as described in Item 5, could create an incentive for Solace to cause the Fund to make investments that are riskier or more speculative than would be the case in the absence of such compensation, although Solace generally considers performance-based compensation to better align its interests with those of its investors. Solace manages this potential conflict of interest by, among other things, through the review process described in Item 13, as well as by ensuring that no single person makes material investment decisions for the Fund; instead, investment decisions are made by Solace's investment committee, comprised of the two Managing Partners (the "Investment Committee").

ITEM 7 - TYPES OF CLIENTS

Solace provides investment advisory services to the Fund, a limited partnership formed under Delaware laws and operated as an exempt investment pool under Section 3(c)(7) of the Investment Company Act of 1940, as amended.

The investors participating in the Fund generally include individuals, funds of funds, investment entities, endowments, family offices, pension funds and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and include, directly or indirectly, principals or other current and former employees of Solace and members of their families.

Although Solace has the authority to accept subscriptions for lesser amounts, the minimum initial capital commitment for the Fund was typically \$5 million.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Strategy and Analysis

Solace's primary objective is to generate attractive risk-adjusted returns by making control-oriented special situations and distressed-for-control investments in complex, distressed or capital-constrained, lower-middle market companies located primarily in North America. In particular, Solace seeks to make investments of between \$10 million and \$75 million in mature companies with between \$50 million and \$500 million in enterprise value. Solace believes that the lower-middle market presents a healthy flow of attractive investment opportunities.

Special situations investments include direct financings, acquisitions and turnarounds originating from various types of non-traditional capital needs, divestitures, corporate asset sales (in and out of bankruptcy) and greenfield platform opportunities. These transactions can be structured in the form of common stock, LLC interests, preferred stock and debt with warrants.

With respect to the Fund, Solace seeks to purchase fulcrum securities of distressed companies in the secondary market with a view toward converting the investments into controlling equity positions. A fulcrum security is the debt instrument that controls the ultimate restructuring of the company in a bankruptcy or an out-of-court negotiated reorganization and is the debt most likely to be converted to equity. Generally, a fulcrum security is the most senior impaired tranche in the capital structure, and it typically trades at a discount to par value.

Solace seeks to generate returns by (i) refinancing the debt, typically at par value plus accrued and unpaid interest, or (ii) converting such claims into an influential or controlling stake in the underlying company to facilitate an exit from reorganization. If the company's financial performance does not materially improve, Solace will be positioned to equitize its investment and obtain control of the company.

The evaluation of investment opportunities begins with thorough due diligence to analyze whether an investment can be made at a discount to intrinsic value and generate returns consistent with the Fund's return objectives. Solace employs a rigorous approach to reviewing each investment opportunity, drawing on the investment and operations teams as well as consulting with Solace's Operating Advisors and other industry experts. While the process is customized for each potential investment, seven steps of due diligence are likely to be undertaken for each investment: Initial Review; Financial; Industry; Management; Financing/Restructuring; Operational Improvements; and Legal and Regulatory.

Upon completion of due diligence, a detailed investment memorandum (addressing a range of key issues, risks and other relevant matters associated with a proposed investment) is prepared and discussed by the Solace team. Thereafter, the proposed investment is submitted to the Investment Committee for final review and approval. Consensus approval of the Investment Committee is required for all investments on behalf of the Fund.

Risk of Loss

The following risk factors do not purport to be a complete list or explanation of the risks involved in investing with Solace. These risk factors include only those risks Solace believes to be material, significant or unusual and relate to specific significant investment strategies or methods of analysis employed by Solace. Please refer to the “Certain Risk Factors and Potential Conflicts of Interest” section of the Fund’s Confidential Private Placement Memorandum for additional important disclosures.

General Investment Risk. Investing in securities involves a risk of loss that investors should be prepared to bear. An investment in the Fund is speculative, entails a high degree of risk and is suitable only for investors who can afford to bear a loss of the entire amount invested.

General Business and Management Risk. Investments in portfolio companies subject the Fund to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the portfolio company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While in all cases Solace monitors portfolio company management, management of each portfolio company has day-to-day responsibility for the operations of such portfolio company.

Illiquid Investments. The Fund invests in investments that are thinly traded, investments for which no market exists or investments that are restricted as to their transferability under applicable securities laws or documents governing particular transactions of the Fund. For example, the Fund invests in post-reorganization securities which are often characterized by limited liquidity, wider bid/ask spreads and the absence of broker-dealers. Some securities or instruments that were liquid at the time they were acquired can, for a variety of reasons which may not be in Solace’s control, later become illiquid. This can have the effect of limiting the availability of these securities or instruments for purchase and can limit the ability to sell such investments at their fair market value prior to termination of the Fund or in response to changes in the economy or the financial markets. Due to securities regulations governing certain publicly traded equity securities, Solace’s ability to sell securities on behalf of the Fund could also be diminished with respect to equity holdings that represent a significant portion of the issuer’s securities (particularly if the Fund has designated one or more directors of the issuer). Thus, there can be no assurance as to the timing and amount of distributions from the Fund, and any distribution that would require either an in-kind distribution or a forced sale of illiquid assets at a price deemed unattractive by the Manager may occur at the end of the Fund’s term. To the extent any investments of the Fund cannot be sold prior to the dissolution of the Fund, they could be distributed in kind to the Partners upon dissolution of the Fund. The securities and instruments so distributed may not be readily marketable.

Illiquidity; Lack of Current Distributions. An investment in the Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally

expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including any Management Fee) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded commitments.

Investments in Privately Held Companies. The Fund's investment portfolio will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Control Investments. In the case of many of the Fund's investments, Solace will seek to have controlling interests in investee companies or the ability to significantly influence such companies. The exercise of control of, or significant influence over, a portfolio investment may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, the Fund might suffer a significant loss. Even if the Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, is subject to terms and conditions imposed by portfolio company lenders, or makes a minority investment, the relevant portfolio company may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Fund or its Limited Partners. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

Minority Investments. On behalf of the Fund, Solace invests in minority positions in companies over which the Fund has no right to exert significant influence. In such cases, the Fund will be heavily reliant on the existing management and board of directors, which could include representatives of other investors with whom Solace is not affiliated and whose interests may conflict with the interests of the Fund. When taking non-control positions, the Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that the Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

Investments Longer than Term. Solace may recommend investments that may not be advantageously disposed of prior to the date the Fund is required to be dissolved, either by expiration of the Fund's term or otherwise. Although Solace expects that Fund investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Leverage. The Fund reserves the right to make use of leverage, subject to the terms of the Partnership Agreement, by incurring or having a portfolio company incur debt to finance a portion of its investment in a portfolio company, including in respect of companies not rated by credit

agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by the Fund will also result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. In certain cases, the use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Partnership's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in such portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with their forecasts. Moreover, the companies in which the Fund will invest generally will not be rated by a credit rating agency. The Fund also reserves the right to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that the Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by the Fund also will result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments.

The Fund is also authorized to enter into a credit facility to pay expenses, make investments, provide proceeds and/or guarantees to the portfolio companies (including in connection with follow-on investments). For example, because 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 would likely be obligated to contribute capital on an accelerated basis by the lender or otherwise 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. To the extent the Fund uses borrowed funds in advance or in lieu of capital contributions, Limited Partners will make correspondingly later or smaller capital contributions. As a result, the use of borrowed funds at the Fund level can impact calculations of carried interest the General Partner receives, as these calculations generally depend on the amount and timing of capital contributions. In addition, the Fund's use of borrowed funds at times will positively impact certain performance metrics, such as IRR, which poses benefits to the General Partner. In addition, Fund-level borrowing will result in incremental Fund expenses that will be borne by Fund Limited Partners. 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 and amendment or re-negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the

creditworthiness of the Limited Partners and the terms of the Partnership Agreement, it could be higher than the interest rate a Limited Partner could obtain individually.

Concentration of Investments. Subject to the limitations set forth in the Partnership Agreement, the Fund's portfolio of investments is concentrated in a few relatively large investments and any single loss could have a significant adverse impact on the Fund's overall returns. In addition, the Fund's investments are not required to be diversified by industry, geographical region or type of security.

Contingent Liabilities Upon Disposition. In connection with the disposition of a core portfolio investment of the Fund (a "Portfolio Company"), the Fund may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business or asset and may be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities that will be borne by the Fund, and Limited Partners may be required to return amounts distributed to them to pay for the Fund's obligations, including indemnity obligations, subject to certain limitations set forth in the Partnership Agreement. Furthermore, under the Delaware Revised Uniform Limited Partnership Act (the "Partnership Act"), the law under which most of the Partnerships are formed, each Limited Partner that receives a distribution in violation of the Partnership Act will, under certain circumstances, be obligated to recontribute such distribution to the Partnership.

Asset Valuations. Generally, there will be no readily available markets for a substantial number of the Fund's portfolio investments; hence, many of the portfolio investments will be difficult to value. Valuations of the portfolio investments will be determined primarily by the General Partner, subject in some cases to review by the LP Advisory Committee, and generally will be final and conclusive. Valuations are only estimates of future results that are based upon assumptions made at the time that the valuations are developed. There can be no assurances that the projected results will be obtained, and actual results can vary significantly from the valuations. General economic, political, regulatory and market conditions and the actual operations of the Portfolio Companies, which are not predictable, can have a material impact on the reliability and accuracy of such valuations.

Dependence on Solace Personnel. Future profitability will depend largely upon the business and investment acumen of the Solace professionals as the portfolio companies held by the Fund involve a high degree of business and financial risk that can result in substantial losses. The Fund is near the end of its life and there can be no assurance that Solace will be able to retain investment professionals if its investment activities are not successful and/or it does not raise another investment fund. The loss or reduction of service of one or more of the Solace professionals is expected to have an adverse effect on the Fund's ability to realize its investment objectives. In addition, the Solace professionals are expected in the future to manage other investment funds besides the Fund and the Solace professionals will likely need to devote substantial amounts of their time to the investment activities of such other funds, which would pose conflicts of interest in the allocation of the time of the Solace professionals. Limited Partners will generally have no right or power to take part in the management of the portfolio companies, and as a result, the

investment performance of the portfolio companies will depend on the actions of the Solace professionals.

Investment Due Diligence and Investment Research. When conducting due diligence and investment research, Solace is required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence and investment research process in varying degrees depending on the type of investment. When conducting due diligence and investment research and making an assessment regarding an investment, Solace relies on information provided by such persons, or by the management or shareholders of the target of the investment or their advisors. The due diligence investigation and investment research that Solace carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that are necessary or helpful in evaluating such investment opportunity, can lead to inaccurate or incomplete conclusions, or may be manipulated by fraud. Moreover, such an investigation will not necessarily result in the investment being successful.

Nature of Bankruptcy Proceedings. There are a number of significant risks when investing in companies involved in bankruptcy proceedings, including the following:

- Many events in a bankruptcy are the product of contested matters and adversary proceedings that are beyond the control of the creditors.
- A bankruptcy filing can have adverse and permanent effects on an investee company. For instance, the company could lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment.
- The duration of a bankruptcy proceeding is difficult to predict. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Fund; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position can erode, key management can depart and the company may not be able to reorganize and could be required to liquidate assets. Certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors.
- U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purposes of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Fund's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class.
- Creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions.

Distressed Securities. The Manager invests in securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in

bankruptcy or other reorganization and liquidation proceedings. Although such purchases can result in significant returns, they involve a substantial degree of business and financial risk and may not show any return for a considerable period of time or result in substantial losses. In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings, and as a result may have to be held for an extended period of time. In any reorganization or liquidation proceeding relating to the company in which the Fund invests, the Fund may lose its entire investment or be required to accept cash or securities with a value less than the Fund's original investment.

Defaulted Securities. The Manager invests on behalf of the Fund in the securities of, and trade claims against, companies involved in bankruptcy proceedings, reorganizations and financial restructurings and has a more active participation in the affairs of the issuer than is generally assumed by an investor. This could subject the Fund to litigation risks or prevent the Fund from disposing of securities. In a bankruptcy or other proceeding, the Fund as a creditor could be unable to enforce its rights in any collateral or have its security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. While the Fund will attempt to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that the Fund will be able to successfully defend against them. Other investors may purchase the securities of these companies for the purpose of exercising control or management and the Fund may be at a disadvantage to the extent that the Fund's interests differ from the interests of these other investors.

Other Risks. Other risks with respect to the Manager's strategies include: lender liability and equitable subordination (unusual situations where judicial decisions have found a lender has violated a duty owed to the borrower and held the lender liable); third party involvement in investments that could expose the Fund to conflicts of interest and potentially liability for the actions of its co-venturers or partners; difficulties in replacing bridge financing that could lead to unexpectedly higher costs; regulatory issues with respect to companies that operate in highly regulated industries; risks with respect to hedging transactions and various financial instruments or transactions (including, interest rate hedges, put options, short sales, etc.); and environmental risks, particularly with respect to investments in certain industries such as the energy sector. Additional risks with respect to financial instruments include: risks associated with debt investments generally, such as credit and market risk; risks related to the investment in junior securities where there is no collateral to protect the investment; risks associated with bank loans and participations, including invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws and other risks that are described in more detail above; and risks associated with investments in "high yield" bonds and lower rated preferred securities which are generally considered more speculative.

Enhanced Regulatory Oversight. The SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of Solace and the Fund. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact Solace and its affiliates, the Fund and/or its investments, as well as increasing their expenses.

Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to the Fund.

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 Fund.

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 Fund. The extent of the impact on the Fund’s 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 Fund 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 Fund intends to pursue, all of which could adversely affect the Fund’s 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 Fund, their portfolio companies, the General Partner and Solace 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.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company, the Fund, the General Partner, Solace or one or more of their respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, Solace, the Fund and/or portfolio companies may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Solace's, the Fund's, portfolio companies' and/or service providers' operations, including the ability to make distributions to Limited Partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio company, or the Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Solace or one of its service providers holding its financial or investor data, Solace, its affiliates or the Fund may also be at risk of loss, despite efforts to prevent and mitigate such risks under Solace's policies and practices.

Force Majeure. "Force majeure" refers to the legal concept, included in certain commercial and other contracts, whereby a party to a contract may be excused from performing its obligations to the counterparty under such contract where performance is made impossible or highly impracticable as a result of an event that the contract parties could not have anticipated or controlled. Examples of force majeure include earthquakes, floods, national emergencies and potentially (under certain facts and circumstances) government-mandated closures resulting from viral outbreaks like COVID-19. The portfolio companies in which the Fund invests may be parties to contracts that include force majeure clauses and, as a result, these contracts may not be enforceable against certain of their counterparties (including suppliers of their raw materials and purchasers of their finished goods, products or services) if a force majeure event has been deemed to have occurred. The determination of whether a force majeure event has been triggered under a contract or otherwise is a mixed factual and legal one, and Fund portfolio companies may incur legal costs in disputes with counterparties regarding whether any such event has occurred. If a Fund portfolio company were unable to enforce a material contract as a result of a force majeure event, and/or if it incurred significant legal expenses in a dispute over a force majeure event, the results and prospects of that company (and possibly the Fund) may be adversely affected. Importantly, the Fund Partnership Agreement does not include a force majeure clause

and, as such, neither the Fund general partner nor the Fund limited partners have a contractual basis for non-performance based on events that may constitute force majeure.

Privacy and Data Protection Law Compliance Risk. The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, “Privacy Laws”) 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 Solace, 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 Solace, the General Partner, 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.

For example, California has passed the California Consumer Privacy Act of 2018, as amended, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

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 Solace, the General Partner, the Fund and/or their portfolio companies.

Material, Non-Public Information; Other Regulatory Restrictions. As a result of the operations of Solace and its affiliates, as well as in connection with officerships or directorships of Solace personnel, Solace frequently comes into possession of confidential or material, non-public information. Solace 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, 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 Solace’s internal policies and practices.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Solace 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 U.S. Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions.

As a result of any of the foregoing, the Fund may be adversely affected because of Solace'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 Solace 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.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. For example, the Russia-Ukraine military conflict has disrupted, and will potentially further disrupt, global financial systems, trade, energy and transport, among other things. 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.

Limited Access to Information. Limited Partners' rights to information regarding the Fund, the General Partner or Solace generally will be specified, and in many cases strictly limited, by the governing documents of the Fund. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to the Fund's investments that will not be disclosed to Limited Partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of Solace's control. Decisions by Solace or its affiliates to withhold information may have adverse consequences for Limited Partners in a variety of circumstances. For example, a Limited Partner that seeks to transfer its interest in the Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a Limited Partner to monitor Solace and its performance. Additionally, it is anticipated that Limited Partners that designate representatives to participate the LP Advisory Committee generally may, by virtue of such participation, have more or earlier information about the Fund and its investments in certain

circumstances than other Limited Partners. Limited Partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the Fund succeeds in asserting confidentiality for requested documents and other materials, and Solace reserves the right to withhold certain information from investors subject to such laws for reasons relating to Solace's public reputation, business strategy or other reasons.

Subscription Lines. The Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects Limited Partners to certain risks and costs. For example, because 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 additional 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, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to the maintenance, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the Fund's Limited Partners and the terms of the governing documents of the Fund, it may be higher than the interest rate a Limited Partner could obtain individually. 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. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for Limited Partners to make contributions to the Fund, which in certain circumstances enhances the Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors, as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of the Fund and the Limited Partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the relevant General Partner's ability to consent to the transfer of a Limited Partner's interest in the Fund or impose concentration or other limits on the Fund's investments, and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. In addition, in order to secure

a subscription line, the relevant 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 relevant General Partner called smaller amounts of capital incrementally over time as needed by the 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. The General Partner is authorized to use Fund-level borrowing to pay Management Fees and to reimburse Solace for expenses incurred on behalf of the Fund. The Fund is also permitted to 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.

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

Financial Institution Risk; Distress Events. An investment in the Fund is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a "Financial Institution") of some or all of the Fund's (or any portfolio company's) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, Solace, the

General Partner, the Fund and/or any of the portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose potentially increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that any intervention will occur, be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

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

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

Inflation. High rates of inflation and rapid increases in the rate of inflation generally have a negative impact on financial markets and the broader economy. In an attempt to stabilize

inflation, governments may impose wage and price controls or otherwise intervene in a country's economy. Governmental efforts to curb inflation, including by increasing interest rates or reducing fiscal or monetary stimuli, often have negative effects on the level of economic activity. Certain countries, including the U.S., have recently seen increased levels of inflation, and persistently high levels of inflation could have a material and adverse impact on the Fund's investments and its aggregated returns. For example, if a portfolio company were unable to increase its revenue while the cost of relevant inputs were increasing, such portfolio company's profitability would likely suffer. Likewise, to the extent a portfolio company has revenue streams that are slow or unable to adjust to changes in inflation, including by contractual arrangements or otherwise, such portfolio company could increase revenue by less than its expenses increase. Conversely, as inflation declines, a portfolio company may see its competitors' costs stabilize sooner or more rapidly than its own. This has recently resulted in a strengthening of the US dollar vis-à-vis many other currencies but there can be no assurances that such trends will continue and/or that this trend will not reverse such that the US currency is weakened vis-à-vis other currencies. Additionally, because the preferred return is not linked to the rate of inflation, as the rate of inflation increases the proportion of real returns (i.e., the nominal rate of return less the rate of inflation) treated as preferred return decreases and the proportion of real returns subject to performance-based compensation increases. There can be no assurance that high rates of inflation will not have a material adverse effect on the investments of the Fund.

Conflicts of Interest

In the ordinary course of Solace conducting its activities, the interests of the Fund likely will, in certain circumstances, conflict with the interests of Solace, one or more portfolio companies or their respective affiliates, or one or more Limited Partners. Certain of these conflicts of interest are discussed herein, while others are discussed, or discussed further, in Items 5, 6, and 10. As a general matter, Solace will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committee of the Fund.

Allocation of Fees and Expenses. Subject to any relevant restrictions or other limitations contained in the Fund's governing documents, as further discussed in Item 5, Solace will allocate fees and expenses between Solace and its affiliates, the Fund, and, to the extent applicable, any Fund portfolio companies, in a manner that it believes is fair and equitable to the Fund under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. Any such determinations involve inherent matters of discretion, *e.g.*, in certain circumstances determining whether a particular expense has greater benefit to the Fund or Solace. Accordingly, in exercising such discretion, Solace expects to be faced with a variety of potential conflicts of interest.

Additionally, a portfolio company typically will reimburse Solace or service providers retained at Solace's discretion for expenses (including, without limitation, travel expenses) incurred by Solace or such service providers in connection with its performance of services for such portfolio company. This subjects Solace and its affiliates to conflicts of interest because the Fund generally does not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Solace 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 Fund investors, any fee paid or expense reimbursed to Solace or such service providers generally is subject to: agreements with or review by 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 potentially help to mitigate related potential conflicts of interest.

Additional Benefits. In connection with its services to the Fund and their investments, Solace, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Solace's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Solace and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "Solace Information"). In many cases, Solace Information will include tools, procedures and resources developed by Solace to organize or systematize Solace Information for ongoing or future use. Although Solace expects its Fund and its portfolio companies generally to benefit from Solace's possession of Solace Information, it is possible that any benefits will be experienced solely by other or future funds or portfolio companies (or by Solace and its personnel) and not by the Fund or the portfolio company from which Solace Information was originally received. Solace Information will be the sole intellectual property of Solace and solely for the use of Solace. Solace reserves the right to use, share, license, sell or monetize Solace Information, without offset to Management Fees, and the Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Fund or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Fund or their respective investors; no such rewards will offset Management Fees.

Service Providers. Solace generally exercises its discretion to recommend to the Fund or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) Solace or a related person of Solace (which may include a portfolio company of the Fund and/or Operating Partners); (ii) an entity with which Solace or its affiliates or current or former members of their personnel has a relationship or from which Solace or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Solace personnel are seconded, or from which Solace receives secondees (e.g. SCO LLC); or (iii) certain Limited Partners or their affiliates. This discretion subjects Solace to conflicts of interest, because, although Solace selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the Fund, Solace has a potential incentive to recommend the related or other person (including a Limited Partner) because of its financial or other business interest. There is a possibility that

Solace, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Fund or Solace), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Solace will not necessarily seek out the lowest cost options when incurring (or causing the Fund or its portfolio companies to incur) such expenses. Although Solace 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. Whether or not Solace has a relationship 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.

In addition, as described above, portfolio companies are permitted to pay certain fees to, and reimburse expenses of, and Operating Partners, Operating Advisors and other consultants (including consultants introduced or arranged by Solace and/or its affiliates that provide services to one or more portfolio companies), and such amounts do not offset or reduce the Management Fee as described herein. Operating Partners generally make use of Solace resources or otherwise are associated with Solace. In addition, Operating Partners and Operating Advisors generally receive investment opportunities and/or an interest in the General Partner's carried interest, reimbursements and other compensation that do not offset or reduce the Management Fee of the Fund, as described herein. Although the use of Operating Partners or Operating Advisors and the allocation of compensation paid to them by the Fund and/or the portfolio companies subjects Solace and/or its affiliates to potential conflicts of interest, Solace believes that such potential conflicts have the potential be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the Fund) that will result if the cost of the Operating Partners or Operating Advisors is lower than market rates for the services provided and/or if the services of the Operating Partners or Operating Advisors align with Solace's model for the portfolio company and improve portfolio company performance. Although Solace seeks to retain Operating Partners or Operating Advisors with a view to reducing costs to portfolio companies (and, ultimately, the Fund) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings or improved performance from such retention. 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.

In certain circumstances, current or former Solace personnel are expected to serve in interim or part-time roles at a portfolio company, or provide services to a portfolio company as a secondee or in similar capacities, whether or not while maintaining certain legacy economic arrangements, benefits, support services or indicia of employment at Solace. Under such arrangements, Solace and/or the relevant portfolio company is authorized to pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold or when the position can be filled on a longer-term or

permanent basis. Employees may or may not return to Solace at the end of such seconded arrangement.

Solace and/or its affiliates reserve the right to employ personnel with pre-existing ownership interests in portfolio companies owned by the Fund or other investment vehicles advised by Solace and/or its affiliates; conversely, current or former personnel or executives of Solace and/or its affiliates are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by Solace. Similarly, Solace, its affiliates and/or personnel maintain relationships with (or invest in) financial institutions, service providers and other market participants, including, but not limited to, managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. 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, Solace and/or its affiliates and/or the Fund or other investment vehicles they advise. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Solace entities) to Solace personnel and their estate planning vehicles. Solace expects to be subject to a potential conflict of interest with the Fund in recommending the retention or continuation of a third-party service provider to the Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in the Fund, will provide Solace information about markets and industries in which Solace operates (or is contemplating operations) or will provide other services that are beneficial to Solace or its personnel. Solace expects to be subject to a potential conflict of interest in making such recommendations, in that Solace has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Fund, while the products or services recommended may not necessarily be the best available to the Fund or its portfolio companies.

Other Solace Personnel Activities. Solace, its affiliates, and equity holders, officers, principals and employees of Solace and its affiliates reserve the right to buy or sell securities or other instruments that Solace has recommended to the Fund. In addition, officers, principals and employees reserve the right to buy securities in transactions deemed unsuitable for the Fund, but will not in such circumstances be required to share in or reimburse the Fund for due diligence or other expenses (including broken deal expenses) incurred by the Fund in connection with the Fund's consideration of the relevant investment opportunity. Any such transactions are subject to any restrictions in the Fund's governing documents. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of the Fund. Employees and related persons of Solace have, and are expected to continue to have, capital investments in or alongside the Fund, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expects to have additional potential conflicting interests in connection with these investments.

Except to the extent prohibited by the Fund's governing documents, Solace and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder

or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Fund and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Fund's governing documents and anti-"assignment" provisions of the Advisers Act, Solace and its personnel are also permitted to offer, restructure and monetize interests in Solace.

Portfolio Company Fees. Since Solace is permitted to retain certain Portfolio Company Fees and other supplemental fees in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, Portfolio Company Fees are based on enterprise value or other metrics relating to a portfolio company, and there can be no assurance that the amount of Portfolio Company Fees charged will be proportional to the amount of hours of work performed on behalf of the portfolio company. Additionally, Solace, its personnel, affiliates or other persons designated by Solace, including Operating Advisors, expect from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the Fund's governing documents are applied (typically based on the then-present value of such securities), Solace and/or such other recipients will be permitted to retain such securities, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or Solace) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the Fund. In addition, because portfolio company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting the Fund's relative ownership of the portfolio company awarding such compensation.

In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, Solace reserves the right to accrue, defer or forego payments of Portfolio Company Fees. In such cases, in accordance with the Fund's governing documents, investors will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received.

LP Advisory Committee. Under Fund's governing documents, consent of the Fund's LP Advisory Committee (or other similar body) may be required for certain material actions such as changes to the Management Fee and offset provisions of Partnership Agreement. The members of the advisory committee may have interests peculiar to such member's Limited Partner and not the other Limited Partners or the Fund, and which could influence it to make decisions that may not be in the best interest of the other Limited Partners or the Fund. The members of the advisory committee will not have any fiduciary duties to the Fund or its partners, except to refrain from bad faith violations of the implied contractual obligation of good faith. Consequently, the members of the advisory committee may consider only their own interests, which may differ from the interests of other Limited Partners and the Fund, and will have no obligation to act prudently. Accordingly, the decisions made by the advisory committee may be more beneficial to those Limited Partners represented on the advisory committee, which may negatively impact the returns of the other Limited Partners.

Diverse Investors. The Limited Partners of the Fund are expected to include persons resident of or organized in various jurisdictions. As such, the Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in the Fund. The conflicting interests of individual Limited Partners may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by Solace with respect to the nature or structuring of investments that may be more beneficial for some Limited Partners than for others, particularly with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Fund, Solace will consider the investment and tax objective of the Fund and the partners as a whole, not the investment, tax or other objective of any Limited Partner individually.

Excess Carried Interest Distributions; Clawback. The General Partner may be required to return excess amounts of carried interest as a "clawback." These clawback obligations may create an incentive for the General Partner to defer disposition of one or more investments or delay the liquidation of the Fund if the disposition and/or liquidation would result in a realized loss to the Fund, or would otherwise result in a clawback situation for the General Partner.

Side Letters. The General Partner, on behalf of the Fund, has entered into letter agreements or other similar agreements (collectively, "Side Letters") with one or more Limited Partners (without the approval of each other Limited Partner) that provide such Limited Partners with additional or different rights (including certain supplemental reporting and information rights, and special economic rights) than are generally available to the Limited Partners under the Partnership Agreement.

Side Letters provide Limited Partners with customized terms, which results in preferential treatment or could economically incentivize Solace to provide preferential treatment, with respect to, among others: (i) different economic terms, including modified management fee offset mechanics; (ii) release from remaining unfunded commitments three years after a period of time; (iii) the ability to opt-out of certain types of investments, including with respect to investments in certain geographies and/or industries, or certain amounts of investments, including above a specified percentage of the Limited Partner's capital commitment, (in each case, which may increase the percentage interest of other Limited Partners in, and contribution obligations of other Limited Partners with respect to, such investments); (iv) the right to receive certain additional information, certifications, representations, warranties, additional and/or modified reporting and/or notifications from the Fund, the General Partner, Solace or any of their respective affiliates and/or the manner in which information and/or notice shall be provided; (v) the right to transfer Fund interests and to cause such transferee to be admitted to the Fund as a substitute Limited Partner; (vi) the offering of, and/or participation in, co-investment opportunities in which the Fund participates and/or investment opportunities related to Fund's investments in which the Fund does not participate (and economic arrangements with respect thereto, including the fees and carried interest payable with respect thereto or rebated if sufficient investment opportunities are not offered); (vii) waiver or modification of certain confidentiality obligations and/or documentation that might be requested by the General Partner or Solace for the benefit of lenders or other persons extending credit to or arranging financing for the Fund; (viii) the right to disclose certain information to underlying investors, the public, regulators or certain other persons; (ix) rights with

respect to (and/or additional obligations and restrictions of the Fund with respect to) the structuring of any investment (including with respect to alternative investment vehicles); (x) notification of indemnification; (xi) rights relating to the appointment of a representative to serve as a member and/or observer of the LP Advisory Committee; (xiii) rights with respect to any law, regulation or policy applicable to any such Limited Partner or its affiliates; (xiv) preferential most-favored nations rights; (xxv) matters regarding such Limited Partner's (or its affiliates') interest in providing debt financing to the Fund or its portfolio investments or (xxvi) certain other terms whether economic, procedural or otherwise. The Fund generally will bear the costs of implementing, monitoring and complying with Side Letters provisions relating to the Fund's investment strategy found therein, and (where applicable) environmental, social, governance and other standards to which the General Partner has committed in making investments on behalf of the Fund.

Absent any agreement to the contrary, the General Partner, on behalf of the Fund, is not required to notify any or all of the other Limited Partners of any such Side Letters or any of the rights or terms or provisions thereof, nor is the General Partner required to offer such additional or different rights or terms to any or all of the other Limited Partners. The other Limited Partners will have no recourse against the Fund, the General Partner, the Manager or any of their respective partners, members, employees or affiliates in the event that certain Limited Partners receive additional or different rights or terms as a result of such Side Letters.

Notwithstanding anything herein to the contrary, certain Limited Partners (and/or classes of Limited Partners) will pay "Carried Interest Distributions" and Management Fees at a lower rate, and receive a "Preferred Return" at a higher rate, than the rates otherwise specified herein, as provided in the Partnership Agreement and/or side letters entered into with certain Limited Partners. The General Partner and the Fund are under no obligation to offer such economics arrangements agreed to with one Limited Partner with any other Limited Partner except to the extent specifically provided in the Partnership Agreement or any Limited Partner side letter.

Portfolio Company Transactions. Solace has incentives to use or to recommend products or services of one portfolio company to another, which potentially will involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as Solace 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. In most cases, the Fund will not consent, participate in the negotiations or be directly involved in such arrangements. From time to time Solace and its affiliates and personnel and persons selected by them receive, and expect to continue receiving, the benefit of "friends and family" and similar discounts from portfolio companies owned by the Fund (including a portfolio company that owns and/or charters private jets) under which such portfolio companies make their goods and/or services available at reduced rates. Because its portfolio companies offer such discounts to customers other than Solace and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, Solace believes that the potential for conflicts of interest relating to such discounts is mitigated. Discounted prices or better terms offered by a portfolio company to Solace, any other portfolio company or third parties have the potential to affect the returns of the portfolio company.

Secondary Transfers. In certain cases, Solace will have the opportunity (but, subject to any applicable restrictions or procedures in the Fund's governing documents, no obligation) to identify one or more secondary transferees of interests in the Fund. In such cases, Solace will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on eligibility and other factors similar to those employed in selecting co-investors, and unless required by the governing documents of the Fund, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

ITEM 9 - DISCIPLINARY INFORMATION

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

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Solace nor any of its Managing Partners is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer; or as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

As noted under Item 4 above, the General Partner, an affiliate of Solace, acts as the general partner of the Fund. The relationship between Solace and the General Partner does not, in and of itself, create any material conflicts of interest affecting investors in the Fund. However, the General Partner is generally subject to the same conflicts of interest as Solace.

Further, SCO LLC, a wholly owned subsidiary of Solace, provides investment support services to Solace, the Fund and portfolio companies, including financial and operational due diligence, portfolio company oversight, operational improvement and, if required, crisis management. As previously noted, the Manager employs the Operating Partners who provide services to the Fund and the portfolio companies. Because Solace controls SCO LLC, retention of SCO LLC to provide services to the Fund or the portfolio companies creates a conflict of interest. Solace has an incentive to use SCO LLC rather than a third party. Solace believes, however, that the nature of the services to be provided by SCO LLC to the Fund and its portfolio companies are generally comparable to services provided by unrelated third parties; however, there can be no assurance that no other service provider could provide the same or better quality services at a lesser cost.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

Solace has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 (the “Rule”) of the Advisers Act of 1940, as amended (the “Advisers Act”).

The Rule requires Solace to adopt a code of ethics that, among other things, (i) sets forth a standard of business conduct that we require of our employees and reflects our fiduciary obligations to our clients and (ii) requires compliance with federal securities laws by all of our employees. The Code contains policies and procedures that are designed to permit personal securities trading by employees in such a manner as to avoid conflicts of interest or abuse of an individual’s position of trust and responsibility. For example, Solace employees must receive written preclearance from Solace’s chief compliance officer (the “CCO”) to buy or sell “Reportable Securities” as defined in the Code. Due to the nature of the Fund’s investment strategies, it is unlikely a Solace employee will seek to purchase or sell securities in which the Fund invests, although it is permissible for them to do so if the trade has been precleared. The purpose of the preclearance requirement is to ensure that personal trading that could disadvantage the Fund is not permitted. A copy of the Code will be provided, at no cost, to any Limited Partner or prospective Limited Partner upon request.

Solace generally intends to avoid any transaction that constitutes a “principal transaction” within the meaning of Section 206(3) of the Advisers Act. In such a transaction, an adviser acts as principal for its own account with respect to the sale of a security to, or purchase of a security from, its client. If, however, Solace determines such a transaction is in the best interests of the Fund, Solace may enter into such transaction provided Solace has met the Advisers Act requirements with respect to such a transaction, including the relevant disclosure requirements and the requirement to obtain the informed consent of the Fund, which may be satisfied with the approval of the LP Advisory Committee.

Solace serves, directly or indirectly, as the Manager and General Partner to the Fund. Employees of Solace have investments in the Fund. Solace does not believe this arrangement presents any material conflicts of interest since its interests and the interests of its employees are thereby aligned with the interests of investors in the Fund, as further discussed in Item 6.

Allocation of Co-Investment Opportunities

Although Solace does not expect the Fund to generate a significant amount of co-investment opportunities, it is possible that certain of the Fund’s investments, particularly larger investments (in terms of capital invested), could create opportunities for certain persons or entities to co-invest in such investments alongside the Fund. Solace will allocate co-investment opportunities among Limited Partners and/or their affiliates and/or third-party investors in accordance with Solace’s co-investment policy, a copy of which is available to all Limited Partners.

In general, Solace expects that it will first offer available co-investment opportunities to Limited Partners (and/or their affiliates) and strategic co-investors before offering such opportunities to other persons. Solace will not be obligated to offer co-investment opportunities to all Limited Partners and it may offer such opportunities to certain Limited Partners, but not others (including

to a single Limited Partner or small group of Limited Partners), based on such factors as Solace, in its sole discretion, determines is relevant or appropriate under the circumstances, including but not limited to such factors as: (i) Solace's assessment that a co-investor will be able to consummate a co-investment within the time frame established by Solace (including completion of due diligence and obtaining all required internal approvals) as demonstrated by, among other things, Solace's prior co-investment experience with such co-investor, a co-investor's financial resources, size, staffing, expertise and industry reputation and/or representations made to Solace by such co-investor; (ii) Solace's assessment that a co-investor's participation in a co-investment may or will provide certain strategic benefits to the Fund; (iii) Solace's evaluation of whether the co-investment opportunity may subject the potential co-investor to legal, regulatory, reporting, public relations, media or other burdens that make it less likely the potential co-investor would act upon the potential co-investment if offered; and (v) such other factors set forth in Solace's co-investment policy. As part of its evaluation, Solace may decide to weight certain factors from its policy more than others, depending on the facts and circumstances of a particular co-investment opportunity. The amount of each co-investment opportunity allocated to participating Limited Partner co-investors will be determined by Solace, in its sole discretion, and is likely not to be proportional to the respective capital commitments of such participating Limited Partner co-investors.

A co-investor generally will not receive any portion of portfolio company or transaction fees received by Solace or its affiliates in connection with a co-investment unless otherwise negotiated by such co-investor. In addition, a co-investor will not incur any broken deal fees received in connection with an unconsummated co-investment unless such co-investor has agreed to pay its share of broken deal expenses associated with such unconsummated co-investment.

Trade and Other Clerical Errors

Solace may on occasion experience trade, administration, operations and other human errors when conducting investment and administration activities on behalf of the Fund. Solace will endeavor to detect and correct the error as soon as practicable and to scrutinize carefully its policies and procedures with respect to the error with a view toward revising its procedures to prevent or reduce future errors, if necessary. Such trade and other clerical errors resulting in gains will be for the benefit of the Fund and will not be retained by Solace. Absent a breach of its standard of conduct, Solace and its affiliates are generally not liable to the Fund for any act or omission. In other words, absent gross negligence, fraud or willful misconduct or a material and uncured breach of the Partnership Agreement on the part of Solace or its affiliates, the Fund will bear losses that result from trade and other clerical errors. Solace, subject to its fiduciary obligations, will determine whether or not any loss resulting from a trade or other clerical error is required to be reimbursed in accordance with its standard of conduct.

ITEM 12 - BROKERAGE PRACTICES

Solace does not expect to make regular use of broker-dealers for the purposes of purchasing or selling securities on behalf of the Fund because the securities that it typically purchases or sells are acquired and/or disposed of in privately negotiated purchase and sale transactions. However, Solace uses a broker-dealer to effect certain transactions in public securities, and in those instances, Solace will seek to obtain the best execution in its selection of a broker-dealer, taking into account the following factors: the range and quality of a broker-dealer's brokerage services and its reputation, its execution capability, commission rate, financial responsibility and responsiveness to Solace, and the value of research provided, if any.

Broker-dealers through which Solace effects transactions provide Solace with investment research and other products and services that are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to Solace on an unsolicited basis and without regard to the rates of commissions charged or paid by Solace or the volume of business Solace directs to such broker-dealers. In other words, Solace does not "pay-up" for any such research of other products.

Solace does not currently have any soft dollar benefit with broker-dealers in connection with Fund transactions, although Solace receives investment research (or other products) as described above.

ITEM 13 - REVIEW OF ACCOUNTS

Investments held by the Fund are reviewed by the Investment Committee, which meets regularly to discuss a variety of issues related to the Fund's current portfolio holdings and potential investment opportunities. Solace monitors companies in which the Fund invests, and the Solace Chief Compliance Officer periodically checks to confirm that the Fund is maintained in accordance with its stated objectives.

Solace provides written quarterly and annual reports to the Fund's investors in accordance with the terms of the Fund's governing documents. Annual audited financial statements for the Fund are provided to investors within 120 days of the end of each fiscal year, along with annual capital account statements and year-end tax information.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Solace does not engage third party agents for client referrals.

Solace reserves the right from time to time to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a Limited Partner in the Fund. Placement agent travel, meal and entertainment expenses typically are borne by the Fund. Solace retained PJT Partners as a financial advisor to the General Partner and the Fund. PJT Partners currently receives a fee based on a percentage of commitments to the Fund that were facilitated by PJT Partners. Such fee is borne by the Manager indirectly through a dollar-for-dollar reduction of the Management Fee payable by such Limited Partners.

ITEM 15 - CUSTODY

Solace generally expects that it will be deemed to have “custody” (within the meaning of Advisers Act Rule 206(4)-2 (the “Custody Rule”)) of assets held in the name of the Fund, and intends to maintain such assets with the following qualified custodians: City National Bank, N.A. (Los Angeles, California), Wells Fargo Bank, N.A. (Los Angeles, California), and Principal Custody Solutions (Minneapolis, Minnesota). To meet certain of its obligations under the Custody Rule, Solace arranges for the Fund’s financial statements to be (i) prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), (ii) audited at least annually by an independent public accountant that meets the requirements of the Custody Rule and (iii) distributed to all Fund investors within 120 days of the Fund’s fiscal year end and upon the Fund’s liquidation.

ITEM 16 - INVESTMENT DISCRETION

The governing documents of the Fund provide that Solace or an affiliate has exclusive and complete authority and discretion in managing the business and affairs of the Fund, subject only to specific and express limitations provided therein. As a general policy, Solace does not allow Fund investors to place limitations on this authority. Pursuant to the terms of the Fund's governing documents, however, Solace and/or its affiliates have entered, and expect to enter, into Side Letters with certain Limited Partners whereby the terms applicable to such Limited Partner's investment in the Fund are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

ITEM 17 - VOTING CLIENT SECURITIES

Solace has authority for voting proxies on behalf of the Fund relating to the portfolio companies in which it invests. In addition to proxy solicitations in connection with equity securities of traditional operating companies, proxy voting is also deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities.

Solace's policy is to vote proxies consistent with its fiduciary duty and vote client proxies in a way that Solace determines will cause the value of the issue to increase the most or decline the least. The Investment Committee is responsible for considering a proxy solicitation and determining whether and how to vote the proxy. Under the Fund's partnership agreement, Fund investors are not able to direct how Solace will vote its proxies. In voting proxies, Solace will seek to avoid material conflicts of interest between its interests, on the one hand, and the interests of the Fund and its investors, on the other. If Solace detects a material conflict of interest in connection with a proxy solicitation, the Investment Committee will consider the vote, discuss the perceived conflict of interest with the CCO, and decide on how to vote the proxy. In limited circumstances, Solace may refrain from voting proxies where it believes that abstaining from voting would be in the Fund's best interest. In all instances, Solace will record the decision and then process the proxy accordingly.

Upon request, Solace will provide investors in the Fund with its proxy voting policy and information about how the proxies relevant to the Fund and investor are voted.

ITEM 18 - FINANCIAL INFORMATION

Solace has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Fund.