

**Item 1: Cover Page**

**Form ADV Part 2A: Firm Brochure**

**SkyKnight Capital, LP**  
**March 2023**

This brochure provides information about the qualifications and business practices of SkyKnight Capital, LP (“SkyKnight”). If you have any questions about the contents of this brochure, please contact Mara Hunt, SkyKnight’s Chief Compliance Officer (“CCO”) at (415) 914-0780 or [mara@skyknightcapital.com](mailto:mara@skyknightcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Unless otherwise indicated, the term “SkyKnight” or “the Adviser” is broadly used within this brochure to refer to the entire enterprise and not to a specific legal entity.

**Item 2: Material Changes**

This brochure contains several material changes from the last firm brochure dated as of March 31, 2022, including, but not limited to with respect to fees and compensation, risks and conflicts of interest. In addition, SkyKnight Capital, LP routinely makes updates throughout the brochure to improve and clarify the description of its business practices, compliance policies, and procedures, as well as to respond to evolving industry best practices.

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**Item 4: Advisory Business**

The Adviser is a Delaware limited partnership formed August 5, 2015, by Matthew Ebbel, who is also the Adviser's primary owner. The Adviser is an investment management firm with its principal place of business in San Francisco, California.

The Adviser provides advisory services to privately offered pooled investment vehicles. The Adviser currently manages pooled investment vehicles referred to as the "Funds." "On behalf of SkyKnight Capital Fund, L.P., the Adviser typically invests in a long-term, concentrated portfolio of approximately 10 to 20 securities across private and public companies with the investment objective to achieve 10 to 20% absolute, gross annual returns. SkyKnight Capital Fund II, L.P. and SkyKnight Capital Fund III, L.P. are private equity funds that will seek to make long-term investments into 8 to 10 private companies and investment objective is to achieve long-term capital appreciation through investments in what SkyKnight believes are high quality businesses in defensive growth industries.

Advisory services provided to the Funds are provided pursuant to the terms of the relevant Fund governing documents and disclosed therein. Investors in the Funds do not receive advisory services tailored to their individual needs.

The Adviser does not intend on participating in a wrap fee program at this time.

As of December 31, 2022, the Adviser managed approximately \$2.3 billion of regulatory assets under management on a discretionary basis.

**Item 5: Fees and Compensation**

The Adviser or its affiliates generally receive Advisory Fees and Carried Interest (each as defined below) or similar performance-based remuneration from a Fund. A Fund, and/or its portfolio companies may also make other payments to the Adviser or its affiliates for services provided to the portfolio companies, which, in certain circumstances, may reduce the Advisory Fees payable to the Adviser. Additionally, consistent with the governing documents of a Fund, the Funds typically bear certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Funds and/or the portfolio companies. Further details about certain common fees and expenses are set forth below.

*Advisory Fees*

As compensation for investment supervisory services rendered to the Funds, the Adviser receives from each such Fund an advisory fee (each, an "Advisory Fee"). The Adviser charges an asset based quarterly management fee calculated and payable in advance by Fund investors in accordance with the respective limited partnership agreement or investment management agreement. The management fee is also calculated before reallocation of any incentive allocation with respect to investor's capital accounts. Certain investors in the Funds that are employees, business associates and other "friends and family" of the Adviser, its affiliates or their personnel (including any related entity established by any of the foregoing, such as trusts, charitable programs, endowments or related programs, family investment vehicles and other estate planning vehicles) (collectively, "Adviser Investors") will not typically pay Advisory Fees or Carried Interest in connection with their investment in a Fund.

Furthermore, the Adviser may, from time to time establish certain investment vehicles through which Adviser Investors or other third parties may invest alongside one or more Funds in one or more investment opportunities, which generally do not pay Advisory Fees or Carried Interest. Notwithstanding that Adviser Investors will generally not pay Advisory Fees, Adviser Investors will generally pay for their pro rata share of certain Fund expenses, or the pro rata portion of such Adviser Investors' expenses will be allocated to the Adviser or the general partner of the applicable Fund.

In addition, the Adviser may establish certain investment vehicles through which Adviser Investors or other third parties may invest alongside one or more Funds in one or more investment opportunities. Such co-investment vehicles generally do not pay Advisory Fees or Carried Interest.

The management fee is subject to offset by a certain portion of Portfolio Fees (defined below) received by the Adviser, its affiliates, and its professionals. Details regarding the management fee, calculation and offsets are set forth in the relevant Fund's governing documents. The Adviser may waive or modify the management fee at its own discretion.

### *Portfolio Fees*

In addition to the Advisory Fees and Carried Interest, the Adviser and its affiliates from time to time receive a variety of other cash, equity and other non-cash fees relating to the investment activities of a Fund, its portfolio companies and prospective portfolio companies, including director, management service, monitoring, investment banking, transaction, break-up or other similar fees paid by a portfolio company or a prospective portfolio company (collectively, "Portfolio Fees"). The amount and timing of Portfolio Fees received by the Adviser, or its affiliates are generally specified in the agreement or other documentation governing the applicable transaction. Portfolio Fees may reduce the management fee. The Adviser and its affiliates and its professionals may be reimbursed by a portfolio company or a prospective portfolio company for any costs incurred in connection with any activities related to such portfolio company or prospective portfolio company, and any such payment or reimbursement will not be a "Portfolio Fee" or reduce the management fee as described below.

As noted above, the Adviser and its affiliates receive "monitoring fees" pursuant to monitoring agreements with portfolio companies of the Funds governing the advice, consultation and other similar ongoing services provided by the Adviser to such portfolio companies. The terms of a monitoring agreement may include (among other things) annual automatic renewals, the payment of monitoring fees (which may be fixed fees or calculated as a percentage of EBIDTA or similar performance metric). There are certain circumstances (such as the occurrence of an initial public offering or strategic exit) which accelerate the payment of such fees. Since the monitoring agreements may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), the financial effect of such acceleration may be substantial, particularly in the event such circumstances occur early in the life of a Fund's investment in such portfolio company. Notwithstanding the foregoing, in the event of an initial public offering or other disposition, monitoring fees will continue to be paid so long as the applicable Fund continues to hold an other than *de minimis* position in such portfolio company and the Adviser or its affiliates continue to provide the monitoring services.

Portfolio Fees are often substantial and may be paid in cash, in securities of the portfolio companies, prospective portfolio companies or investment vehicles (or rights thereto) or otherwise. The payment

of Portfolio Fees and reimbursements by portfolio companies and prospective portfolio companies will, in some, but not all, circumstances create a conflict of interest between the Adviser and its affiliates, and the Funds and their investors, because the amounts of these Portfolio Fees and reimbursements are often substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements. The Adviser determines the amount and timing of these Portfolio Fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third-party co-investors in its transactions. Generally, the amount of such fees and reimbursements will not (except in connection with the reductions described herein) be disclosed to investors in the Funds.

In cases with respect to the implementation of the arrangements described above, there is not an independent third party involved on behalf of the relevant portfolio company and therefore the fees are not subject to a market check. A conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company by virtue of SkyKnight acting on behalf of both parties. For the avoidance of doubt, any fees paid to the Adviser or its personnel after a Fund has exited an investment are not considered “Portfolio Fees” and do not reduce the Advisory Fee.

#### *Allocation of Portfolio Fees and Advisory Fee Offset*

Although Portfolio Fees are in addition to the Advisory Fees, the Adviser will in some circumstances reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of such Portfolio Fees in accordance with the Advisory Agreement and/or governing documents of the applicable Fund. Generally, under the terms of the applicable governing documents, for purposes of calculating any Advisory Fee offset, Portfolio Fees are net of out-of-pocket costs and expenses incurred by the Adviser in connection with consummated or unconsummated transactions or in connection with generating any such fees.

To the extent a Portfolio Fee relates to more than one Fund participating (or expecting to participate) in an investment, the Portfolio Fee is generally allocated among such Funds pro rata based on the capital commitments of such participating Funds (or for an unconsummated investment, the proposed commitments of the Funds), or on such other basis that the Adviser determines to be fair and reasonable in its sole discretion. However, in determining how to allocate a Portfolio Fee among more than one participating Fund, the Adviser will also take into account, among other things, the type of transaction (e.g., original acquisition or follow-on), the consideration involved in the transaction (cash or in-kind) and the value of the consideration.

To the extent a Portfolio Fee relates to a Fund, co-investment vehicle or third-party investor that does not pay Advisory Fees or to capital committed by a Fund investor that does not pay Advisory Fees, the portion of such Portfolio Fee allocable to the non-fee paying party or investor will be retained by the Adviser, and such amounts will not offset any Advisory Fee paid to the Adviser.

#### *Other Fees*

Consistent with the governing documents of the Funds, to the extent not paid by portfolio companies, the Funds will pay all other fees, costs and expenses, including, without limitation: (i) expenses incurred in connection with the sourcing, originating, discovery, diligencing, investigating,

evaluating, negotiating, structuring, acquiring, financing, expanding, operating, managing, maintaining, monitoring, repairing, owning, holding or disposing of investments, including without limitation, private placement fees, sales commissions, professional fees, administration, trustee, transfer agent and consulting fees, information services, execution and transaction costs, other administrative expenses, costs of studies and reports (including property condition, architectural, engineering, and environmental studies and reports), and related travel (provided that any private or chartered air travel shall only be reimbursed in an amount up to the charter/first class equivalent rate, unless the Adviser determines, in its sole discretion, that such private or chartered air travel is prudent for health and safety reasons), meals and entertainment expenses; (ii) expenses incurred in connection with financial statements, tax returns and other filings, quarterly and other reports, K-1s and other reports and communications with investors and the advisory committee; (iii) fees of attorneys, accountants, valuation experts and other professionals; (iv) registration fees, taxes, and other governmental charges; (v) expenses related to insurance, litigation, governmental inquiries, investigations or proceedings, indemnification (including under the Funds' governing documents) or extraordinary expenses, damages or liabilities, including out-of-pocket costs; (vi) expenses incurred in connection with complying with any applicable law, rule or regulation (including regulatory filings or other expenses of the Funds, such as Form PF filings); (vii) expenses incurred in connection with the Alternative Investment Fund Managers Directive ("AIFMD") compliance and compliance with similar legal/regulatory regimes of other jurisdictions; (viii) interest on and fees and expenses arising out of borrowings and indebtedness, including the arranging thereof, and including any credit facility, guarantee, letter of credit or similar credit support; (ix) expenses incurred in connection with the liquidation of the Funds; (x) expenses relating to defaults by investors; (xi) to the extent not reimbursed by a third party, all expenses incurred by or on behalf of the Funds in connection with a proposed investment or a proposed disposition that is ultimately not consummated; (xii) expenses incurred in connection with any restructuring or amendments to the constituent documents of the Funds and related entities; (xiii) expenses incurred in connection with the formation (whether or not an investment is consummated) and operation of any alternative investment vehicle to the extent permitted under the Funds' governing documents, (xiv) expenses incurred in connection with distributions to the investors and meetings of investors; (xv) reasonable out-of-pocket expenses incurred by members of the advisory committee; (xvi) any other fees and expenses approved by a Fund's advisory committee and (xvii) management fees.

From time to time, the general partner of a Fund creates certain "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors ("SPVs"). In the event a general partner creates an SPV, consistent with the governing documents of a Fund, the expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV will typically be borne by the SPV, and indirectly, the investors thereof the Funds, and indirectly the investors thereof (even if such investors do not participate in any such SPV.) In addition, expenses of the types borne by a Fund but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in the Funds (including, without limitation, expenses of accounting and tax services) may be borne by the Funds and indirectly, the investors thereof (even if such investors do not participate in any such feeder fund or similar vehicle).

*Co-Investment Vehicle Fees and Expenses*

Co-investment opportunities allow eligible investment professionals, partners, officers and employees and certain friends of the firm to co-invest in the same investments made by other Funds directly, or indirectly as a feeder fund. In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside the Funds may be formed in connection with the consummation of a transaction. Consistent with the governing documents of a Fund, in the event a co-investment vehicle is created to invest alongside a Fund, certain expenses (including those related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle, as well as expenses incurred in connection with making and holding an investment) may be borne by the investors in such co-investment vehicle. In addition, a co-investment vehicle will also generally bear its pro rata portion of expenses incurred in connection with the making of an investment.

If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction (“Dead Deal Costs”) would therefore be borne by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction. Furthermore, if a proposed transaction is not consummated and a co-investment vehicle has been formed for the purpose of making an investment in such proposed transaction (or co-investors have otherwise committed to invest in the proposed transactions), the Dead Deal Costs incurred in connection with such proposed transactions are generally borne solely by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction, but not to the co-investment vehicle or other co-investor(s) to which the co-investment opportunity was offered. Similarly, co-investment vehicles (and co-investors) are not typically allocated any share of break-up fees received in connection with such an unconsummated transaction. Dead Deal Costs may include, among other things, legal, accounting advisory, consulting or other third-party expenses (including amounts payable to Operations Support Providers (as defined in Item 11 below) and other third parties), any travel and travel-related expenses, all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment (including commitment fees), any break-up fees, reverse termination fees, topping, termination or other similar fees, extraordinary expenses such as litigation costs and judgments and other expenses, and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated.

In addition, the Adviser and its affiliates have discretion to (i) receive performance-based compensation, Advisory Fees or similar fees from co-investors and (ii) collect customary fees in connection with actual or contemplated investments that are the subject to co-investment arrangements.

*Allocation of Expenses*

From time to time the Adviser will be required to decide whether certain fees, costs and expenses should be borne by the Adviser, a Fund, a portfolio company, co-investors and/or a third party (each, an “Allocable Party”) and if so, how such fees costs and expenses should be allocated among the relevant Allocable Parties. Certain fees, costs and expenses may be the obligation of one particular Allocable Party and may be borne by such Allocable Party, or fees, costs and expenses may be allocated among multiple Allocable Parties. The Adviser allocates fees, costs and expenses in accordance with a Fund’s governing documents. To the extent not addressed in the governing



documents of a Fund, the Adviser will make allocation determinations among Allocable Parties in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation (which such methodologies may include pro rata allocation based on the respective capital commitments of a Fund, pro rata allocation based on the respective investment (or anticipated investment) of an Allocable Party in an investment, relative benefit received by an Allocable Party, or such other equitable method as determined by the Adviser in its sole discretion). The Adviser will make any corrective allocations and take any mitigating steps if it determines in its sole discretion that such corrections are necessary or advisable to ensure allocations are equitable on an overall basis in its good faith judgment. Notwithstanding the foregoing, the portion of an expense allocated to a Fund for a particular service may not reflect the relative benefit derived by such Fund from that service in any particular instance and a Fund will bear more or less of a particular expense based on the methodology used.

There may be occasions when one Allocable Party (the “Payor Allocable Party”) pays an expense common to multiple Allocable Parties (the “Allocated Parties”) (e.g., legal expenses for a transaction in which multiple funds and/or co-investors participate). On such occasions, each Allocated Party will reimburse the Payor Allocable Party for its share of such expense, generally without interest, promptly after the payment is made by the Payor Allocable Party.

Certain Funds and/or portfolio companies also bear their allocable portion (as determined by the Adviser in its good faith discretion) of the compensation (including, without limitation, salary, bonus, payroll taxes and benefits), expenses and overhead (including, without limitation, rent, property taxes and utilities allocable to the workspaces) attributable to certain employees, partners, members, or officers of the Adviser and its affiliates, including, without limitation, in-house accountants, human resources, information technology and system-support professionals, administrators, legal, tax, compliance, valuation, environmental, social and governance (“ESG”) and other professionals who may provide certain legal, regulatory, tax, accounting, administration and similar services to the Funds. It is expected that the services provided by Adviser employees will expand over time. The allocation of such compensation and expenses between the Adviser, the Funds and/or the portfolio companies require judgments as to methodology that the Adviser makes in good faith but in its sole discretion. These allocation methodologies may include requiring personnel to periodically record and allocate their time with respect to the Funds and/or the portfolio companies, the Adviser approximating the portion of time a person has spent with respect to a particular Fund and/or portfolio company, the assessment of an overall dollar amount (for instance, based on a fixed fee) that the Adviser believes represents a fair recoupment of expenses and a market rate for such services, and any other methodology determined by the Adviser to be appropriate under the circumstances. Any methodology chosen by the Adviser involves inherent conflicts of interest and could result in a greater expense to the Funds and portfolio companies than would be the case if such services were provided by third parties. While the Adviser may (in its discretion) obtain benchmarking data regarding third-party rates for similar services, relevant comparisons may not be available for a variety of reasons, including as a result of lack of a substantial market of providers or users for such service, confidentiality reasons and the bespoke nature of certain services. As a result, market comparisons may not (and often do not) result in precise comparable data for certain services.

The Adviser, from time to time, enters into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities, for which such advisers and consultants are paid compensation or other fees and/or are reimbursed for certain

expenses. Any fees and expenses associated with such investment opportunities will be allocated to the applicable Fund(s), consistent with the allocation process described above.

### *Carried Interest Payments*

Please see Item 6 below regarding Carried Interest that the Funds may pay.

## **Item 6: Performance Based Fees and Side-by-Side Management**

With respect to certain Funds the Adviser receives an annual performance-based fee on the last day of each fiscal year as a percentage of the net profits with respect to an investor's capital account for such fiscal year, excluding any side pocket investments.

With respect to certain other Funds a portion of the profits of such Fund is distributed to its general partner, if any, as "carried interest" (the "Carried Interest"). Each general partner of a Fund is a related person of the Adviser. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and investors in such Funds (including Adviser Investors) may incur lower or no Carried Interest.

The payment by some, but not all, Funds of Carried Interest or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Fund) creates an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying Carried Interest, or allocate investment opportunities to such Funds. See also Item 11 below regarding allocation for additional information relating to how conflicts of interests are generally addressed by the Adviser.

## **Item 7: Types of Clients**

The Adviser primarily provides discretionary investment management services to family offices, through privately offered pooled investment vehicles.

Subject to the discretion of the Adviser to accept less, the minimum investment commitment for the Funds ranges from \$100,000 to \$10,000,000.

The Adviser from time to time will enter into side letter agreements or other similar agreements (collectively, "Side Letters") with one or more investors of a Fund which provide such investor(s) with additional and/or different rights (including, without limitation, with respect to management fees, the performance allocations, access to information, minimum investment amounts) than such investors have pursuant to general terms of such Fund. The Adviser will not be required to notify any or all of the other investors of any such written agreements or any of the rights and/or terms or provisions thereof, nor will the Adviser be required to offer such additional and/or different rights and/or terms to any or all of the other investors.

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

The Adviser concentrates its investments in businesses using a consistent, single investment framework focused on industry, business, management, and price. The Adviser's research is focused on the industry, the competition, and the business and endeavors to engage with management teams through constructive active dialogue and Board seats.

It is the Adviser's belief that these are some of the most consistent, analyzable traits that characterize high-quality investments:

Attractive Industries. The Adviser prefers to invest in businesses in “defensive growth” industries defined as sectors that generally exhibit growth in both strong and weak macroeconomic environments. (e.g. insurance, healthcare).

Quality Companies. The Adviser looks to invest with market leaders in niche industries. The Adviser seeks out businesses that are growing faster than GDP with 10%+ EBIT<sup>1</sup> margins that generate consistent, positive free cash flow. The Adviser typically invest with companies that have high barriers to entry, usually as a result of network effects, high switching costs, patents, and scale advantages. The Adviser seeks businesses that exhibit pricing power and have high revenue retention, attractive margins, low capital intensity, and high ROIC.

Value. The Adviser looks to calculate the entire value of a business (i.e., enterprise value) and then invest in the portion of the capital structure – equity or debt – where the Adviser can find an attractive risk/reward. The Adviser looks to buy securities at a discount to intrinsic value, conservatively calculated with a margin of safety.

The investment process draws on the skills and experience of Mr. Ebbel, in his capacity as Portfolio Manager, and the investment team. The main elements of our investments process are:

*We source all transactions.* The Adviser has developed an extensive network of close relationships given our long-term orientation and collaborative partnership approach.

*Our research and transaction structuring.* The Adviser conducts deep research prior to making an investment. We do a comprehensive strategic and financial review (including rigorous financial analysis, dissection of business models and unit economics, investigation of industry structures as well as an assessment of management, the competition, shareholder alignment and corporate governance). If we decide to proceed, the investment team will consider ways to structure the investment in a way that seeks to maximize upside while minimizing downside risk.

*We stay engaged after investing.* The Adviser's personnel have and will seek Board seats and formal governance rights in our private equity investments. The Adviser has a history of active Board member value add through setting strategy, sourcing tuck-in acquisitions, recruiting executive talent, and creating more efficient capital structures.

### *Private Equity Strategy*

The Adviser will seek equity investments for the Funds of \$20 to \$100 million and generally will not make any investment larger than 20% of the Funds. The Adviser may also pursue larger equity investments which may create co-investment opportunities for its investors. Each potential investment will be underwritten using the Adviser's SCORE underwriting framework whereby the team analyzes the sector, company, ownership, return potential, and the Adviser's edge as a partner/investor.

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<sup>1</sup> EBIT means earnings before interest and taxes.

In the SCORE process, the Adviser looks for:

- Attractive Sectors. The Adviser prefers to invest in businesses in what the Adviser deems to be attractive, “defensive growth” industries, defined as sectors that generally exhibit growth in both good and bad macroeconomic environments. Generally, the team prefers sectors that have grown at a multiple of GDP over a long period of time and through cycles (e.g., the veterinary sector). They proactively focus on the Healthcare, Insurance, and Tech-Enabled Services industries where developed unique relationships over many years, including relationships with industry executives, intermediaries, and investors.
- Quality Companies. The Adviser seeks to invest in high quality businesses – often market leaders with the #1 or #2 position in niche industries. The Adviser will generally look for businesses growing faster than their industry’s growth rate with 10%+ EBIT<sup>2</sup> margins and that generate positive free cash flow. Companies that the Adviser views as attractive often have “moats” around their “castle” as a result of network effects, high switching costs, patents, scale advantages and brands. These businesses frequently exhibit pricing power, high revenue retention, attractive margins, and high returns on invested capital.
- Talented, Aligned Management Teams and Owners. The Adviser aims to partner with capable management teams with a successful history of business building, an understanding of capital allocation and an alignment in seeking to drive growth in per share equity value. To date, the Adviser has chosen to be a minority investor alongside highly aligned ownership groups with significant “skin in the game” and has also partnered with both financial co-investors and strategic value-added corporate co-investors.
- Securities with Attractive Structures and Returns. The Adviser looks to value the entire business (“Enterprise Value”) and then invest in the portion of the capital structure – common equity, preferred equity or structured debt – where the Adviser views the most attractive risk/reward. The Funds may invest in structured securities that provide downside protection such as debt, convertible debt, debt with warrants and preferred equity or in common equity based on its judgment of the relative value and return profile. In each case, the Funds aim to acquire securities at a discount to intrinsic value, conservatively calculated with a margin of safety and the potential to generate gross IRRs of 20%+.
- Edge. The Adviser competes in the broader private equity markets, which are highly competitive. The team seeks to invest its time and capital in those situations where it perceives an edge over the broader marketplace. The edge may be derived from the sourcing process, underwriting process, or value creation plan for an investment. These advantages are created by the team, the Adviser’s networks, and the long-term nature of its capital.

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<sup>2</sup> EBIT” means earnings before interest and taxes.

**Risks**

Investment in the Funds are speculative and involve certain risks. Certain of these risks are summarized below. The Funds are not suitable for all investors and is intended for sophisticated investors who can accept the risks associated with their investment programs. Prospective investors should consider, among others, the risk factors described in this section.

*Lack of Operating History.* The Funds and the Adviser are all newly formed entities and have no operating history upon which potential investors can rely on to evaluate the Funds' likely performance. Investors must rely on the ability of the general partner and the Adviser to identify, structure, and implement investments consistent with the Fund's investment objectives and policies.

*Reliance on Management of the Fund.* Decisions with respect to the management of the Funds will be made by the general partner with the advice of the Adviser, and investors have no right or power to take part in the management or control of the Funds. Accordingly, no prospective investor should purchase any interests in the Funds unless it is willing to entrust all aspects of management of the Funds to the general partner and the Adviser. Investors will not receive the detailed financial information issued by portfolio companies that is available to the general partner and the Adviser, and therefore will not have all the information on which the general partner and the Adviser rely when making decisions on behalf of the Funds. The success of the Funds will depend on the ability of the general partner and the Adviser to identify and consummate suitable investments, to improve the operating performance of portfolio companies and to dispose of investments of the Funds at a profit. These objectives may not be achieved.

There can be no assurance that all of the professionals of the general partner and the Adviser will continue to be associated with the general partner and the Adviser throughout the Funds' term. The loss of the services of one or more members of the professional staff of the Adviser or the principals of the general partner could have an adverse impact on the Funds' ability to realize its investment objective.

The Adviser's principals will devote such time as is necessary to conduct the affairs of the Funds in an appropriate manner. However, certain principals are and other principals may be engaged in some activities unrelated to the Funds, including, without limitation, participating on boards of directors for companies that are not portfolio companies of the Funds and boards of non-profit or civic organizations, or holding advisory positions with other investment firms or with companies that are not portfolio companies of the Funds. The Funds will have no interest in these other activities. The performance of the Funds could be adversely affected by the other professional commitments of the Adviser's principals. Additionally, the activities of the Funds may be restricted as a result of the Adviser's principals' individual activities, because the Adviser's principals may from time to time acquire confidential or material non-public information by their involvement in these activities that they are legally prevented from using for the benefit of the Funds. For instance, due to such restrictions, the Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

*Limited Access to Information.* The general partner may at times provide to the investors reports and other information regarding the condition and prospects of the Funds and the investments in which it has invested. The general partner's duties, obligations, and liability to the investors with respect to the content, completeness and accuracy of such information will be determined under the partnership agreement and any other written agreement entered into with an investor. In connection with monitoring the Funds' investments, the general partner may obtain material information that will not be disclosed to investors, and such information may be material to determining the value of such investments. Such information may be withheld from investors in order to comply with duties to such companies or applicable law, or otherwise to protect the interests of portfolio companies or the Funds. In addition, the general partner may agree to provide one or more investors with special rights to additional information about the Funds (including portfolio and/or company information).

*Removal of the General Partner; Early Termination of the Fund.* In the event that the investors remove the general partner, the Adviser will no longer be involved in the management or control of the Funds. The decision to remove the general partner requires the affirmative vote of a majority-in-interest of the investors following the occurrence of certain events as described further in the partnership agreement. Investors may have conflicting interests in connection with any such vote, generally do not owe any duties, including fiduciary duties, to any other investors and, therefore, are free to vote (or abstain from voting) at their discretion on any matter presented to them. Following the appointment of a successor general partner in accordance with the terms of the partnership agreement, the successor general partner may not have the same economic incentives as the removed general partner. There can be no assurance regarding the Funds' ability thereafter to consummate investment opportunities and manage the portfolio investments in a manner that is comparable to such activities prior to the replacement of the general partner.

Furthermore, the Funds may be terminated early upon the affirmative vote of at least two-thirds in interest of the investors if certain events have occurred as further described in the partnership agreement or upon the affirmative vote of at least 75% in interest of the investors after the second anniversary of the final closing. Early termination of the Funds may result in the Funds being required to dispose of their portfolio investments at a disadvantageous time.

*Insufficient Capital Subscriptions.* The timing and amount of commitments required for an initial closing of the Funds will be determined by the general partner in its sole discretion. There can be no assurance as to the amount of capital subscriptions that will be raised by the Funds. If an unexpectedly low level of capital subscriptions to the Funds are raised, the scope of investment activities of the Funds will be adversely affected.

*Risks Associated with Takedowns.* Takedowns will be issued by the Funds from time to time at the discretion of the general partner, based upon the Adviser's assessment of the needs and opportunities of the Funds in accordance with the partnership agreement. To satisfy such capital calls, investors may need to maintain a substantial portion of their capital subscriptions in assets that can be readily converted to cash. Except as specifically set forth in the partnership agreement, each investor's obligation to satisfy capital calls will be unconditional. Without limitation on the preceding sentence, an investor's obligation to satisfy capital calls will not in any manner be

contingent upon the performance or prospects of the Funds or upon any assessment thereof provided by the Adviser. The failure of any investor to contribute any portion of its capital contribution on a timely basis may adversely affect the Funds' access to capital and, among other things, the ability of the Funds to enter into or consummate investments.

*Over-Commitment.* In the event the Adviser determines to pursue an investment opportunity which it intends to offer in part to co-investors, there can be no assurance that the Adviser will be successful (in whole or in part) in offering such co-investment opportunity to potential co-investors, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be advantageous for the Funds or that expenses incurred by the Funds with respect to the syndication of the co-investment will not be substantial. In the event that the Adviser is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, the Funds may consequently hold a greater concentration and have greater exposure in the investment opportunity than was initially intended, which could make the Funds more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. The Funds may also bear the entire portion of any initial and ongoing fees, costs and expenses related to such investment, which could significantly reduce the Funds' overall investment returns. Additionally, if a proposed transaction is not consummated, the full amount of any expenses relating to such proposed but not consummated transaction will generally be borne by the Funds, and not by the general partner or other co-investors participating in such co-investment vehicle. Similarly, such co-investment vehicles (and such co-investors) are not typically allocated any share of break-up fees received in connection with such an unconsummated transaction.

*Long-Term Nature of Portfolio Investments.* The Funds intend to construct a portfolio of investments that the Adviser believes to have the ability to appreciate and/or generate attractive cash flow over extended periods of time. The investments of the Funds are unlikely to provide current income, which is not the objective of the Funds. Certain of the Funds' investments may not be disposed of in an advantageous manner prior to the date that the Funds will be dissolved, either by expiration of the Funds' term or otherwise. No assurance can be given in any such circumstances that the Funds will have received a return of its invested capital or that the Funds will otherwise be able to exit its investments by sale or other disposition (at attractive prices or at all). Therefore, it is expected that no significant liquidity from the disposition of the Funds' investments will occur for a significant period of time after the initial closing.

*Bridge Investments.* The Funds may lend to portfolio companies on a short-term, unsecured basis with the expectation such loan will be repaid within eighteen months (such loan, a "Bridge Investment"). So long as each Bridge Investment is not treated as a portfolio investment as described below, any proceeds or interest the Funds earn on a Bridge Investment may be reinvested and profits and losses incurred by the Funds on such Bridge Investments will not be subject to the general partner's carried interest distributions and will instead be earned or borne by the partners in direct proportion to their capital subscriptions in the Funds. Consequently, the general partner has an incentive to allocate Funds expenses to Bridge Investments rather than portfolio investments such that the general partner's carried interest distributions are determined based on a smaller portion of such Fund expenses.

Such Bridge Investments would typically be convertible into a more permanent, long-term security; however, for reasons not always within the Funds' control, such long-term securities may not be issued and such Bridge Investments may remain outstanding. To the extent a Bridge Investment is not repaid or otherwise disposed of within eighteen (18) months, the Bridge Investment will be treated as a portfolio investment of the Funds from the date the loan was made. In the event of any such failure to dispose of a Bridge Investment, the Funds' exposure to such portfolio company may exceed the exposure the general partner would otherwise deem appropriate for the Funds' portfolio construction or diversification.

*Contingent Liabilities on Disposition of Portfolio Investments.* In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of such portfolio company, and to indemnify the purchasers of such investment if those representations are inaccurate. The general partner will establish reserves as appropriate to provide for such contingent liabilities. In the event that the amount of such contingent liabilities exceeds the reserves and other assets of the Funds, the investors of the Funds may be required to repay to the Funds or to pay to creditors of the Funds distributions previously received by them.

*Improvement in Portfolio Company Operations Critical to Investment Success.* The success of the Funds' investment strategy depends on the effectiveness of efforts to improve the operating performance of portfolio companies following investment. Initiatives to achieve improvements in operating performance include, among others, introductions of new products, changes in sales, marketing and distribution methods, implementation of new sourcing arrangements, reductions in manufacturing, overhead and other costs, enhancements and changes in the management team and identification, and the consummation and integration of add-on acquisitions. The proper identification and implementation of initiatives important to achieve improved operating performance is difficult and often requires substantial resources. The capabilities and resources of a portfolio company, even with the assistance of the general partner and the Adviser, may be insufficient to affect such initiatives, and there can be no assurance that portfolio companies will be successful in achieving improvements in operating performance. The failure to achieve improved operating results following investment is likely to lead to losses or poor returns on such investment.

*Adverse Consequences of Ownership of Controlling Interest in Portfolio Companies.* It is expected that the Funds will often own a controlling percentage of the common equity of portfolio companies which, depending upon the amount of equity owned by the Funds, contractual arrangements between the portfolio company and the Funds, and other relevant factual circumstances, could result in an extension to one year of the 90-day bankruptcy preference period with respect to payments made to the Funds. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, pension and other fringe benefits, violations of government regulations (including securities laws) and other types of liability in which the limited liability generally characteristic of business operations may be ignored. In addition, because of its equity ownership, representation on the board of directors and/or contractual rights, the Funds will often be thought to control, participate in the management of or influence the conduct of portfolio companies. These factors could expose the assets of the Funds to claims by a portfolio company, its other security holders, its creditors, or governmental agencies. While the general partner intends



to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

*Risks Relating to Due Diligence of and Conduct at Portfolio Companies.* Before making investments in any particular company, the Funds will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding a potential investment, the Funds will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations and/or consumer surveys. The due diligence investigation that the Funds carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. In addition, at times, the Funds' transaction opportunities will require rapid execution and investment analyses and decisions by the general partner may be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the general partner at the time of making an investment decision may be limited, and the general partner may not have access to detailed information regarding the investment. Therefore, no assurance can be given that the general partner will have knowledge of all circumstances that may adversely affect an investment. Moreover, such an investigation will not necessarily result in the investment being successful. Outside consultants, legal advisors, accountants, investment banks and other third parties are likely to be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to the Funds' reduced control of the functions that are outsourced. The general partner and the Adviser may rely on the findings of these third-party advisors or consultants in making investment and management decisions. Such third parties do not owe any fiduciary duties to the Funds, or its investors yet may be entitled to indemnification under the terms of their respective service contracts or other arrangements made with the general partner and/or the Adviser, and the costs and expenses of such indemnification would be borne by the Funds. In addition, if the Funds are unable to timely engage third-party providers, its ability to evaluate and acquire more complex targets could be adversely affected.

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

*Formation of Additional Funds.* Subject to certain restrictions contained in the partnership agreement, the Adviser is expected to establish additional funds which may be competitive with the Funds, and there can be no assurance that the creation of such additional funds will not give rise to conflicts of interest between the investors of the respective funds.

*No Market for Limited Partnership Interests; No General Right of Withdrawal.* The interests have not been registered under the Securities Act, state securities laws or any non- U.S. and other related securities laws, and therefore cannot be sold unless they are subsequently registered under the Securities Act, state securities laws or any non-U.S. and other related securities laws or an exemption from such registration is available. The Funds do not contemplate registering the Interests under the Securities Act, state securities laws, and any non-U.S. and other related securities laws. There is no public market for the interests, and one is not expected to develop. Moreover, pursuant to the partnership agreement, an interest is not generally transferable and voluntary withdrawal of an Interest is not generally allowed. Accordingly, an investment in the Funds should be considered illiquid.

*Mandatory Withdrawal.* Where applicable, the general partner has the authority to permit or require an investor to withdraw from the Funds if the general partner determines that the continued participation in the Funds of such investor could materially adversely affect the Funds (for example, by causing the Funds to be deemed to hold “plan assets” subject to ERISA, to be required to register as an investment company under the Investment Company Act of 1940, as amended (the “Investment Company Act”), or to face a material risk that the Funds would be taxed as a corporation for U.S. federal income tax purposes). An investor who is permitted or required to withdraw from the Funds may be subject to a delay in receiving the applicable withdrawal payment, which in some cases could be up to several years, including following the liquidation of investments in order to facilitate the withdrawal, or the liquidation of the entire Funds. A reduction in capital subscriptions to the Funds due to the withdrawal of one or more investors could result in greater concentration in a fewer number of investments for other investors.

*Dilution from Subsequent Closings.* Investors subscribing for interests or increasing their subscription amounts at subsequent closings will participate in existing investments of the Funds, diluting the interest of existing investors. Such investors will generally contribute their pro rata share of all previously made capital contributions, however, this payment is not intended to reflect the fair value of the Funds’ existing investments at the time such additional investors subscribe for interests. Although such investors will be required to pay interest on such additional capital subscriptions in accordance with the partnership agreement, such interest may not fully compensate existing investors for the time value of such additional subscription amount. As a result, existing investors who acquired interests prior to the admission of later admitted investors may not be adequately compensated by investors admitted at a subsequent closing for the actual value of their investment. Additionally, upon a subsequent closing or other event treated as a transfer for U.S. federal income tax purposes, non-U.S. investors and the Funds may be subject to certain tax and withholding obligations, or the Funds may retain and apply amounts otherwise used by such investors for subsequent capital contributions.

*Reinvestment.* Subject to the terms of the partnership agreement, the Funds are entitled to reinvest, reuse and/or distribute and recall distributions received from its investments. This can result in the Funds making investments with an aggregate cost basis greater than the capital committed by the partners and could result in the loss of a partner’s capital commitment as well as

such reinvested amounts. To the extent such recalled, reused or retained amounts are reinvested in investments, investors of the Funds will remain subject to investment and other risks associated with such investments.

***Repayment of Certain Distributions.*** In the event that the Funds are otherwise unable to meet its obligations, the investors may be required to repay to the Funds or to pay to creditors of the Funds distributions previously received by them. In addition, investors may be required to pay to the Funds amounts that are required to be withheld or otherwise borne by the Funds for tax purposes and to indemnify the Funds, the general partner and other partners for any taxes or other amounts owed by or otherwise allocable to such investors. Further, in connection with the disposition of an investment in a portfolio company, the Funds may be required to indemnify the purchasers of such investment if representations about the business and financial affairs of such portfolio company are inaccurate. The general partner may establish reserves as appropriate to provide for such contingent liabilities by holding back a portion of amounts otherwise distributable to the investors (for example, such reserve might be established if the Funds were subject to an audit by the Internal Revenue Service (the “IRS”) or involved in litigation), in which case the investors will not receive complete liquidity with respect to an investment until the general partner determines that the need for such reserves has ceased. In the event that the general partner does not establish reserves, or in the event that the amount of such contingent liabilities exceeds the reserves, the investors may be required to repay to the Funds or to pay to creditors of the Funds distributions previously received by them. The partnership agreement will require investors, including former investors, to make repayments with respect to liabilities and obligations of the Funds incurred while they were investors of the Funds, including after the liquidation of the Funds.

***Continuation Fund.*** The Adviser may establish one or more continuation funds for purposes of purchasing one or more portfolio companies from the Funds, and, subject to certain limitations set forth in the partnership agreement, the Funds may sell (or otherwise structure the transfer of) such portfolio companies to any such continuation fund. Because a transfer to a continuation fund will typically represent the sale of the Funds’ entire interest in such portfolio company to such continuation fund, an investor’s indirect interest in such portfolio company will generally be sold to such continuation fund even if such investor does not desire to participate in such continuation fund, and may occur at a time when such investor would have preferred to maintain its interest in such portfolio company through the Funds. In addition, the costs and expenses of selling the Funds’ portfolio company to such continuation fund may be borne by the Funds, and indirectly, the investors, which may adversely affect the Funds’ overall return. Given that the general partner or its affiliates will likely charge management fees and carried interest, and receive reimbursements for other fees, costs and expenses with respect to, and have a capital interest or other interests in, any such continuation fund, the general partner will likely face conflicts of interest in determining whether to utilize a continuation fund when structuring the Funds’ exit from any portfolio company. However, such conflicts will not restrict the general partner from utilizing a continuation fund if it determines to do so in its sole discretion and such transaction is conducted in accordance with the partnership agreement.

Furthermore, it is possible that new investors will be subscribing for interests in the continuation fund (“New Limited Partners”) alongside investors that will be rolling their interests in the underlying portfolio companies (“Rolling Limited Partners”), which could result in dilution of Rolling Limited Partners’ indirect interests in the relevant underlying portfolio companies and could adversely affect returns to such Rolling Limited Partners. In addition, New Limited

Partners may participate in a continuation fund on terms that are more favorable than the terms offered to the Rolling Limited Partners. As a consequence of the potential for New Limited Partners to be offered preferred economics in the continuation fund, the amount and timing of returns to a Rolling Limited Partner from a continuation fund may not be the same as those for the New Limited Partners. Furthermore, while investors seeking to retain an interest in the portfolio company may have the opportunity to do so by participating in the continuation fund as Rolling Limited Partners, Rolling Limited Partners are likely to bear management fees, carried interest and other costs and expenses that may exceed the management fees, carried interest and other fees and expenses such Limited Partners would have borne if the portfolio company had remained a portfolio company of the Funds.

*Failure to Make Capital Contributions.* Each investor is required to make capital contributions to the Funds upon notice from the general partner. If an investor fails to pay its capital contribution or any other required payment when due, and the capital contributions made by non-defaulting investors and other alternative sources of funds available to the Funds are inadequate to cover the defaulted capital contribution, the Funds may be unable to pay its obligations when due. As a result, the Funds may be subject to significant penalties that could materially adversely affect the returns to the investors (including non-defaulting investors). In addition, the non-defaulting investors may be required to increase their contributions to the investment resulting in the defaulted capital contribution and in respect of subsequent investments which, in turn, will increase the concentration of such investor's investment in the Funds and increase such investor's risk of loss. If an investor defaults, it may be subject to various remedies as provided in the partnership agreement, including the complete forfeiture of its interest.

*Impact of Carried Interest and Management Fee Structure.* The general partner, in respect of its carried interest, is entitled to 20% of the net profits generated by the Funds subject to the preferred return, but does not have to bear 20% of the net losses, if any, suffered by the Funds. This feature may cause the general partner and the Adviser to make investments that have a greater risk/reward profile than would be the case in the absence of such a feature.

The general partner may be required to return excess amounts of carried interest as a "clawback." This clawback obligation may create an incentive for the general partner to defer disposition of one or more investments or delay the liquidation of the Funds if the disposition and/or liquidation would result in a realized loss to the Funds or would otherwise result in a clawback situation for the general partner.

Furthermore, the management fee is required to be paid to the manager even if the Funds experience net losses in a particular year or over the term of the Funds. In addition, because at certain times during the life of the Funds, management fees are based upon capital invested by the Funds, there is an incentive to deploy capital when the Adviser would not otherwise have done so.

Under current law, gains in respect of the general partner's right to carried interest distributions are subject to a three year "holding period" in order to be classified as "long-term capital gains," while the corresponding holding period requirement with respect to the investors is one year. This holding period requirement could affect investment decisions, including the timing and structure of dispositions, and could adversely impact returns for investors. For example, the holding period requirement may incentivize the general partner to cause the Funds to hold an

investment for longer than three years in order for the general partner to obtain a preferential tax rate on carried interest distributions, even if there are attractive realization opportunities prior to that time.

*Advisory Committee Rights.* The Funds will establish an Advisory Committee, consisting of representatives of limited partners. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the Advisory Committee because those designating limited partners will, for instance, have greater information rights. The Advisory Committee may also have the ability to approve conflicts of interests with respect to the Adviser and the Funds, which could be disadvantageous to the investors, including those investors who do not designate a member to the Advisory Committee. Representatives of the Advisory Committee may have various business and other relationships with the Adviser, Adviser employees and their affiliates. These relationships may influence the decisions made by such members of the Advisory Committee.

In addition, members of the Funds' Advisory Committee may also be a member of the advisory committee of a Related Fund. In such instances, a conflict of interest exists because the Related Funds on which such overlapping Advisory Committee members may have conflicting interests and such Advisory Committee members may be asked to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

*Indemnification; Insurance.* Subject to the limitations set forth in the partnership agreement, the Funds will be required to indemnify the general partner, the partnership representative or "designated individual" thereof, the Adviser, their affiliates, their respective current or former directors, managers, officers, employees, direct or indirect partners, members or controlling persons, or independent contractors (to the extent specifically agreed by the general partner), all of their respective successors, heirs and assigns, the members of the Advisory Committee and any limited partner which shall have designated an individual to serve as a member of the Advisory Committee for liabilities incurred in connection with the affairs of the Funds and otherwise as provided in the partnership agreement. Such liabilities may be material and may have an adverse effect on the returns to the investors. For example, in their capacity as directors of portfolio companies, the partners or affiliates of the general partner may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of the Funds would be payable from the assets of the Funds, including the unfunded subscriptions of the investors. If the assets of the Funds are insufficient, the general partner may recall distributions previously made to the investors (subject to certain limitations set forth in the partnership agreement). Such liabilities of the Funds may not be resolved prior to the date that the Funds will be dissolved. Furthermore, as a result of the provisions contained in the partnership agreement, including limitations on fiduciary duties, the investors may have a more limited right of action in certain cases than they would in the absence of such limitations. Additionally, the general partner may cause the Funds to purchase insurance covering the Funds, the general partner, the Adviser and their employees, agents and representatives, and such insurance is likely to provide coverage to such persons even in circumstances where such persons would not be entitled to indemnification pursuant to the partnership agreement.

*Third-Party Advice.* The Funds, the general partner and the Adviser utilize the services of attorneys, accountants and other consultants and experts in their operations. The Funds, the general

partner and the Adviser generally rely upon such advisors for their professional judgment with respect to legal, tax and other regulatory matters. There exists a risk that such advisors may provide incorrect advice from time to time. None of the Funds, the general partner or the Adviser will have any liability to investors for any reliance upon such advice.

*Valuation of Investments.* There is no actively traded market for most of the securities owned by the Funds. When estimating the fair value of portfolio companies for which no public market valuations exist, in accordance with the partnership agreement, the Adviser will apply a method based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Ensuring that portfolio investments are fairly valued is an important focus of the Adviser; however, the valuation of such investments will be difficult, will be based on imperfect information and is subject to inherent uncertainties. The resulting values may differ from values that would have been determined had a ready market existed for such investments, from values placed on such investments by other investors and from prices at which such investments may ultimately be sold.

In addition, third-party pricing information may at times not be available regarding certain of the Funds' assets or, if available, may not be considered reliable. Valuations of the Funds' investments may impact the timing of distribution of carried interest and therefore, the general partner has incentives that may not align with the Funds or the investors.

Furthermore, if distributions are made in securities rather than in cash, the amount of any such distribution will be accounted for at the fair market value of such security, as determined in accordance with procedures specified in the partnership agreement. An independent appraisal generally will not be required and is not expected to be obtained. Because the general partner's right to receive carried interest is based on the value of such securities, the general partner has an incentive to distribute such securities when they are valued at a higher price, and the general partner's carried interest will not be adjusted for subsequent changes in valuation.

*Side Agreements.* The Funds may enter into agreements (“side letters”) with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the Funds’ governing documents. For example (and without limitation), such agreements may provide for waiver of minimum commitments, special rights to additional information about a Fund (including portfolio information), payment of a management fee, modification of the expenses borne by such investors, and reduced or rebated Incentive Allocation and operating expenses. Such modifications are made solely at the discretion of the general partner and may, among other things, be based on an investor’s level of active involvement in a Fund’s investment activities, the size of an investor’s commitment or the size of an investor’s aggregate investment in any Fund. Different Funds may be subject to different fee arrangements and liquidity terms, including the ability to withdraw their interests or cancel their unfunded commitments in circumstances when other investors would not be entitled to do so. Such arrangements will generally not be disclosed to other investors unless otherwise determined by the Adviser. The other investors will have no recourse against a Fund, the general partner, the Adviser or their respective affiliates in the event that certain investors receive additional or different rights or terms pursuant to such side letters.

*Recourse to a Fund’s Assets.* Each Fund’s assets, including any portfolio investments made by a Fund and any capital held by a Fund, are available to satisfy all liabilities and other obligations of the respective Fund. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to such Fund’s assets generally and may not be limited to any particular asset, such as the portfolio investment giving rise to the liability. Accordingly, investors could find their interests adversely affected by a liability arising out of a portfolio investment in which they did not participate because, for example, they were excluded by the Adviser or general partner. In addition, obligations of a Fund arising out of one or more portfolio investments could force a Fund to dispose of other portfolio investments, including private investments, for less than what the Adviser perceives to be their fair value in order to satisfy a Fund’s obligations. To the extent the Adviser chooses to use special-purpose entities for individual transactions to reduce recourse risk (and it may but will be under no obligation to do so), the bona fides of such entities may be subject to later challenge based on a number of theories, including veil piercing or substantive consolidation.

*Distributions In-Kind.* Certain securities may not be susceptible to sale or other realization by the respective Fund before the end of the term of such Fund. Although the Adviser will seek to avoid making liquidating distributions in a form other than cash or marketable securities, the Funds may make in-kind liquidating distributions of restricted or otherwise illiquid securities. Investments distributed in kind may not be readily marketable or disposable, and investors therefore must be prepared to bear the risks of owning such securities for an indefinite period of time (and to incur costs and expenses in connection with any disposition thereof). In addition, there can be no assurance that the value of such assets as determined for purposes of a Fund’s governing documents will ultimately be realized.

*Risks Arising from Dispositions of Investments.* In connection with the disposition of a portfolio investment, the Funds may be required to make representations about the business and financial affairs of a portfolio company or may be responsible as a selling stockholder for the contents of disclosure documents under applicable securities laws. The Funds may also be required to indemnify the

purchasers of such investments or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. If the assets of a Fund are insufficient to pay such indemnification obligations, the Adviser may be required to contribute distributions received by them to pay such obligations. The Adviser may establish reserves as appropriate to provide for such contingent liabilities. In the event that the amount of such contingent liabilities exceeds the reserves and other assets of a Fund, the investors of that Fund may be required to repay to such Fund or to pay to creditors of such Fund distributions previously received by them.

*Third Party Litigation.* The Funds' investment activities may be subject to the normal risks of becoming involved in litigation by third parties. These risks are elevated where the Funds exercises control or significant influence over an issuer's direction, becomes involved in official or unofficial creditor committees or becomes involved in activities that are hostile in nature. The expense of defending against any claims by third parties and paying any amounts pursuant to settlements or judgments will generally be borne by the Funds.

*Highly Competitive Market for Investments.* The business of identifying, structuring and completing transactions of the nature contemplated by the Funds is highly competitive and involves a high degree of uncertainty, especially with respect to timing. The Funds will be competing for investments with other private equity investment vehicles as well as strategic buyers and other institutional investors. The availability of attractive investment opportunities generally will be subject to market conditions as well as the prevailing regulatory and political climates. The size and number of private equity investment vehicles has grown dramatically in recent years, and it is likely that these trends will continue in the future. Some of these competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, or more personnel than the Funds, the Adviser or their affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to the Funds and adversely affecting the terms upon which investments can be made.

The Funds may not have identified any particular investment prior to their initial closing, nor can there be any assurance that the Funds will be able to locate suitable investment opportunities in the future, acquire them for an appropriate level of consideration, or fully invest their available committed capital. Likewise, there can be no assurance that the Funds will be able to realize upon the value of their investments or that it will be able to invest their committed capital. To the extent that the Funds encounters competition for investments, returns to investors may decrease, including as a result of higher pricing, foregoing opportunities, or negotiating fewer transactional protections in order to remain competitive. In addition, investors will be required to pay Advisory Fees throughout the investment period irrespective of whether the Funds are able to deploy all of their capital commitments. Additionally, the Funds may incur bid, due diligence, negotiating, consulting or other costs on investments that may not be successful. As a result, the Funds may not recover all of such costs, which would adversely affect returns.

There generally will be little or no publicly available information regarding the status and prospects of portfolio companies. Many investment decisions by the Adviser will be dependent upon the ability



of their respective members and agents to obtain relevant information from non-public sources, and the Adviser often will be required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impracticable to verify. The marketability and value of each investment will depend upon many factors beyond the Adviser's control.

*Lack of Diversification.* The Funds are not subject to any comprehensive diversification or asset allocation requirements and does not intend to have a diversified portfolio. While the Funds have limitations on the percentage of capital they may invest in particular geographic regions or the amount of capital they may invest in a single portfolio company, they have no such limitations with respect to any particular type of security (other than publicly traded equity securities) or industry sector (other than passive real estate or oil and gas asset acquisitions). Because the Funds have the ability to concentrate their investments by investing a substantial portion of capital commitments in a single portfolio company, the overall adverse impact on the Funds of adverse movements in the value of the securities of a single issuer will be considerably greater than if the Funds were not permitted to concentrate their investments to such an extent. It is likely that the asset mix of the Funds will differ from that which would result if diversification was the Funds' primary investment focus. To the extent the Funds concentrate investments in a particular geographic region, security, investment sector or stage of investment, investments may become more susceptible to fluctuations in value resulting from adverse economic or business conditions applicable to such region, type of security, sector or stage of investment. In addition, the Funds will only participate in a limited number of investments and, as a result, the aggregate return of the Funds may be substantially adversely affected by the unfavorable performance of even a single investment. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies than anticipated and thus be less diversified. The Funds have no obligation to hold investments in order to reach or maintain their target size, and the disposition of investments may result in less diversification, and thus increased risk of loss, in the remaining pool of portfolio investments. Where there is concentration among investments such that they are subject to similar risks, and one or more such risks negatively impact the group of investments, other investments will have to perform well in order for the Funds to achieve above-average returns. Concentration within a limited number of industries or geographies will typically involve risks greater than those of investment funds that invest across a broader range of industries or geographies.

*General Economic and Market Risk.* The value of portfolio investments could be affected by factors affecting the economy and securities markets generally, such as real or perceived adverse economic conditions, supply and demand for particular instruments, changes in general outlook for certain conditions, changes in the general outlook for certain markets or corporate earnings, interest rates, announcements of political information or adverse investor sentiment generally. Events such as war, terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. Such events could also have an acute effect on individual portfolio companies or related groups of portfolio companies, as well as on other factors relating to portfolio investments.

*Long-Term Nature of Portfolio Investments* The Funds intend to construct a portfolio of investments that the Adviser believes have the ability to appreciate and/or generate attractive cash flow over extended periods of time. The investments of the Funds are unlikely to provide current income,

which is not an objective of the Funds. Certain of the Funds' investments may not be disposed of in an advantageous manner prior to the date that the Funds will be dissolved, either by expiration of the Funds' term or otherwise. No assurance can be given in any such circumstances that the Funds will have received a return of its invested capital or that the Funds will otherwise be able to exit its investments by sale or other disposition (at attractive prices or at all). Therefore, it is expected that no significant liquidity from the disposition of the Fund's investments will occur for a significant period of time after the initial closing.

*Concentration of Investments.* Portfolio investments could potentially be concentrated in relatively few companies, industries or markets. Such non-diversification would make the Funds more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.

The Funds could be subject to significant losses if it holds a relatively large position in a single company, industry, market or a particular type of portfolio investment that declines in value, and the losses could increase even further if portfolio investments cannot be liquidated without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances.

*Risks Associated with Investing in Pass-Through Entities.* The Funds may invest in entities, such as limited partnerships and limited liability companies, that are treated as “pass-through entities” for U.S. federal income tax purposes. Such investments pose a number of risks. In particular, investors will be subject to tax on their distributive share of the taxable income of such entities allocated to the Funds, even if they do not receive cash distributions corresponding to such taxable income. Investors must have liquidity from sources other than the Funds to bear such tax liabilities. Investors also may be required to file state tax returns in U.S. states in which such pass-through entities engage in business. In addition, investing in such entities may cause delays in investors receiving tax and other financial information from the Funds. Because a Fund’s tax return is predicated in part on the tax attributes passed through to it by such entities, any delay in receiving tax information from such entities will likely cause a corresponding delay in dissemination to investors of the Funds’ tax information.

The Adviser may cause certain investors, whether through an alternative investment vehicle or otherwise, to participate in investments in pass-through entities through one or more entities taxable as a corporation for U.S. federal income tax purposes (each, a “Blocker”). While the Adviser has discretion to allocate the incremental economic impact of any such Blocker to the investors participating directly or indirectly through such Blocker, it may nonetheless be the case that investors holding such an investment directly may also have lower returns due to the investment by other investors through a Blocker (e.g., if, upon sale of the investment, all investors sell at the same price (which may or may not occur), but the overall sale price is reduced because the buyer is unable to realize certain tax benefits or due to other factors attributable to the participation of certain investors through a Blocker).

*Investments in Middle-Market Companies.* The Funds will generally invest in middle-market companies. Such companies may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new revenue streams could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for specific revenue streams and may be adversely affected by purely local market conditions. To the extent there is any public market for the securities held by the Funds, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Middle-market companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial stress. Such companies also may have shorter operating histories on which the Funds can judge future performance when making the decision to invest. Lastly, such companies may face intense competition from larger companies and could entail a greater risk to the Funds than investment in larger companies. There can be no assurance that any such losses will be offset by gains (if any) realized on the Funds’ other portfolio investments.

Many such companies will operate with substantial variations in operating results from period to

period. Many of these companies will need substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified Adversarial and technical personnel. The nature of such companies described herein may require the Adviser and the Adviser to allocate a disproportionate amount of time, effort and capital towards such companies that could otherwise be allocated to other portfolio companies. This allocation of resources may have an adverse effect on the performance of portfolio companies that did not receive the resources allocated to such less established companies with short operating histories.

*Investments in Equity Securities* The Funds will seek to invest primarily in equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the portfolio company issuing such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. The Funds may experience a substantial or complete loss on individual equity securities.

*Investments in Debt Securities* While a Fund may invest primarily in equity securities, it may invest in debt securities of existing or new portfolio companies or other issuers in instances where the Adviser believes it would be beneficial for such Fund to do so. Debt securities are subject to creditor risks, including the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws and so-called lender liability claims by the portfolio company issuing the obligations. Adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership, or distressed exchange, can significantly diminish the value of such Fund’s investment in any such portfolio company. Accordingly, there can be no assurance that such Fund’s rate of return objectives will be realized.

Where a Fund invests in secured debt securities, such debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of underlying assets selected as collateral may allow a Fund to withstand certain potential delinquent or failed payments caused by a portfolio company’s default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to a Fund in respect to its investment. Therefore, the investment in secured debt securities may not prevent a Fund from incurring loss that adversely affects the Fund’s overall returns. In addition, any subordinated investments of such Fund will be subordinated to the senior obligations of a portfolio company. Many of the remedies available to subordinated holders are available only after satisfaction of claims of senior creditors. Therefore, any such subordinated investments will be characterized by greater credit risks than those associated with the senior obligations of the same portfolio company. Adverse changes in the financial condition of a portfolio company or in general economic conditions (or both) may impair the ability of such portfolio company to make payments

on the subordinated securities and result in defaults on and declines in the value of such securities more quickly than in the case of the senior obligations of such portfolio company.

*Senior Secured Loans.* When a Fund makes a senior secured loan to a portfolio company, it generally shall take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which should help mitigate the risk that such Fund will not be repaid. However, there is a risk that the collateral securing a Fund's loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. In some circumstances, a Fund's lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that a Fund will receive principal and interest payments according to the loan's terms, or at all, or that a Fund will be able to collect on the loan should it be forced to enforce its remedies.

*Unsecured Loans or Debt.* The Funds may invest in loans which are not secured by collateral. In the event of default on an unsecured loan, a lien holder may have a prior claim to the assets supporting the loan. In such a circumstance, it is possible that no asset value would remain for an unsecured lender and therefore there could be a resulting loss to the respective Fund.

*Second Lien, or Other Subordinated Loans or Debt.* The Funds may acquire second lien or other subordinated loans. In the event of a loss of value of the underlying assets that collateralize the loans, the subordinate portions of the loans may suffer a loss prior to the more senior portions suffering a loss. If a borrower defaults and lacks sufficient assets to satisfy a Fund's loan, such Fund may suffer a loss of principal or interest. If a borrower declares bankruptcy, a Fund may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. In addition, certain of a Fund's loans may be subordinate to other debt of the borrower. As a result, if a borrower defaults on a Fund's loan or on debt senior to a Fund's loan, or in the event of the bankruptcy of a borrower, a Fund's loan will be satisfied only after all senior debt is paid in full. The Adviser's ability to amend the terms of a Fund's loans, assign a

Fund's loans, accept pre-payments, exercise a Fund's remedies (through "standstill periods") and control decisions made in bankruptcy proceedings relating to borrowers may be limited by intercreditor arrangements if debt senior to that Fund's loans exists.

*Convertible Securities.* The Funds may invest in convertible securities, which are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in

value than the underlying common stock due to their fixed income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Fund is called for redemption, such Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on a Fund's ability to achieve its investment objective.

*Warrants.* The Funds may receive or purchase warrants or rights. Warrants and rights generally give the holder the right to receive, upon exercise, a security of the issuer at a stated price. Risks associated with the use of warrants and rights are generally similar to risks associated with the use of options. Unlike most options, however, warrants and rights are issued in specific amounts, and warrants generally have longer terms than options. Warrants and rights are not likely to be as liquid as exchange-traded options backed by a recognized clearing agency. In addition, the terms of warrants or rights may limit the Funds' ability to exercise the warrants or rights at such time, or in such quantities, as the Funds would otherwise wish.

*Illiquidity of Investments.* Practical limitations may inhibit the Funds' ability to liquidate certain of their investments in portfolio companies since the issuing portfolio companies will likely be privately held and the Funds will likely own a relatively large percentage of their equity securities. Sales may also be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. The limitations described herein on liquidity of the Funds' investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

A substantial portion of a Fund's investments may consist of securities that are subject to restrictions on sale by a Fund because they were acquired from the issuer in "private placement" transactions or because a Fund will be deemed to be an affiliate of the issuer. Generally, the Funds will not be able to sell these securities publicly in the United States without the expense, time and other burdens required to register the securities under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or will be able to sell the securities only under Rule 144 or other rules under the Securities Act which permit limited sales under specified conditions. When restricted securities are sold to the public, the Funds may be deemed an "underwriter", or possibly a controlling person, with respect thereto for the purpose of the Securities Act and be subject to liability as such under the Securities Act.

*Public Investments.* The markets for certain of the Funds' public investments may be thinly traded from time to time. The Funds' ability to sell public investments may be adversely affected by various factors, including limited trading volume, lack of a market maker, or legal restrictions. Short sales are particularly subject to liquidity risk because the Funds' purchase of securities or currencies to close out a short position can itself cause the price of the securities or currencies to rise further, thereby exacerbating the loss. It is also possible that a domestic or international securities exchange or a governmental authority (such as the U.S. Securities and Exchange Commission (the "SEC")) may suspend or restrict trading on an exchange or in particular securities or other instruments traded on the exchange. It may not always be possible

to execute a buy or sell order at the desired price or to liquidate an open public investment position, either due to market conditions on exchanges or due to the operation of “circuit breakers.” This lack of liquidity and market depth could disadvantage the Funds, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities.

*Private Investments.* It is anticipated that all or a substantial portion of the Funds’ private investments will consist of securities that are subject to restrictions on sale by the Funds because they were acquired from the issuer in “private placement” transactions. Generally, the Funds will not be able to sell these securities publicly without the expense and time required to register the securities under the Securities Act, or will be able to sell the securities only under Rule 144 or other rules under the Securities Act which permit only limited sales under specified conditions. When restricted securities are sold to the public, the Funds may be deemed to be an “underwriter” with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act. In addition, practical limitations may inhibit the Funds’ ability to liquidate certain of their private investments since the issuer will be privately held and the Funds may own a substantial percentage of the issuer’s equity securities. Sales may also be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. Such limitations could prevent a successful sale of the Funds’ private investments, result in delay of any such sale, or reduce the amount of proceeds that might otherwise be realized.

*Non-U.S. Investments.* The Funds may invest a portion of their capital subscriptions in portfolio companies that are headquartered and that have their principal operations outside of, the United States. These investments involve special risks not typically associated with investments in the securities of issuers located in the United States: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Funds’ foreign investments may be denominated, and costs associated with conversion of invested capital and income from one currency into another, (ii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and more or less governmental supervision and regulation, (iii) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, political, economic or social instability and the possibility of expropriation or confiscatory taxation, (iv) difficulties or challenges obtaining foreign governmental approvals and complying with foreign laws, (v) tax-related issues, including the possibility of withholding or other taxes (including on dividends, interest payments or capital gains), the possibility of non-U.S. tax filing obligations and the possibility of double taxation of income earned overseas, (vi) less developed corporate laws regarding fiduciary duties and the protection of investors and (vii) increased exposure to liabilities arising from a portfolio company’s breach of applicable anti-corruption or other foreign laws or regulations. The Funds’ returns on domestic investments may not be indicative of the results it may achieve on investments located in foreign countries. Anti-fraud and anti-insider trading legislation in these countries may be rudimentary. There may be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a

portfolio company's assets, or otherwise materially affect the value of the company without the consent of the company's shareholders. Anti-dilution protection also may be very limited. The legal systems in these countries may offer no effective means for the Funds to seek to enforce their rights or otherwise seek legal redress or to seek to enforce foreign legal judgments.

*Currency Hedging Transactions.* The Funds may engage in currency hedging transactions. There can be no assurance, however, that the Funds will engage in such hedging transaction at any given time or from time to time, or that such hedging transactions will be available or be available at a reasonable cost, or that such hedging transactions will be effective and actually eliminate the applicable currency risk. Such hedging transactions may even exacerbate any negative impact on the Funds resulting from changes in currency exchange rates. While such transactions may reduce certain risks, such transactions themselves entail certain other risks. Thus, while the Funds may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for the Funds than if they had not entered into such hedging transactions.

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

*Leveraged Portfolio Companies.* While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. The Funds' investments will from time to time involve significant leverage, including without limitation as a result of borrowing at one or more levels of the investment structure, as a result of which recessions, operating problems, and other general business and economic risks may have a pronounced effect on the profitability or survival of the Funds' portfolio companies. In using leverage, these portfolio companies may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair their ability to finance or otherwise pursue their future operations or otherwise satisfy additional capital needs. Also, a company with substantial leverage may be at risk of increases in interest rates and therefore increases in interest expenses. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company. As a general matter, the presence of leverage can accelerate losses.



The Funds' ability to achieve attractive rates of return on investments may depend on the ability of their portfolio companies to access sufficient sources of debt at attractive rates, including at the time of disposition. However, availability of capital from the debt markets is subject to volatility from time to time, and there may be times when the Funds might not be able to access those markets at attractive rates, or at all, when completing an investment.

*Indebtedness and Guarantees.* The Funds are authorized to borrow funds from time to time, for investment or other specific business purposes and to provide guarantees of or other credit support for the obligations of third parties, subject to certain limitations. Such borrowing may be used, among other things, to purchase portfolio investments as they become available in advance of the receipt of anticipated funds from the investors' capital contributions, or to purchase public investments on margin by borrowing funds and pledging securities held by the Funds through a brokerage account as collateral. As security for such borrowing, guarantees or other credit support, the Funds may grant liens on any of the Funds' assets to a lender or other counterparty. Each of the Funds and the Adviser, as applicable, will have the right to pledge all or a portion of uncalled Commitments, the right of the Adviser to deliver notices to investors demanding capital contributions and any account into which such capital contributions are paid; provided, that no investor will be obligated to pledge its Interests.

While such use of borrowed funds increases returns if the Funds earn a greater return on the investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if the Funds fail to earn as much on such incremental investments as it pays for such funds. Failure to satisfy the terms of debt incurred by the Funds can have negative consequences, including forced liquidation of other portfolio investments in order to satisfy the Funds' obligations. For example, the securities pledged to brokers to secure a Fund's margin accounts could be subject to a "margin call," pursuant to which such Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In addition, the Funds may engage in certain derivative transactions which implicitly contain leverage and subject the Funds to the same risks discussed above.

*Hedging Transactions.* The Adviser is not required to attempt to hedge portfolio positions of the Funds. Furthermore, the Adviser may not anticipate a particular risk so as to hedge against it. The Funds may utilize a variety of financial instruments (including options and derivatives), both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the Funds' investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolio; (v) hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets; (vi) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; and/or (vii) for any other reason that the Adviser deems appropriate. The success of the Adviser's hedging strategy is subject to the Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when the Adviser hedges portfolio positions in the Funds

are also subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in any such hedging transactions.

*Risks Associated with Derivatives.* Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Funds may use derivatives, including swaps, for any purpose including, among other things, as a substitute for taking a position in an underlying asset, to increase the Funds' leverage, or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate, credit or currency risk. The Funds' use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as interest rate risk, market risk, liquidity risk, credit risk and counterparty risk. They also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation, and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. To the extent the Funds invest in repos, swaps, forwards, futures, options and other "synthetic" or derivative instruments, counterparty exposures can develop and the Funds take the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits. If the Funds invest in a derivative instrument, it could lose more than the principal amount invested.

Certain derivatives that may be used by the Funds, including certain interest rate swaps and certain credit default index swaps, will be required to be cleared. In a cleared derivatives transaction, the Funds' counterparty is a central derivative clearing organization, or clearing house, rather than a bank or broker. Since the Funds are not a member of a clearing house, and only members of a clearinghouse can participate directly in the clearing house, the Funds will hold cleared derivatives transactions through accounts at clearing members, who are futures commission merchants who are members of the clearing houses. The Funds will make and receive payments owed under cleared derivatives transactions (including margin payments) through their accounts at clearing members. The Funds' clearing members guarantee the Funds' performance of their obligations to the clearing house. In contrast to bilateral derivatives transactions, following a period of advance notice to the Funds, clearing members can generally require termination of existing cleared derivatives transactions at any time and increase the amount of margin required to be provided by the Funds to the clearing member for any cleared derivatives transaction above the amount of margin that was required at the beginning of the transaction. Any such termination or increase could interfere with the ability of the Funds to pursue their investment strategy. Also, the Funds are subject to execution risk if it enters into a derivatives transaction that is required to be cleared (or which the Adviser expects to be cleared), and no clearing member is willing to clear the transaction on the Funds' behalf. In that case, the transaction might have to be terminated, and the

Funds could lose some or all of the benefit of any increase in the value of the transaction after the time of the trade.

Some types of cleared derivatives are required to be executed on an exchange or on a swap execution facility. A swap execution facility is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants in the platform. While this execution requirement is designed to increase transparency and liquidity in the cleared derivatives market, trading on a swap execution facility can create additional costs and risks for the Funds. For example, swap execution facilities typically charge fees, and if the Funds execute derivatives on a swap execution facility through a broker intermediary, the intermediary may impose fees as well. Also, the Funds may indemnify a swap execution facility, or a broker intermediary who executes cleared derivatives on a swap execution facility on the Funds' behalf, against any losses or costs that may be incurred as a result of the Funds' transactions on the swap execution facility.

*Lack of Control in Minority Investments.* The Funds' investments will in certain circumstances represent a minority position in portfolio companies, without power individually to exert significant control over such portfolio companies' boards of directors and management. In such cases, the Funds will rely significantly on the existing management and boards of directors of such companies, which may include representatives of other investors with whom the Funds are not affiliated and whose interests or views may conflict with the interest of the Funds.

*Control of Portfolio Companies.* The Funds may obtain a control position (either on their own or acting together with a group of investors) with respect to one or more portfolio companies, which, depending upon the amount of equity owned by the Funds, contractual arrangements between the portfolio company and the Funds, and other relevant factual circumstances, could result in an extension to one year of the 90-day bankruptcy preference period with respect to payments made to the Funds. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, pension and other fringe benefits, violations of government regulations (including securities laws) and other types of liability in which the limited liability generally characteristic of business operations may be ignored. In addition, because of their equity ownership, representation on the board of directors and/or contractual rights, the Funds will often be thought to control, participate in the management of or influence the conduct of portfolio companies. These factors could expose the assets of the Funds to claims by a portfolio company, their other security holders, their creditors or governmental agencies. While the Adviser intends to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

*Reliance on Portfolio Company Management.* Although the Adviser will monitor the performance of each Portfolio Investment, it will be the responsibility of each portfolio company's management team to operate the portfolio company's business on a day-to-day basis. The Adviser generally intends to invest in companies with strong management and/or recruit strong management to such companies, however, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in a manner that maximizes the value of the company's business and operations. A portfolio company may depend on the management talents and efforts of one person or a small group of persons whose death, disability or resignation would significantly adversely affect the portfolio company's performance.

*Third-Party Involvement.* The Funds will from time to time invest alongside third parties, including through direct investments, partnerships, joint ventures or other similar arrangements, and such third parties may have larger ownership interests than or similar ownership interests with the Funds or may otherwise share control of the relevant portfolio company with the Funds. Such investments may involve additional risks relating to such third-party involvement, including the possibility that a third party may have financial, legal or regulatory difficulties resulting in a negative impact on the Portfolio Investment, may have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of the Funds and as a result, may take a different view from the Adviser as to appropriate strategy for an investment or may be in a position to take or block action in a manner contrary to the Funds' investment objectives. In such case, the Funds may not be in a position to take action to protect the value of the Funds' investments in the entity and the Funds' aggregate return on the investments may be reduced. There may also be instances where the Funds will be liable for the actions of such third-party co-investors, including the risk that the Funds could be deemed to be part of a "partnership-in-fact" with certain co-investors based on joint investment and other activities. There can be no assurance that the return of the Funds participating in a transaction with a third-party would be equal to and not less than the return of any other participant in such transaction, or that such return would have been as favorable as it would have been had such third-party not been involved.

*Private Investments in Public Equities.* The Funds may make certain types of investments in private placements by publicly-held companies ("PIPES"). In a PIPE transaction, the Funds will acquire, directly from an issuer seeking to raise capital in a private placement pursuant to Regulation D under the Securities Act, a security convertible into common stock, such as convertible notes or convertible preferred stock. While the issuer's common stock is usually publicly traded on a U.S. securities exchange or in the over-the-counter market, the securities acquired by the Funds will be subject to restrictions on resale imposed by U.S. securities laws absent an effective registration statement. In recognition of the illiquid nature of the securities being acquired, the conversion price of the convertible securities being acquired will typically be fixed at a discount to the prevailing market price of the issuer's common stock at the time of the transaction. As part of a PIPE transaction, the issuer usually will be contractually obligated to seek to register within an agreed upon period of time for public resale under the U.S. securities laws the shares of common stock issuable upon conversion of the convertible securities acquired by the Funds. If the issuer fails to so register the shares within that period, the Funds may be entitled to additional consideration from the issuer, but the Funds may not be able to sell its shares unless and until the registration process is successfully completed. Accordingly, PIPE transactions present certain risks not associated with open market purchases of equities.

*Preferred Securities.* Certain preferred securities contain provisions that allow an issuer under certain conditions to skip or defer distributions. If the Funds own a preferred security that is deferring its distribution, the Funds may be required to report income for tax purposes despite the fact that it is not receiving current income on this position. Preferred securities often are subject to legal provisions that allow for redemption in the event of certain tax or legal changes or at the issuer's call. In the event of redemption, the Funds may not be able to reinvest the proceeds at comparable rates of return. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Funds own a preferred security that is deferring its distributions, the Funds may be

required to report income for tax purposes although it has not yet received such income. Preferred securities are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments and, therefore, will be subject to greater credit risk than those debt securities.

*Depository Receipts.* The Funds may purchase sponsored or unsponsored American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts (collectively "Depository Receipts") typically issued by a bank or trust company which evidence ownership of underlying securities issued by a corporation. Generally, Depository Receipts in registered form are designed for use in the U.S. securities market and Depository Receipts in bearer form are designed for use in securities markets outside the U.S. Depository Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. Depository Receipts may be issued pursuant to sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities trade in the form of Depository Receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Accordingly, there may be less information available regarding issuers of securities' underlying unsponsored programs and there may not be a correlation between such information and the market value of the Depository Receipts.

*Portfolio Companies in Regulated Industries.* The Funds may be subject to certain restrictions when considering investments in regulated industries, such as banking, insurance, gaming or communications. For example, there may be limits on the aggregate amount of investment by affiliated investors that may not be exceeded in certain regulated industries without the grant of a license or other regulatory or corporate consent or, if exceeded, may cause the Funds to suffer disadvantages or business restrictions. As a result, the Adviser may restrict or limit transactions or exercise of rights for the Funds, or limit the amount of voting securities purchased for the Funds or restrict the type of governance rights it acquires or exercises in connection with their investments in regulated industries.

*Concentration of Investments in the Healthcare and Technology Sectors.* Certain Funds' portfolio companies will be concentrated in the healthcare and technology sectors, which concentration may involve risks greater than those generally associated with diversified buyout funds, including significant fluctuations in returns. Both the healthcare and technology industries are challenged by factors such as rapidly changing market conditions and participants, new competing products, improvements in existing products and, in the case of the healthcare industry, pervasive regulatory requirements of federal and state governments. The Funds' portfolio companies may compete in this volatile environment. There is no assurance that the products or services sold by the Funds' portfolio companies will not be rendered obsolete or adversely affected by competing products or other challenges. Instability, fluctuation or an overall decline within the healthcare or technology industry will not be balanced by investments in other industries not so affected.

*Extensive Government Regulation of Certain Healthcare Portfolio Companies.* The extensive government regulation of the healthcare industry creates additional uncertainty and risks for certain Funds. Obtaining government approval is a lengthy and expensive process with an

uncertain outcome. Portfolio companies may be unable to obtain necessary regulatory approvals on a timely basis, if at all, for any of the products they are developing, and the failure to obtain regulatory approval could have a material, adverse effect on the success of the portfolio companies. Moreover, the current regulatory framework may change or additional regulations may arise at any stage during the product development phase of a portfolio company, which may affect such company's ability to obtain approval of its products.

*Continually Changing Regulatory Landscape of Healthcare.* Both the federal and state governmental authorities in the U.S. continue to propose and pass new legislation (including potential changes to The 2010 Patient Protection and Affordable Care Act (as amended by the Health Care and Education Affordability Reconciliation Act and otherwise, the "ACA")) affecting healthcare coverage and reimbursement policies, which are designed to contain or reduce the cost of medical products and services. There may be future changes that result in reductions in current coverage and reimbursement levels for current and future products and services, and the Adviser cannot predict the scope of any future changes or the impact that those changes would have on the operations or potential profitability of any of the Funds' portfolio companies. Any of these changes could negatively affect the future revenues and potential profitability of the Funds' portfolio companies.

*Industry Regulatory Risks.* There is no guarantee that the government's role in the healthcare industry will not adversely impact the performance of the Funds. In both U.S. and foreign markets, sales of a healthcare product and its success will depend in part on the availability of reimbursement from third-party payors such as government health administration authorities, private health insurers, managed care entities and other organizations. The levels of revenues and profitability of healthcare companies may be affected by the continuing efforts of governmental and third-party payors to contain or reduce the costs of healthcare or to establish protocols which effectively limit physicians' ability to select products and procedures. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. There can be no assurance that a company's proposed products will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment in product development.

The development, testing, manufacturing and marketing of certain products by healthcare companies are subject to extensive regulation by numerous governmental authorities in the United States and other countries. The process for obtaining approval by the U.S. Food and Drug Administration ("FDA") is typically costly and time consuming. Certain new products must undergo rigorous preclinical and clinical testing and an extensive regulatory approval process mandated by the FDA. Even if a company receives approval of the FDA to sell a product, such product will be subject to continued regulation by the FDA and other regulatory agencies. In addition, even if the regulatory approval of a product is granted, the approval may be subject to limitations on the uses for which the product may be marketed, or the conditions of approval, or certain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. Any adverse effects observed after the approval and marketing of a product could result in the withdrawal of the product from the marketplace.

*Health Research and Innovation.* The healthcare industry spends heavily on research and development. Research findings (e.g., regarding side effects or comparative benefits of one or more particular treatments, services or products) and technological innovation (together with patent expirations) may make any particular treatment, service or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available. Any such development could have a material adverse effect on the companies in which the Funds invest.

*Dependence on Patents, Trademarks and Other Intellectual Property.* Many healthcare and technology companies depend heavily on intellectual property rights, including patents, trademarks and servicemarks. The ability to effectively enforce patent, trademark and other intellectual property laws will affect the value of many of these companies. Patent disputes are frequent and can preclude commercialization of products, and patent litigation is costly and could subject a portfolio company to significant liabilities to third parties. Patent litigation that does not result in liability of the portfolio company may still be so costly as to adversely affect the performance of such portfolio company. The presence of patents or other proprietary rights belonging to other parties may lead to the termination of the research and development of a portfolio company's particular product.

*Risks Related to the Insurance Market.* Premium pricing within the property and casualty insurance market in which certain portfolio companies operate historically has been cyclical based on the underwriting capacity of the insurance carriers operating in this market and has been impacted by general economic conditions. In a period of decreasing insurance capacity, insurance carriers typically raise premium rates. This type of market frequently is referred to as a "hard" market. In a period of increasing insurance capacity, insurance carriers tend to reduce premium rates. This type of market frequently is referred to as a "soft" market. Because commission rates are usually calculated as a percentage of the gross premium charged for the insurance products that are placed, revenues are affected by the pricing cycle of the market. The frequency and severity of natural disasters and other catastrophic events can affect the timing, duration and extent of industry cycles for many product lines. It is very difficult to predict the severity, timing or duration of these cycles. The cyclical nature of premium pricing in the commercial property and casualty insurance market may make operating results volatile and unpredictable. Insurance companies are also susceptible to the effects of inflation due to premiums being established before the ultimate amounts of losses are known.

*Risks Related to Catastrophe Insurance Claims.* The insurance operations of certain portfolio companies expose them to claims arising out of unpredictable catastrophe events, such as earthquakes, hurricanes, windstorms, floods and other severe events. Furthermore, the actual occurrence, frequency and magnitude of such events are uncertain. While there can be no certainty surrounding the timing and magnitude of earthquakes, some observers believe that significant shifts in the tectonic plates, including the San Andreas Fault, may occur in the future. Over the past several years, changing weather patterns and climatic conditions, such as global warming, have added to the unpredictability and frequency of natural disasters in certain parts of the world, including the markets in which these portfolio companies operate. Climate change may increase the frequency and severity of extreme weather events. This effect has led to conditions in the ocean and atmosphere, including warmer-than-average sea-surface temperatures and low wind

shear that increase hurricane activity. Hurricane activity typically increases between June and November of each year, though the actual occurrence and magnitude of such events is uncertain. The occurrence of a natural disaster or other catastrophe loss could materially adversely affect the business, financial condition, and results of operations of portfolio companies. Additionally, any increased frequency and severity of such weather events, including hurricanes, could have a material adverse effect on the ability of portfolio companies to predict, quantify, reinsure and manage catastrophe risk and may materially increase their losses resulting from such catastrophe events.

*Risks Related to Emerging Claim and Coverage Issues.* As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect the business of a portfolio company by either extending coverage beyond the underwriting intent of a portfolio company or by increasing the number or size of claims. In some instances, these changes may not become apparent until some time after a portfolio company has assumed risks under a reinsurance contract that is affected by the changes.

Claim and coverage issues can arise when the application of insurance or reinsurance policy language to potentially covered claims is unclear or disputed by the parties. The monetary impact of certain claims also may be hard to predict or ascertain upon inception and potential losses from such claims can be significant. For example, the full extent of a portfolio company's liability and exposure from claims of 'bad faith' is not ascertainable until the claim has been presented and investigated.

As a result, the full extent of the liability of a portfolio company under insurance or reinsurance policies may not be known for many years after the policies are issued. Emerging claim and coverage issues could therefore have an adverse effect on a portfolio company's operating results and financial condition.

*Risks Related to Reinsurance.* A portfolio company may be subject to credit risk to the extent it provides reinsurance because the transfer of risk to a reinsurer does not relieve a reinsurance company of liability to the insured. Reinsurance companies may be negatively impacted or downgraded during difficult financial and economic conditions in the worldwide capital markets and economies. In addition, reinsurers may be unwilling to pay reinsurance providers even though they are able to do so, or disputes may arise regarding payment obligations. The failure of one or more reinsurers to honor their obligations in a timely fashion may affect a portfolio company's cash flows, reduce its net earnings or cause it to incur a significant loss. Disputes with reinsurers may also result in unforeseen expenses relating to litigation or arbitration proceedings. A reinsurer's inability or unwillingness to honor its obligations may negate the intended risk-reducing impact of reinsurance purchasing programs.

*Competition in the Insurance Market.* Certain portfolio companies face competition from other specialty insurance companies, standard insurance companies and underwriting agencies that may be larger and that have greater financial, marketing, and other resources. Some of these competitors also may have longer operating histories and more market recognition than a portfolio company does in certain lines of business.



In particular, competition in the insurance industry is based on many factors, including price of coverage, the general reputation and perceived financial strength of the company, relationships with brokers, terms and conditions of products offered, ratings assigned by independent rating agencies, speed of claims payment and reputation, and the experience and reputation of the members of a portfolio company's underwriting team in the particular lines of insurance and reinsurance it seeks to underwrite. In recent years, the insurance industry has undergone increasing consolidation, which may further increase competition.

A number of new, proposed or potential industry or legislative developments could further increase competition in the industry. These developments include:

- An increase in capital-raising by companies in a portfolio company's lines of business, which could result in new entrants to those markets and an excess of capital in the industry; and
- The deregulation of commercial insurance lines in certain states and the possibility of federal regulatory reform of the insurance industry, which could increase competition from standard carriers.

Increased competition in these markets could result in a change in the supply and demand for insurance, affect a portfolio company's ability to price its products at risk-adequate rates and retain existing business, or underwrite new business on favorable terms. If this increased competition so limits its ability to transact business, a portfolio company's operating results could be adversely affected.

*Government Regulation of the Insurance Industry.* Most insurance regulations are designed to protect the interests of insurance policyholders, as opposed to the interests of investors or stockholders. These regulations generally are administered by a department of insurance in each state and relate to, among other things, capital and surplus requirements, investment and underwriting limitations, affiliate transactions, dividend limitations, changes in control, solvency and a variety of other financial and non-financial aspects of our business. Significant changes in these laws and regulations could further limit a portfolio company's discretion or make it more expensive to conduct its business.

A portfolio company's business could be adversely affected by changes in state laws, including those relating to asset and reserve valuation requirements, surplus requirements, limitations on investments and dividends, enterprise risk and risk-based capital requirements, and, at the federal level, by laws and regulations that may affect certain aspects of the insurance industry, including proposals for preemptive federal regulation. The U.S. federal government generally has not directly regulated the insurance industry except for certain areas of the market, such as insurance for flood, nuclear and terrorism risks. However, the federal government has undertaken initiatives or considered legislation in several areas that may affect the insurance industry, including tort reform, corporate governance and the taxation of reinsurance companies.

*Service on Boards of Directors, Material Non-Public Information, Etc.* Individual members of the Adviser may serve as officers or directors of portfolio companies. In their capacity as officers or directors (or even simply by virtue of a Fund's status as a significant shareholder of a portfolio

company), such individuals may become subject to fiduciary or other duties which adversely affect the Funds and may subject the Adviser and the Funds to claims they would not otherwise be subject to, including claims of breach of duty of loyalty, securities laws claims and other director-related claims. In general, the Funds will indemnify the Adviser, and individual members of the Adviser for such claims. Additionally, the Funds may be unable to sell or otherwise dispose of an investment if a member of the Adviser is in possession of material, non-public information (“material non-public information”) relating to the issuer thereof due to the member’s service as an officer or director of such portfolio company. Additionally, the Funds’ governing documents will not preclude members of the Adviser or the Adviser from serving as officers or directors of portfolio companies or otherwise acquiring material, non-public information regarding portfolio companies. Conversely, the Funds’ governing documents will not require that members of the Adviser or the general partners serve as officers or directors of portfolio companies, and there can be no assurance that the Adviser or the general partners will have a legal right to influence the management of any portfolio company.

*Provision of Managerial Assistance.* The Adviser may obtain rights to participate in or influence the conduct of the management of the portfolio companies to which an investment related, which could expose the Adviser to claims by such portfolio company, its security holders and its creditors. If these liabilities were to occur, the Funds could suffer losses. Furthermore, the success of the Funds’ investment strategy depends on the effectiveness of efforts to improve the operating performance of portfolio companies following investment. Initiatives to achieve improvements in operating performance include, among others, introductions of new products, changes in sales, marketing and distribution methods, implementation of new sourcing arrangements, reductions in manufacturing, overhead and other costs, enhancements and changes in the management team and identification, and the consummation and integration of add-on acquisitions. The proper identification and implementation of initiatives important to achieve improved operating performance is difficult and often requires substantial resources. The capabilities and resources of a portfolio company, even with the assistance of the Adviser, may be insufficient to affect such proper identification and implementation, and there can be no assurance that portfolio companies will be successful in achieving improvements in operating performance. The failure to achieve improved operating results following investment is likely to lead to losses or poor returns on such investment. Some portfolio companies may depend for their success on the efforts of one person or a small group of persons whose death, disability, or resignation would adversely affect their businesses.

*Cash and Other Investments.* The Funds may invest all or a portion of their assets in cash or cash items for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items are generally required to be of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers’ acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-

U.S. issuers deemed to be creditworthy by the Adviser. The Funds may also hold interests in investment vehicles that hold cash or cash items. While investments in cash items generally involve relatively low risk levels, they may produce lower than expected returns, and could result in

losses. Investments in cash items and money market funds may also provide less liquidity than anticipated by the Funds at the time of investment.

*Future Techniques and Instruments.* The Funds may employ a variety of investment, hedging and financing techniques and invest in other instruments that the Adviser believes will help achieve a Fund's investment strategy, whether or not such techniques or instruments are specifically described herein. Consistent with their investment strategy, the Funds may invest in financial instruments of any and all types, which exist now or are hereafter created.

*Projections.* The Funds will from time to time rely upon projections, forecasts or estimates developed by the Funds or a company in which the Funds are invested or are considering making an investment concerning a company's future performance and cash flow. Projections, forecasts and estimates are forward looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond the Funds' control. Actual events may differ from those assumed. Some important factors which could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates and domestic and foreign business, market, financial or legal conditions, among others. Accordingly, there can be no assurance that estimated returns or projections can be realized or that actual returns or results for the Funds or their portfolio companies will not be materially lower than those estimated or targeted therein.

*Conflicting Interests of Investors.* The Funds are likely to have a diverse range of investors that may have conflicting interests stemming from various differences, including investment preferences, tax status and regulatory status and other conflicting interests. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by the Funds, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. The Adviser will consider the objectives of the Funds as a whole when making decisions with respect to the selection, structuring, and sale of Portfolio Investments. In voting on matters related to the Funds, each investor will be permitted to consider only its own interests and preferences, which may conflict with the interests and preferences of other investors, and no investor will owe a fiduciary duty to consider the interests of any other investors.

*Risk of Receiving Liquidating Distributions of Illiquid Securities.* The Funds may make distributions in kind. In the event that the distributions are of property other than cash, the amount of any such distribution will be accounted for as provided in the governing documents. Upon liquidation of the Funds, securities or other assets of the Funds may be distributed that are not marketable or are otherwise illiquid where there is no readily available public market and with respect to which there are substantial transfer restrictions. The risk of loss and delay in liquidating securities or other assets distributed in kind will be borne by the investors in a Fund, with the result that such investors may receive less cash than was reflected in the fair value of such securities as determined by the Adviser pursuant to the governing documents, and a general partner may receive more Carried Interest distributions than it would have been entitled to had such securities been

valued at the price at which they are ultimately disposed. In addition, when investments are distributed to investors in kind, such investors may become minority shareholders in the underlying portfolio companies and may be unable to protect their interests effectively. It may be difficult for investors to liquidate such securities received at an attractive price or within a desired time period, and significant administrative burden and cost may be involved in any such liquidation. Investors in receipt of such distributed securities will receive no guidance from the Funds or the Adviser with respect to the disposition of such securities, including the timing of such disposition.

*Financial Market Fluctuations and Political Measures.* The Funds' investment programs are intended to extend over a period of years, during which the business, economic, political, regulatory, social and technology environment within which the Funds operate may undergo substantial changes. General fluctuations in the market prices of securities may affect the value of the Funds' investments and instability in the securities markets will also likely increase the risks inherent in the Funds' investments. There can be no assurance that such economic and market conditions will be favorable in respect of both the investment and disposition activities of the Funds. In reaction to changing economic and market conditions, regulators in the United States and several other countries have undertaken in the past and may undertake in the future regulatory actions and implement other measures to ensure stability in the financial markets. Despite these efforts and the efforts of securities regulators of other jurisdictions, global financial markets could become and remain extremely volatile. In addition, new regulations could limit the Funds' activities and investment opportunities or change the functioning of capital markets. Unpredictable changes in social patterns and trends may have an impact on consumer behavior and create a negative effect on the profitability of the Funds' investment program.

The Funds' ability to realize investments depends not only on the portfolio companies and their historical results and prospects, but also on political, market, social and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance that the Funds will be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. The trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable the Funds to sell these securities when the Adviser believes it is most advantageous to do so. Renewed volatility in the financial sector may have a material adverse effect on the ability of the Funds to buy, sell and partially dispose of their portfolio investments. The Funds may be adversely affected to the extent that they seek to dispose of any of their investments into an illiquid or volatile market, and the Funds may find themselves unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise. The Funds' portfolio companies may depend on the availability of capital financed from third parties and to the extent such capital is not available on reasonable terms or at all, those of the Funds' portfolio companies that rely on such capital may be adversely impacted in a manner that they would not have been had they been able to access such capital. In addition, political measures taken in response to market practices or renewed economic instability in the United States or abroad may have an adverse impact on the Funds' investments.

*Political and Regulatory Environment Related to Financial Markets.* The range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict. The effect of any such political, regulatory, economic or market outcomes on the Funds could be adverse. For example, in reaction to economic events, regulators in the U.S. and several other countries have undertaken in the past and may undertake in the future regulatory actions and implement other measures to ensure stability in the financial markets. Despite these efforts and the efforts of securities regulators of other jurisdictions, global financial markets could become and remain extremely volatile.

The recent change in administration of the U.S. executive government, for example, has increased uncertainty regarding future political, legislative or administrative changes that may impact the Adviser, the Funds, the Funds' investments and the limited partners. Significant uncertainty remains in the market regarding the consequences of the change in administration, and the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict. Uncertainty regarding the consequences of the change in administration may have an adverse effect or may cause volatility in the U.S. or global economies and currency and financial markets in the short or long term, as well as the values of the Funds' investments and its ability to execute its investment strategy or the financial prospects of its investments. Such changes could impact the laws and regulations applicable to the Adviser, the Funds or its investments. While certain of such changes could beneficially impact the Funds or its investments, other changes may more beneficially impact competitors, or could adversely impact the Funds, its investments or the limited partners.

Certain of the Funds' investments may be materially adversely affected by the foregoing events, or by similar or other events in the future. In the longer term, there may be significant new regulations that could limit the Funds' or an underlying fund's activities and investment opportunities or change the functioning of capital markets. Consequently, the Funds may not be capable of, or successful at, preserving the value of their assets, generating positive investment returns or effectively managing their risks.

*Market Disruption, Terrorism and Geopolitical Risk.* The Funds are subject to the risk that war, terrorism, climate change, social unrest and related and unrelated geopolitical and other new or novel market disrupting events as well as outbreaks of infectious disease, pandemics or any other serious public concerns (cumulatively, "Market Disruption Events") may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of the Funds' investments. Those Market Disruption Events as well as other changes in world economic, social and political conditions also are likely to adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of the Funds' investments. At such times, the Funds' exposure to a number of other risks described elsewhere in this section can increase. The Adviser's financial condition is likely to be adversely affected by a significant general economic downturn and it may be subject to legal, regulatory, reputational and other unforeseen risks that are likely to have a material adverse effect on the Adviser's business and operations and thereby are likely to impact the Funds. Moreover, a sustained downturn in the U.S. or global economy (or any particular segment thereof) or weakening of credit markets is likely to adversely affect the Funds'

profitability, impede the ability of the Funds' portfolio companies to perform under or refinance their existing obligations, and impair the Funds' ability to effectively exit their investments on favorable terms. Any of the foregoing events are likely to result in substantial or total losses to the Funds in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a particular portfolio company's capital structure.

Market Disruption Events, as well as other events beyond the control of the Funds' portfolio companies (such as acts of God and natural disasters) may cause portfolio companies to be effected by force majeure events, which could adversely affect the ability of a portfolio company or a contractual counterparty to a portfolio company to perform certain contractual obligations until the force majeure event is remedied. The cost to a portfolio company or the Funds of repairing or replacing assets damaged by a force majeure event could be substantial. Repeated or prolonged interruptions of contractual obligations resulting from a force majeure event may result in permanent loss of portfolio company customers, litigation, or penalties from regulatory or contractual non-compliance. Additionally, major regulatory intervention of an industry, including the assertion of control over a portfolio company or its assets, may result in a loss to the Funds. Therefore, any effects of force majeure events, including any of the foregoing, may adversely effect the performance of the Funds. Certain catastrophic losses, such as those caused by war, terrorist attacks, natural disasters and other acts of God may be uninsurable, or insurable only at such high rates that to have such coverage would adversely affect profitability of the portfolio companies or the Funds. In particular, it has become harder and more expensive to obtain coverage against losses incurred by terrorist attacks, and some insurers exclude losses caused by terrorist attacks from their all-risk policies altogether. Insurance proceeds from covered risks may be inadequate to completely or even partially cover resulting losses in revenues or increases in expenses. The occurrence of a significant loss for which the Funds or their portfolio companies are not insured, or where the cost of such loss significantly exceeds the insurance coverage, may adversely affect the Funds and cause them to lose both invested capital and returns from an investment.

*Non-U.S. Trade Policy.* If the U.S. federal government continues to make significant changes in U.S. trade policy, including imposing tariffs on certain goods and raw materials imported into the United States, such actions may trigger retaliatory actions by the affected countries, resulting in "trade wars," which may cause increased costs for goods and raw materials imported into the United States, or in trading partners limiting their trade with businesses in the United States, either of which may have material adverse effects on a portfolio company's business and operations. Such "trade wars" may cause significant losses for the Funds and/or one or more of its portfolio companies.

*Risks Resulting from the United Kingdom's Exit from the EU.* The United Kingdom left the European Union on January 31, 2020 (commonly referred to as "Brexit"). During an 11-month transition period, the United Kingdom and the European Union agreed to a Trade and Cooperation Agreement which sets out the agreement for certain parts of the future relationship between the European Union and the United Kingdom from January 1, 2021. The Trade and Cooperation Agreement does not provide the United Kingdom with the same level of rights or access to all goods and services in the European Union as the United Kingdom previously maintained as a member of the European Union and during the transition period. In particular the Trade and

Cooperation Agreement does not include an agreement on financial services, which is yet to be agreed. Accordingly, uncertainty remains in certain areas as to the future relationship between the United Kingdom and the European Union.

From January 1, 2021, European Union laws ceased to apply in the United Kingdom. However, many European Union laws have been transposed into English law and these transposed laws will continue to apply until such time that they are repealed, replaced or amended. Depending on the terms of any future agreement between the European Union and the United Kingdom on financial services, substantial amendments to English law may occur, and it is impossible to predict the consequences on the Funds and their investments. Such changes could be materially detrimental to investors.

Although one cannot predict the full effect of Brexit, it could have a significant adverse impact on the United Kingdom, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the United Kingdom or the European Union, including companies or assets held or considered for prospective investment by the Funds.

The future application of European Union-based legislation to the private fund industry in the United Kingdom and the European Union will ultimately depend on how the United Kingdom renegotiates the regulation of the provision of financial services within and to persons in the European Union. There can be no assurance that any renegotiated terms or regulations will not have an adverse impact on the Funds and their portfolio companies, including the ability of the Funds to achieve their investment objectives. Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management due in part to redenomination of financial assets and liabilities, an adverse effect on our ability to manage, operate and invest the Funds and increased legal, regulatory or compliance burden for us and/or the Funds, each of which may have a negative impact on the operations, financial condition, returns or prospects of the Funds.

Areas where the uncertainty created by the United Kingdom's withdrawal from the European Union is relevant include, but are not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within European Union countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally. The volatility and uncertainty caused by the withdrawal may adversely affect the value of the Funds' portfolio companies and the ability to achieve the investment objectives of the Funds.

*Risks Related to Electronic Communication.* The Adviser will provide to investors statements, reports and other communications relating to the Funds and/or the investor's interest in electronic

form, such as email or via a password protected website (“Electronic Communications”). Electronic Communications may be modified, corrupted, or contain viruses or malicious code, and may not be compatible with an investor’s electronic system. In addition, reliance on Electronic Communications involves the risk of inaccessibility, power outages or slowdowns for a variety of reasons. These periods of inaccessibility may delay or prevent receipt of reports or other information by the investor.

*Cyber Security Risk.* The Funds depends heavily upon information technology systems to perform necessary business functions. The use of information technology systems presents cybersecurity risks to the Funds’ and Adviser’s operations and to their assets. These risks can include ransomware, malware, virus, denial-of-service and other types of cyberattacks, as well as attempts to “phish,” “spoof” or otherwise deceive individuals through email, messaging and other means of communication.

A variety of administrative and technical measures have been adopted that are intended to mitigate those risks. However, those measures may not always be effective, and the information technology systems the Funds and Adviser depend upon may experience successful cyberattacks that could result in unauthorized access, tampering or loss of data; disruption to or loss of access to data or information technology systems; and financial loss. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, the Adviser’s computer systems and networks, or otherwise cause interruptions or malfunctions in the Funds or the Adviser’s operations, which could result in reputational damage, financial losses, litigation, increased costs, and/or regulatory penalties.

An inability to block all cybersecurity attacks, as well as the occurrence of events unanticipated in disaster recovery systems and management continuity planning, also could impair the ability of the Funds to conduct business effectively. The occurrence of a disaster such as a cyberattack, a natural catastrophe, an industrial accident, events unanticipated in the Adviser’s disaster recovery systems, or a support failure from external providers, could have an adverse effect on the ability of the Funds to conduct business and on its results of operations and financial condition, particularly if those events affect computer-based data processing, transmission, storage, and retrieval systems or destroy data.

Third parties with which the Funds will do business may also be sources of cybersecurity or other technological risks. Certain functions are outsourced and these relationships allow for the storage and processing of the Funds’ and the Adviser’s information, as well as customer, counterparty, employee and borrower information. While the Adviser has adopted certain measures intended to reduce the risks associated with outsourcing, ongoing threats may result in unauthorized access, loss, exposure or destruction of data, or other cybersecurity incidents, with increased costs and other consequences, including those described above.

*Legal Risk, Litigation and Regulatory Action.* The Funds, the Adviser and their affiliates are subject to a number of risks, including changing laws and regulations, developing interpretations



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

Certain of the Funds' investments may be materially adversely affected by such events in the future. In the longer term, there may be significant new regulations that could limit the Funds' activities and investment opportunities or change the functioning of capital markets. Consequently, the Funds may not be capable of, or successful at, preserving the value of their assets, generating positive investment returns or effectively managing their risks. There can be no assurance the Funds will be able to achieve its investment objectives.

*Risks Related to Pandemics and Related Diseases.* The international transmission of COVID-19 has fundamentally changed the way humans experience life worldwide. From an economic perspective, efforts to contain the spread of COVID-19 have resulted in, and will continue to result in, for the foreseeable future, significant disruptions to business operations, supply chains and customer activity, lower consumer demand for certain goods and services, in person event cancellations and restrictions, school closures, service cancellations, reductions and other changes, significant challenges in healthcare service, preparation and delivery, as well as general concern and uncertainty. New variants and low rates of vaccination in certain areas of the world have hampered recovery efforts and continue to create further uncertainty. Even as restrictions have been lifted in certain jurisdictions, they have been reimposed in others, and this pattern is expected to continue for the foreseeable future as certain jurisdictions experience resurgences of COVID-19. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is likely to continue to contribute to market volatility, inflation, and systemic economic weakness. It is also likely to lead to future economic slowdown given unprecedented levels of government spending and fundamental disruption to the operation and existence of certain industries. Health crises caused by the outbreak of COVID-19 and the disproportionate impact of the pandemic on certain communities and industries has exacerbated pre-existing political, social, economic, market and financial risks. As the world adapts to a new outlook on how to balance the risk of illness against the desire for in person human connection, the COVID-19 pandemic and its effects are expected to continue through this year and beyond, and therefore the

future economic outlook, particularly for certain industries and businesses, is inherently uncertain.

All of the foregoing may have an adverse impact on the performance of certain of the Funds' investments, and the Funds' ability to raise capital, source new investments or to realize its investments. Additionally, the COVID-19 pandemic could also continue to have an acute effect on individual issuers or related groups and the industries in which certain portfolio companies operate. Certain portfolio companies of the Funds may operate in industries that have been particularly adversely affected by COVID-19. Uncertainty has caused and may continue to cause portfolio companies to delay, postpone or cancel initiatives or plans, has caused and may continue to cause them to increase their borrowing, and doing so would reduce their revenues. In addition, disruptions in the global supply chain continue, with dislocations occurring in shipping routes, ports, air cargo, trucking lines, railways, warehouses and other areas of the supply chain. This has led to shortages of manufacturing components, order backlogs, delivery delays and rising costs for transportation and consumer prices. All of these may have an adverse economic effect on the Funds' activities and its investments.

Since COVID-19 is present in jurisdictions in which the Adviser has offices or other operations or investments, it could affect the ability of the Adviser to operate effectively, including the ability of personnel to function, communicate and travel to the extent necessary to carry out the Funds' capital raising and investment strategies and objectives including, for example, conducting in-person meetings with investors and due diligence on potential investments. Certain conferences could be cancelled in the future or the Adviser's employees may be unable or unwilling to attend. Attendance by the Adviser, its employees and affiliates at industry conferences and events is a component of the Adviser's investment-sourcing and monitoring strategy and for the Funds in fundraising. Sickness of employees or the cancellation or suspension of industry events may adversely affect the Adviser's ability to source potential investment opportunities for the Funds and to gain meaningful insights in order to properly evaluate the risk/reward potential of investing or continuing to hold an investment in a particular industry sector or market and to raise additional funds. In addition, the Adviser's personnel and personnel of critical service providers to the Adviser or the Funds may become infected with COVID-19, which could impair the Adviser's ability to satisfy its obligations to the Fund, its investors, and pursuant to applicable law. The potential spread of COVID-19 among the Adviser's personnel could significantly affect the Adviser's ability to properly oversee the affairs of the Funds (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), resulting in the possibility of delays in the Funds' investment activities or operations. The full long-term effects, duration and ultimate costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

*Risks Related to Inflation.* Inflation is a sustained rise in overall price levels. Moderate inflation is associated with economic growth, while high inflation can signal an overheated economy. Inflation risk is the risk that the value of assets or income from investments will be less in the future as inflation decreased the value of money (i.e., as inflation increases, the values of the Funds' assets can decline). Inflation poses a "stealth" threat to investors because it reduces savings and investment returns. Central banks, such as the U.S. Federal Reserve, generally

attempt to control inflation by regulating the pace of economic activity. They typically attempt to affect economic activity by raising and lowering short-term interest rates. At times, governments may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity; conversely, governments can attempt to combat deflation with tax cuts and increased spending designed to stimulate economic activity. Inflation rates may change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and the Funds' investments may not keep pace with inflation, which may result in losses to the Funds and its investors.

*Tax Reform Risks.* On December 22, 2017, P.L. 115-97 (the "Tax Act"), originally introduced in Congress as the U.S. Tax Cuts and Jobs Act, was enacted. There continues to be uncertainty regarding certain aspects of this law and its application, and the current administration has announced that it is contemplating further legislation that may result in significant changes to the Internal Revenue Code of 1986, as amended. In addition, under current law, gains in respect of a general partner's right to Carried Interest will be subject to a three-year "holding period" in order to be classified as "long term capital gains," while the corresponding holding period requirement with respect to Fund investors is one year. This holding period requirement could affect investment decisions, including the timing and structure of dispositions, and could adversely impact returns for investors. For example, the holding period requirement may incentivize a general partner to cause a Fund to hold an investment for longer than three years in order for the general partner to obtain a preferential tax rate on Carried Interest, even if there are attractive realization opportunities prior to that time. Further, there are currently administrative and legislative proposals to further change the tax treatment of "carried interest" in ways that may be adverse to partners in the general partner. A general partner and the Adviser may take these potential adverse consequences into account in their management and operation of the Funds and in addressing these adverse consequences, the interests of a general partner and the Adviser, on the one hand, may diverge from the interests of the investors, on the other hand.

*Tax Risks.* Investment in the Funds carries certain tax risks. Each prospective investor should consult with its own tax advisor regarding federal, state, local and foreign tax considerations applicable to an investment in the Funds as they relate to its own tax situation.

*Phantom Income.* The Funds are expected to be treated as a partnership for U.S. federal income tax purposes. Each investor, in determining its U.S. federal income tax liability, will take into account its allocable share of items of income, gain, loss, deduction and credit of the Funds without regard to whether it has received distributions from the Funds. Accordingly, an investor's tax liability attributable to the Funds could exceed the cash distributions from the Funds in any year, and in such case, the investor would have to satisfy its tax liability arising from its investment in the Funds from the investor's own funds.

*Annual Tax Information.* It is likely that annual tax information from Fund investments will not be received in sufficient time to permit the Funds to incorporate such information into its annual tax information and distribute such information prior to April 15 of each year. As a result, investors may be required to obtain extensions for filing tax returns each year.

*Taxation in Local Jurisdictions.* The Funds or the investors may be subject to income or other tax in jurisdictions in which the Funds invest. Moreover, withholding tax or branch tax may be imposed on earnings of the Funds from investments in such jurisdictions. In addition, local tax incurred in such jurisdictions by the Funds or vehicles through which it invests may not be creditable to or deductible by the investors in their respective jurisdictions, including the United States. Finally, tax laws, regulations, tax treaties, as well as judicial and administrative interpretations thereof, may change, possibly with retroactive effect, in such a manner as to adversely impact a portfolio company's, the Funds' or an investor's tax treatment. In particular, the laws in some countries governing the tax treatment of investments outside such countries are evolving, and in some cases are being amended to increase the tax burdens imposed on private investment funds. Such developments could severely reduce the value of the Funds' investments, restrict the Funds' ability to realize income and capital gain on an efficient basis and/or eliminate the Funds' ability to make any investments in certain countries and certain of these developments may have a disproportionate effect on some or all partners. In addition, investments or operations by the Funds or its affiliates in certain countries could require the Funds or the partners to file tax returns, residency certifications or other information with the tax authorities in such countries.

*Absence of Investment Company Act Registration.* The Funds have not registered and does not intend to register with the SEC as an investment company pursuant to the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), in reliance upon an exemption available to privately offered investment companies and, accordingly, the provisions of the Investment Company Act are not applicable to the Funds. As a result, certain protections of the Investment Company Act which, among other matters, (i) requires most registered investment companies to have a majority of disinterested directors, (ii) requires securities to be held by a qualified custodian in an account segregated for and in the name of the investment company, (iii) places restrictions on certain investment practices, such as short sales and leverage, and (iv) regulates the relationship between the investment adviser and the investment company, will not be afforded to the investors.

If the SEC or a court of competent jurisdiction were to find that the Funds are required to have registered as an investment company but in violation of the Investment Company Act had failed to, possible consequences include, but are not limited to, the following:

- The SEC could apply to a district court to enjoin the violation;
- Investors could sue the Funds and recover any damages caused by the violation; and
- Any contract to which the Funds is party that is made in, or whose performance involves, a violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act.

Should the Funds be subjected to any or all of the foregoing, the Funds would be materially and adversely affected.

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

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

The general partner or the Adviser has decided not to market the Funds at its own initiative or otherwise take any other action that would result in the AIFMD or the AIFM Law applying to the general partner, the Adviser or the Funds. Accordingly, the general partner or the Adviser shall only accept investors where the general partner or the Adviser concludes that such investors approached the general partner or the Adviser in relation to the Funds at their own initiative or that the AIFMD or the AIFM Law would not otherwise apply to the general partner, the Adviser or the Funds or any person acting on their behalf. There is a risk that an EEA Member State or UK regulatory or governmental authority may reach a different conclusion than the general partner or the Adviser and find that the AIFMD or the AIFM Law does apply to the general partner, the Adviser or the Funds. Such a finding may result in a regulatory or governmental authority or court in one or more EEA Member States or the UK requiring the general partner, the Adviser or the Funds to return any capital or other funds to investors or otherwise seeking to take other enforcement or remedial action against the general partner, the Adviser and/or the Funds. This may result in a reduction in the overall amount of capital available to the Funds that limits, in turn, the range of investment strategies and investments that the Funds are able to pursue and make or otherwise result in a loss to the Funds.

The decision not to market the Funds in any EEA Member States or the UK may also result in a reduction in the overall amount of capital available to the Funds that limits, in turn, the range of investment strategies and investments that the Funds are able to pursue and make.

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

*ERISA Considerations.* The general partner will exercise its reasonable best efforts to conduct the affairs of the Funds in such a manner so that its investments will not be regarded as “plan assets” subject to the provisions of ERISA and the prohibited transaction provisions of Section 4975 of the Code. If the Funds were at any point deemed to hold “plan assets” under ERISA, its operations and investments could be limited, resulting in a lower return to the Funds than might otherwise be the case. Further, unless the general partner and the Adviser operated the Funds and its investments in accordance with ERISA and the prohibited transaction provisions of the Code, they could be exposed to litigation, penalties and liabilities that might adversely affect their ability to fully satisfy their obligations to the Funds. If the general partner elects to operate the Funds so that it qualifies as a “venture capital operating company” or other

“operating company” in order to avoid holding “plan assets” (each, within the meaning of ERISA), the Funds may be restricted or precluded from making certain investments. In addition, such avoidance could require the general partner to liquidate or dispose of Funds investments at a disadvantageous time, resulting in lower proceeds to such Fund than might have been the case without the need for such compliance.

*Defined Benefit Pension Plan Liabilities.* As a result of its equity ownership, representation on the board of directors and/or contractual rights, the Funds may be deemed to control, participate in the management of or influence the conduct of one or more of its portfolio companies. This could expose the assets of the Funds to claims by a portfolio company, its other security holders, its creditors or governmental agencies. In addition, if the Funds hold 80% or more of the interests in a portfolio company and the Funds are found to be a “trade or business” under ERISA, a court could find that the Funds are jointly and severally liable with the portfolio company for any withdrawal liability with respect to a multiemployer pension plan which the portfolio company withdraws or is deemed to withdraw from. There is also a risk that the Funds could be deemed to be part of a “partnership-in-fact” with certain co-investors based on joint investment and other activities. This is currently an unsettled area of law, which is subject to recent litigation in the First Circuit Court of Appeals and ongoing litigation in the district courts, and significant questions remain regarding the potential application of these theories to similar factual situations. If the Funds were to be deemed a “trade or business” with the requisite level of ownership of an investment, either alone or in concert with other investors, the Funds could face liability with respect to the pension plans of its portfolio companies. In addition, it is possible that a court could expand this theory to cause multiple portfolio companies of the Funds to be treated as a controlled group or under common control, and thereby be liable for these funding obligations.

*CFIUS & National Security/Investment Clearance.* Certain investments by the Funds that involve a business connected with or related to national security (including, without limitation, critical technology, critical infrastructure, or sensitive data) may be subject to review and approval by the U.S. Committee on Foreign Investment in the United States (“CFIUS”) and/or non-U.S. national security/investment clearance regulators. In the event that CFIUS or another regulator reviews one or more of the Funds’ proposed or existing investments, it is possible that CFIUS or another regulator will seek to impose limitations on or prohibit one or more of the Funds’ investments or unwind a transaction. Such limitations or restrictions may prevent the Funds from pursuing certain investments, cause delays with respect to consummating such investments or require the Funds to consummate an investment on terms that are less advantageous than would be the case absent such restrictions. Where the Funds are required to unwind a transaction, in addition to incurring additional legal, administrative and other costs, the Funds may have to dispose of the investment at a price that is less than it would have received had the Funds exited the investment at a different time or under different circumstances. Any of these outcomes could adversely affect the Funds’ performance with respect to such investments, and thus the Funds’ performance as a whole.

*Anti-Corruption & Anti-Boycott Considerations.* The U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act (“UKBA”) and other anti-corruption and anti-bribery laws, as

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

*Economic Sanctions Laws.* Economic sanction laws in the United States and other jurisdictions may prohibit the Adviser, the Adviser's professionals and the Funds from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at <http://www.treas.gov/ofac>. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may significantly restrict the Funds' investment activities in certain countries.

*Public Disclosures; Freedom of Information Act.* Certain investors or their beneficial owners may be subject to state public records or similar freedom of information laws, which may compel public disclosure of confidential information regarding the Funds, the portfolio companies and the other investors, and the Funds may be required to disclose otherwise confidential information. The amount of information about the investments made by certain investors that is required to be disclosed has increased over time, and that trend may continue. To the extent that disclosure of confidential information relating to the Funds is required, the Funds and its portfolio companies may be adversely affected. The general partner may, in order to prevent any such potential disclosure, withhold information otherwise to be provided to such public investors, unless such investors and the general partner agree upon other mutually agreeable means of providing such information to the investor that would be legally sufficient to prevent such disclosure. Similarly, due to confidentiality concerns, certain portfolio companies may not permit the Funds to fully disclose information regarding

the portfolio company. Due to these considerations, the general partner will not be able to provide information that an investor finds necessary to meet its own legal obligations. Conversely, potential future regulatory changes applicable to investment advisors and/or the accounts they advise could result in the Adviser and/or the portfolio companies becoming subject to additional disclosure requirements the specific nature of which is as yet uncertain. There can be no assurance that any confidential information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which the Funds, the general partner, the Adviser, their affiliates, portfolio companies or service providers to any of them may be or become subject.

*Data Protection Laws.* Compliance with current and future privacy, data protection and information security laws, and the ways that these are applied or interpreted by regulators and courts, could significantly impact the Funds' current and planned privacy and information security-related practices, as well as its collection, use, sharing, retention and safeguarding of personal data and some of its current and planned business activities. A failure to comply with such laws could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business, as well as have an impact on the reputation of the Funds, the general partner, the Adviser and their affiliates.

*Legal Counsel.* Ropes & Gray LLP currently serves as counsel ("Counsel") for the Funds, the general partner, the Adviser, and their affiliates. Counsel renders legal services to the Funds, the general partner, the Adviser, and their affiliates and has not been engaged by the Funds, the general partner, the Adviser, or their affiliates to represent the interests of any investor in the Funds in connection with this offering of interests. No independent counsel has been retained to represent the investors. Prospective investors should seek their own legal, tax and financial advice before making an investment in the Funds. Counsel may be removed by the general partner at any time without the consent of, or notice to, the investors. In addition, Counsel does not undertake to monitor the compliance of the Funds, the general partner, the Adviser or their affiliates with the investment program, investment strategies, investment restrictions and other guidelines and terms set forth in the partnership agreement, nor does Counsel monitor compliance with applicable laws. Counsel has not investigated or verified the accuracy and completeness of information set forth concerning the general partner, the Adviser or their affiliates and personnel.

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



techniques employed will be successful. Considering ESG qualities when evaluating an investment may result in the selection or exclusion of certain investments based on the Adviser's view of certain ESG-related and other factors, and carries the risk that the Adviser may underperform funds that do not take ESG-related factors into account because the market may ultimately have a different view of a particular company's performance than that anticipated by the Adviser.

Consideration of ESG factors may affect the Adviser's exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact the Adviser's performance depending on whether such investments are in or out of favor. Applying impact investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Adviser or any judgment exercised by the Adviser will reflect the beliefs or values of any particular investor. In evaluating a company, the Adviser is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause the Adviser to incorrectly assess a company's ESG practices and/or related risks and opportunities. ESG-related practices differ by region, industry and issue and are evolving accordingly, and a company's ESG-related practices or the Adviser's assessment of such practices may change over time.

*Climate Change.* The Funds may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the Funds' business and operations. Physical impacts of climate change may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the Funds may be vulnerable to the following: risks of property damage to the Funds' investments; indirect financial and operational impacts from disruptions to the operations of the Funds' investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the Funds' investments; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the Funds' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

*Misconduct of Employees and of Third-Party Service Providers.* Misconduct by employees of the Adviser, or by third-party service providers to the Adviser could cause significant losses to the Funds. Such misconduct may include, without limitation: binding the Funds to transactions that present unacceptable risks and unauthorized activities (including entering into transactions without authorization); concealing unsuccessful activities (which, in either case, may result in

unknown and unmanaged risks or losses); improperly performing administrator or other responsibilities; failure to comply with operational and risk procedures, including due diligence procedures; misrepresentations as to investments being considered by the Adviser and non-compliance with applicable laws or regulations; and/or concealing any of the foregoing. In addition, employees and third-party service providers may improperly use or disclose confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the Funds' business prospects or future marketing activities. Although the Adviser has adopted measures reasonably designed to prevent and detect employee misconduct, to minimize the risk of such misconduct occurring and to select reliable third-party providers, such measures may not be effective in all cases and the Funds may suffer reputational damage, litigation, business disruption and/or financial losses.

*LIBOR Replacement Risk.* Payment obligations, financing terms and investments in many financial instruments (including debt securities and derivatives) may be tied to floating rates, such as the London Interbank Offered Rate ("LIBOR"). In 2017, the UK Financial Conduct Authority ("FCA") announced its intention to cease compelling banks to provide the quotations needed to sustain LIBOR after 2021. ICE Benchmark Administration, the administrator of LIBOR, ceased publication of most LIBOR settings on a representative basis at the end of 2021 and is expected to cease publication of a majority of U.S. dollar LIBOR settings on a representative basis after June 30, 2023. In addition, global regulators have announced that, with limited exceptions, no new LIBOR-based contracts should be entered into after 2021. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies (e.g., the Secured Overnight Financing Rate for U.S. dollar LIBOR and the Sterling Overnight Interbank Average Rate for GBP LIBOR). Various financial industry groups have been planning for the transition away from LIBOR, and markets are developing in response to these new rates, but questions around the liquidity of the new rates and how to appropriately adjust these rates to eliminate any economic value transfer at the time of transition remain a significant concern. It is difficult to predict the full impact of the transition away from LIBOR on the Funds. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments held by the Funds or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses for the Funds. Since the usefulness of LIBOR as a benchmark could also deteriorate during the transition period, effects could occur at any time.

*Russian Invasion of Ukraine.* On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People's Republic and Luhansk People's Republic regions). The following day, the United States, United Kingdom and European Union announced sanctions against Russia. On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, including Russia's forces pre-positioned in Belarus. In response, the United States, United Kingdom, and European Union imposed further sanctions designed to target the Russian financial system, and thereafter a number of countries have banned Russian planes from their airspace. Further sanctions may be forthcoming, and the U.S. and allied countries have recently announced they are committed to taking steps to prevent certain Russian banks from accessing international payment systems. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to

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

This list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in connection with the Adviser's investment portfolio or the management of the Funds. In addition, prospective investors should be aware that, as the Funds' investment portfolios develop and change over time, the Funds may be subject to additional and different risks.

**Item 9: Disciplinary Information**

To the Adviser's knowledge, there are no legal or disciplinary events that are material to an investor's or prospective investor's evaluation of the Adviser or the Funds.

**Item 10: Other Financial Industry Activities and Affiliations**

Various limited liabilities companies serve as general partners of the Funds, and are related persons of the Adviser. For a description of material conflicts of interest created by the relationship among the Adviser and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

The Adviser also serves as the managing member to SkyKnight Income Alpha, LLC, SkyKnight Income II, LLC, SkyKnight Aero Holdings LLC, and SkyKnight Capital Fund II Annex LLC.

The Adviser has entered into a consulting agreement with an unaffiliated investment adviser whereby the Adviser serves as an independent contractor providing advice related to the insurance industry, and receives compensation for work performed on a quarterly basis as set forth in the consulting agreement.

Related persons of the Adviser may serve as directors and officers of, and provide advice to, publicly traded companies and private companies. Investors should be aware that receipt of material non-public information by Adviser's related persons regarding these companies could preclude the Adviser from effecting transactions in the securities of such companies. Compensation, if any, for directorships with portfolio companies of the Funds is transferred for the benefit of the relevant Fund as "transaction fees." These activities and affiliations facilitate the Adviser's investment strategy and its management of client portfolios.

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

To avoid any potential conflicts of interest involving personal trades, the Adviser has adopted a Code of Ethics, which requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

The Adviser's Code of Ethics also requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Adviser with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of the Adviser's Code of Ethics shall be provided to any client or prospective client upon request. You may contact the CCO, Mara Hunt, via email at [mara@skyknightcapital.com](mailto:mara@skyknightcapital.com) or at (415) 914-0780.

*Conflicts of Interest*

The Adviser and its affiliates may engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing transaction-related, management, advisory, financial advisory, consulting and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of

the Funds or the investors may from time to time conflict with the interests of the Adviser, any other investment funds or accounts from time to time managed by the Adviser or its affiliates (collectively with the Fund, the “Related Funds”) or with their respective affiliates. In addition, there may be instances when the interests of the Funds and the investors of other Related Funds conflict. The conflicts of interest that may be encountered by the Funds include those discussed below, although the discussion below does not describe all of the conflicts that may be faced by the Funds.

### *Resolution of Conflicts*

- In the case of all conflicts of interest, the Adviser’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser’s best judgment, but in its sole discretion. In resolving conflicts, the Adviser considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest: The Adviser will consider the appropriateness of an investment from the viewpoint of a Fund;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the governing documents for the Funds;
- Generally, each Fund has established an advisory committee, consisting of representatives of investors not affiliated with the Adviser. The advisory committees meet as required to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price;
- The Adviser has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest;
- Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund; and

While the Adviser endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions.

*Portfolio Fees*

The Adviser and its affiliates may, from time to time, perform transaction-related, management, advisory, financial advisory, consulting and other services for, and will receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, which fees will be in addition to the management fee and the carried interest paid by the Funds (such fees, together with the other fees described in this paragraph, but, for the avoidance of doubt, excluding the management fee and the carried interest, the “Portfolio Fees”). Portfolio Fees will also typically include fees received by the Adviser and its affiliates in connection with service on the board of directors of a portfolio company, and break-up fees in connection with unconsummated transactions. The Adviser and its affiliates may also receive “monitoring fees” pursuant to monitoring agreements with portfolio companies of the Funds governing the advice, consultation and other similar ongoing services provided by the Adviser to such portfolio companies (the terms of which may include annual automatic renewals or the payment of fixed fees or fees calculated as a percentage of EBIDTA or similar performance metric). The amount and timing of such Portfolio Fees are generally specified in the agreement or other documentation governing the transaction.

There are certain circumstances (such as the occurrence of an initial public offering or strategic exit) which accelerate the payment of such fees. Because the agreements with portfolio companies providing for such fees generally have extended terms (often ten years or more and/or subject to automatic extensions and renewal), the effect of such acceleration is substantial, particularly in the event such circumstances occur early in the life of the Fund’s investment in such portfolio company.

The management fees payable by the Funds will be reduced by 100% of the Funds’ pro rata share of Portfolio Fees received by the Adviser and its affiliates and their respective professionals to the extent such Portfolio Fees exceed the costs incurred in providing management and other operating services (including, without limitation, the compensation and other costs of third party operating partners, consultants, portfolio executives or similar parties) giving rise to such Portfolio Fees. As described in “Allocation of Expenses” below, the Adviser and its affiliates and their respective professionals may be reimbursed by a portfolio company or a prospective portfolio company for any costs incurred in connection with activities related to such portfolio company or prospective portfolio company, and any such reimbursement will not be a “Portfolio Fee” or reduce the management fee.

*Fund Expenses*

The Adviser will be responsible only for its expenses incurred in providing services to the Funds pursuant to the investment and advisory agreement in exchange for the management fee. All other expenses incurred in the operation or management of the Funds will be borne by the Funds or, if paid by the general partner, the Adviser or their respective affiliates, will be reimbursed by the Funds. Expenses relating to research, discovery, sourcing, investigation, negotiation, structuring, making, holding, developing, operating, managing, monitoring or disposing of investments may be borne by the Funds even if such expenses are not related to a specific transaction (including without limitation, attendance or participation at industry conferences and

travel to meet with investment banks, financial intermediaries or other potential sources of transactions). Expenses of the types borne by the Funds but associated with feeder fund organized to facilitate the participation of certain investors in the Funds (including, without limitation, expenses of accounting and tax services) may be borne by the Funds.

A portfolio company will typically reimburse the Adviser for expenses incurred by the Adviser in connection with its performance of services for such portfolio company. To the extent not reimbursed by a portfolio company, such expenses will be paid or reimbursed by the Funds as described above. Expenses typically reimbursed by portfolio companies include, without limitation, travel expenses (which may include expenses for chartered or first-class travel, and meals and entertainment expenses (including, as applicable, closing dinners and mementos, cars and meals (outside normal business hours), social and entertainment events with portfolio company management, customers, clients, borrowers, brokers and service providers)), expenses relating to training programs, meetings or other events (to the extent such programs, meetings or events are attended by portfolio company personnel), expenses relating to hiring portfolio company personnel (including background checks, recruiting and relocation expenses), indemnification expenses, certain legal expenses and similar out-of-pocket expenses, as well as consulting fees and other cash and non-cash compensation and expenses. As described above, such reimbursements are not subject to the management fee offset mechanisms described in “Portfolio Fees.”

In addition to arrangements where the Adviser or its affiliates may receive reimbursements of expenses, the Adviser will make recommendations regarding the engagement of services providers or the incurrence of expenses by the Funds. Because certain expenses are paid for by the Funds and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by the Funds and/or its portfolio companies, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing the Funds or its portfolio companies to incur) such expenses.

#### *Allocation of Investment Opportunities*

In connection with its investment activities, the Adviser may encounter situations in which it must determine how to allocate investment opportunities among various persons, which may include:

- The Funds;
- The other Related Funds;
- Any co-investors or co-investment vehicles that have been formed to invest side-by-side; with the Funds or one or more of the other Related Funds;
- Personnel of Adviser; and
- Other third parties.

The Adviser and its affiliates may, from time to time, be presented with investment opportunities that fall within the investment objective of the Funds and any other Related Funds. Other Related Funds may invest in assets eligible for purchase by the Funds. The investment policies, fee arrangements, carried interest, investments owned by employees of the Adviser or its affiliates with respect to the Funds, and other circumstances of the Funds, may vary from those with respect to other Related Funds. These relationships may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to the Funds. Subject to any requirements of the governing instruments of the Funds and the other Related Funds, opportunities for investments (including follow-on investments) and expenses and fees will be allocated among the Funds and the other Related Funds in a manner and on terms that the Adviser and its affiliates, as well as the respective general partners of the Funds and the other Related Funds, believe in their sole discretion to be appropriate given factors they believe to be relevant, including: each fund's investment objective and investment focus, transaction sourcing (and with respect to an investment opportunity originated by a third party, the relationship of a particular fund to or with such third party), each fund's liquidity and reserves (including whether a fund is able to commit to invest all capital required to consummate a particular investment opportunity), diversification (including the actual, relative or potential exposure of a fund to the type of investment opportunity in terms of its existing portfolio), lender covenants and other limitations, any "ramp-up" period of a newly established fund, amount of capital available for investment by each fund as well as projected future capacity for investment (including whether a fund is able to invest all capital required to consummate a particular investment opportunity), each fund's targeted rate of return, stage of development of the prospective investment or anticipated holding period of the investment, composition of a fund's portfolio and each fund's investment concentration parameters (including, without limitation, parameters such as geography, industry, issuer volatility, leverage or other similar risk metrics), suitability as a follow-on investment for a current investment of a fund or to upsize an existing investment, the use of leverage in the proposed capital structure, the availability of other suitable investments for each fund, supply or demand of an investment opportunity at a given price level, risk considerations, cash flow considerations, the centrality of an investment to a fund's strategy, asset class considerations, the seniority of an investment and other capital structuring criteria, industry and other target allocations, tax and accounting implications, minimum and maximum investment size requirements, whether an investment opportunity requires additional consents or authorizations from the fund or third parties, whether an investment opportunity would enable a fund to qualify for certain programmatic benefits or discounts that are not readily available to the other Funds, including, but not limited to, the ability to enter into credit arrangements with certain financial or government institutions or legal, contractual or regulatory constraints.

The application of the factors set forth above will often result in allocation on a non-pro rata basis and there can be no assurance that the Funds will participate in all investment opportunities that fall within its investment objectives. The Adviser makes allocation determinations based solely on the Adviser's expectations at the time such investments are made, however investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for the Funds or other Related Funds in hindsight.

Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. For example, in allocating an investment opportunity among



Related Funds with differing fee, expense and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Related Funds from which the Adviser or its related persons derive, directly or indirectly, higher fees, compensation or other benefits. Notwithstanding the foregoing, the Adviser will seek to make all allocations of investment opportunities among the Funds and the other Related Funds in a fair and equitable manner, and will not favor or disfavor, consistently or consciously, any account in relation to any other account. Further, the Adviser will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by the Funds or any other Related Funds or (ii) the profitability of the Funds or any other Related Funds. While the Adviser determines how to allocate investment opportunities in its sole discretion, there can be no assurance the Funds' actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed here, did not exist.

In addition, principal executive officers and other personnel of the Adviser, and certain service providers to the Funds and/or the portfolio companies, invest in and/or alongside the Funds and any other Related Funds and will therefore participate in investments made by the Funds and any other Related Funds. The interests of such personnel will vary fund by fund and may create an incentive to allocate particularly attractive investment opportunities to the Funds in which such personnel hold a greater interest. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to the Funds.

A conflict also arises in allocating an investment opportunity if the potential investment target could be acquired by either the Funds or Related Funds. In addressing this and various other conflicts among the Funds and other Related Funds, the following factors generally mitigate, but will not eliminate, conflicts of interest among the Funds and the other Related Funds:

- The Funds will not make any investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of the Funds;
- The Advisory Committee of a Fund and each other Related Fund, whose members are not affiliated with the Adviser of such fund, play an important role in resolving conflicts of interest by approving or disapproving the appropriateness of decisions that involve significant conflicts of interest referred to it by the appropriate Related Fund's Advisers;
- Where the Adviser or one or more of its affiliates deems appropriate in its sole discretion, unaffiliated third parties will be used to help resolve conflicts such as the use of an investment banker to opine as to the fairness of a purchase or sale price. In addition, the willingness of a third party to make an investment on the same terms as a Related Fund would demonstrate the fairness of the transaction to such Related Fund; and

- The Adviser has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest.

While the Adviser endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions.

### *Allocation of Fees and Expenses*

Subject to the terms of the partnership agreement, the Adviser will allocate fees and expenses incurred in connection with the operations and management of the Funds between the Adviser and the Funds in its sole discretion, in each case using good faith and its best judgment. From time to time, the Adviser will be required to decide whether certain fees, costs and expenses should be borne by the Adviser, the Fund, Related Funds, a portfolio company, co-investors and/or a third party (each, an “Allocable Party”) and, if so, how such fees, costs and expenses should be allocated among the relevant Allocable Parties. Certain fees, costs and expenses may be the obligation of one particular Allocable Party and may be borne by such Allocable Party, or fees, costs and expenses may be allocated among multiple Allocable Parties. The Adviser will make allocation determinations among Allocable Parties in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation (which such methodologies may include pro rata allocation based on the respective capital subscriptions of the Funds and a Related Fund, pro rata allocation based on the respective investment (or anticipated investment) of an Allocable Party in an investment, relative benefit received by an Allocable Party, or such other equitable method as determined by the Adviser in its sole discretion). Notwithstanding the foregoing, the portion of an expense allocated to the Funds for a particular service may not reflect the relative benefit derived by the Funds from that service in any particular instance and the Funds will bear more or less of a particular expense based on the methodology used. The Adviser will make any corrective allocations and take any mitigating steps if it determines in its sole discretion that such corrections are necessary or advisable to ensure allocations are equitable on an overall basis in its good faith judgment.

The appropriate allocation among the Funds and other Related Funds of expenses and fees generated in the course of evaluating and making investments often may not be clear, especially where more than one Related Fund participates. For instance, if the Funds and another Related Fund are considering making an investment that is not consummated, allocation of the expenses generated for the account of such Related Funds (such as expenses of common counsel and other professionals) will be made in good faith. Such expenses are typically not allocated to co-investment vehicles. In general, the Adviser will resolve all such matters using its best judgment, considering all factors it deems relevant, but in its sole discretion.

If a proposed transaction is not consummated, the full amount of any expenses relating to such proposed but not consummated transaction (“Dead Deal Costs”) would therefore be borne by the Funds. Dead Deal Costs may include, among other things, legal, accounting, advisory, consulting or other third-party expenses (including amounts payable to Operations Support Providers (as defined below in “Providers of Operations Support”) and other third parties), any

travel and travel- related expenses, all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment (including commitment fees), any break-up fees, reverse termination fees, topping, termination or other similar fees, extraordinary expenses such as litigation costs and judgments and other expenses, and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated.

The Adviser or one of its affiliates may provide certain legal, regulatory, tax, accounting, administration and similar services to the Funds and the Funds may bear its allocable portion of the fees (including, without limitation, salary, bonus payroll taxes and benefits), costs and other expenses (including an allocable portion of personnel and related overhead expenses including, without limitation, rent, property taxes and utilities allocable to the workspaces) attributable to such services. It is expected that the services provided will expand over time. The Adviser believes that any conflict of interest with respect to such fees, costs and other expenses is mitigated by the following requirements:

- Such services would, in the ordinary course, otherwise be provided by third-party service providers and such fees, costs and other expenses would be expenses of the Funds if such services were provided by third-party service providers;
- The Adviser reasonably believes that it is in the interests of the Funds to have in-house personnel perform such services rather than third-party service providers; and
- The costs of providing such services are no greater than the amount that would be charged by third-party service providers providing such services in an arm's-length transaction.

While the Adviser may (in its discretion) obtain benchmarking data regarding third-party rates for similar services, relevant comparisons may not be available for a variety of reasons, including as a result of lack of a substantial market of providers or users for such service, confidentiality reasons and the bespoke nature of certain services. As a result, market comparisons may not (and often do not) result in precise comparable data for certain services.

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

Subject to any restrictions set forth in the partnership agreement, the Adviser, its affiliates, and partners, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to the Funds. Employees may also buy securities in transactions offered to but rejected by the Funds. A conflict of interest may arise because such investing employees will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by the Adviser on behalf of the Funds. In such circumstances, the investing employees will not share or reimburse the Funds and/or the Adviser for any expenses incurred in connection with the investment opportunity.

In addition, employees also buy securities and hold interests as passive investors in other investment vehicles (including private equity funds, hedge funds, real estate funds and other

similar investment vehicles) which may include potential competitors of the Funds and/or which may invest in similar industries and sectors as the Funds. Such employees have a conflict of interest with respect to their personal investment holdings. There could be situations in which such investment vehicles invest in the same portfolio companies as the Funds, and there may be situations in which such investment vehicle purchases securities from, or sells securities to, the Funds. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. Such personnel may be incentivized to cause the Funds to act in a manner that benefits such other investment vehicles and indirectly, themselves as investors in such investment vehicles.

The transactions described above are subject to the policies and procedures set forth in the Adviser's Code of Ethics, and investors will not benefit from any such investments by the employees.

Employees have family members that are actively involved in industries and sectors in which the Funds invests or has business, personal, financial or other relationships with companies in such industries and sectors (including service providers described below) or other industries, which gives rise to conflicts of interest. For example, such family members might be officers, directors, personnel or owners of companies which are actual or potential investments of the Funds or other counterparties of the Funds and the portfolio companies. Moreover, in certain instances, the Funds or the portfolio companies may purchase or sell companies or assets from or to, or otherwise transact with companies that are owned by such family members or in respect of which such family members have other involvement. The partnership agreement will not preclude the Funds from undertaking any of these investment activities or transactions.

From time to time, employees may invest in funds or other entities managed by investors, which could incentivize such employees to afford the investor preferential or favored treatment, such as, for example, increased access to co-investment opportunities, and could create conflicts of interest to the extent such other funds compete with the Funds for investment opportunities or invest in competing portfolio companies.

### *Conflicts Relating to Co-Investment Opportunities*

The Adviser expects that it will from time to time determine that it is desirable for all or any portion of an investment opportunity to be purchased by third parties, including, without limitation, Limited Partners, strategic partners, other investors or such persons acting as finders or brokers of transactions. No Limited Partner has a right to participate in any such co-investment opportunities ("Co-Investment Opportunities") and investing in the Funds do not give any rights, entitlements or priority to Co-Investment Opportunities. Decisions regarding whether and to whom to offer such Co-Investment Opportunities, as well as the applicable terms on which a co-investment is made, are made in the sole discretion of the Adviser. Such Co-Investment Opportunities typically will be offered to some and not other Limited Partners, in the sole discretion of the Adviser, and Limited Partners may be offered a smaller amount of Co-Investment Opportunities than originally requested and/or fewer Co-Investment Opportunities than other Limited Partners with the same, larger or smaller capital subscriptions. In addition, certain persons other than Limited Partners (e.g., other Related Funds, consultants, joint venture

partners, investing employees, persons associated with a portfolio company and other third parties including persons who the Adviser believes will provide a benefit to the Funds or another Related Funds and/or one or more portfolio companies or who provide a strategic sourcing or similar benefit to the Adviser, the Funds, another Related Funds and/or a portfolio company and one or more of their respective affiliates, due to industry or regulatory expertise or otherwise), rather than one or more Limited Partners, will from time to time be offered such Co-Investment Opportunities, in the sole discretion of the Adviser. Each Co-Investment Opportunity (should any exist) is likely to be different and allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, projected holding period, exit strategy and counterparty). Non-binding acknowledgements of interest in co-investment opportunities do not require the Adviser to notify the recipients of such acknowledgements if there is a Co-Investment Opportunity. However, the Adviser from time to time expects to give particular Limited Partners, other Related Funds, or other third parties priority access to Co-Investment Opportunities. The existence of such priority or other contractual co-investment access rights could affect the Adviser's decision to offer certain opportunities for co-investment and could limit the ability of the Fund or the Limited Partners to be offered certain Co-Investment Opportunities.

In exercising its discretion to allocate Co-Investment Opportunities with respect to a particular investment among the potential co-investors, the Adviser may consider some or all of a wide range of factors, which include, but are not limited to, its own interests and/or one or more of the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources or similar synergies) to efficiently and expeditiously participate in the investment opportunity with the Funds without harming or otherwise prejudicing the Funds, in particular when the investment opportunity is time-sensitive in nature, as is typically the case (including whether the potential co-investment party has a complicated tax structure that would require particular structuring implementation or covenants that would not otherwise be required);
- Any confidentiality concerns the Adviser has that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- Whether a potential co-investment party has a history of participating in opportunities and the Adviser's perception of its past experiences and relationships with that potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the

Adviser and the expected amount of negotiations required in connection with a potential co-investment party's commitment;

- The character and nature of the Co-Investment Opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics and relevant industry);
- Level of demand for participation in such Co-Investment Opportunity;
- The ability of a potential co-investment party to aid in operating or monitoring a portfolio company or the possession of certain expertise by a potential co-investment party and the potential co-investment party's relationship with the management team of the potential portfolio company and whether the potential co-investment party has any existing positions in the portfolio company;
- The extent to which a potential co-investment party has been provided a greater amount of Co-Investment Opportunities relative to others;
- Whether the potential co-investment party would require any governance rights that would complicate the transactions (or, alternatively, whether the potential co-investment party would be willing to defer to the Adviser and assume a passive role in governing a portfolio company);
- Any interests a potential co-investment party has in any competitors of the portfolio company;
- The Adviser's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- The Adviser's evaluation of whether a particular potential co-investment party has provided value in the sourcing, establishing relationship, participating in diligence and/or negotiations for such potential transaction or is expected to provide value to the business or operations of a portfolio company post-closing;
- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which the Funds wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of the Funds being able to capitalize on a potential investment opportunity);

- Whether the potential co-investment party will make commitments to invest in other Related Funds (including concurrently with the applicable co-investment); and
- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) and other value to current or future Related Funds, portfolio companies and/or the Adviser and whether the potential co-investment party has demonstrated a long-term and/or continuing commitment to the potential success of the current or future Related Funds and/or the Adviser.

The factors above are not listed in order of importance or priority and the Adviser is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances. For example, the Adviser may be incentivized to offer a Co-Investment Opportunity to certain persons over others based on its economic arrangement with such persons (including, for example, whether the Adviser is entitled, under arrangements made with certain potential co-investment parties, to additional management fees and/or carried interest based on the availability of co-investment opportunities offered to such parties). The Adviser's exercise of its discretion in allocating investment opportunities among Limited Partners and third parties generally will not result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons.

In the event the Adviser determines to offer an investment opportunity to co-investors, there can be no assurance that the Manager will be successful in offering a Co-Investment Opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for the Funds or that expenses incurred by the Funds with respect to the syndication of the co-investment will not be substantial, and the Funds bear the risk that any excess portion of an investment is not sold or is sold on unattractive terms. Further, it is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of the Funds and, as a result, may take a different view from the Adviser as to appropriate strategy for an investment or may be in a position to take a contrary action to the Funds' investment objective. In the event that the Adviser is not successful in offering a Co-Investment Opportunity to potential co-investors, in whole or in part, the Funds may consequently hold a greater concentration and have exposure in the related investment opportunity than was initially intended and would bear the entire portion of any fees, costs and expenses related to such investment, which could make the Funds more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. An investment that is not syndicated to co-investors as originally anticipated could significantly reduce the Funds' overall investment returns. Therefore, it is possible that the

Funds will bear disproportionate allocation of the risks associated with the transaction without being compensated for assuming such risks.

The Adviser or its affiliates may establish dedicated co-investment vehicles for specific investors in order to facilitate investments by the relevant investors as co-investment parties alongside the Funds. Any such vehicle will be established at the Adviser's or its affiliates' sole discretion and the Advisers and its affiliates have no obligation to offer a similar opportunity to any other Limited Partner.

The appropriate allocation among co-investors, the Funds and any other Related Funds of expenses and fees generated in the course of evaluating and making investments often may not be clear. For instance, if a potential investment is not consummated, the full amount of any expenses relating to such potential but not consummated investment would generally be borne entirely by the Funds and/or the other Related Funds selected by the Adviser as proposed investors for such proposed investment, rather than the co-investors.

#### *Conflicts Relating to Secondary Transfers*

To the extent the Adviser has discretion over a secondary transfer of interests in a Fund or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, generally taking into account the following factors:

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

#### *Cross Transactions*

In certain cases, the Adviser may seek to cause a Fund to purchase investments from another Fund, or it may seek to cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of another Fund by selling underperforming assets to that Fund in order,



for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in a Fund or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its affiliates receive Advisory Fees or other fees in connection with their management of the Funds and are generally entitled to share in the investment profits of the Funds.

In determining whether to seek to consummate such a transaction, the Adviser will consider its duties to the Funds and determine whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party on commercially reasonable terms.

### *Principal Transactions*

Section 206 under Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the investment adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the Funds regarding any proposed principal transactions and that any required prior consent to the transaction be received. The governing documents will provide that the general partner may grant any such approvals required under Section 206(3).

### *Conflicts Related to Purchases and Sales*

The Funds may from time to time invest in conjunction with an investment being made by other Related Funds or in a transaction where another Related Fund has already made an investment. Conflicts may arise in connection with such investments.

Investment opportunities may, from time to time be appropriate for the Funds and another Related Fund at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. In certain instances, clients of the Adviser and its affiliates may invest in bank debt and securities of companies in which other clients hold securities, including equity securities. In the event that such investments are made by another Related Fund, the interests of such Related Fund will, at times, conflict with the interest of the Funds, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, the Funds may be prohibited from exercising voting or other rights and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties of a portfolio company, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided the Funds will supply such additional capital in such amounts, if any, as determined by the Adviser.

In the event one Related Fund is unable to fund its share of additional capital (e.g., in the event such Related Fund does not have sufficient available capital), the Funds may be obligated to fund more than its share of such amount. In such event, one Related Fund will gain greater exposure to such investment than may have been intended and the other Related Fund will be diluted in such investment. The returns of the Funds may be negatively impacted as a result of the foregoing. The Adviser may be incentivized to choose a course of action that benefits a Related Fund to the detriment of the Funds.

In the event that one Related Fund has a controlling or significantly influential position in a portfolio company, it will have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, a controlling Related Fund is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a company. Such management and operational decisions may, at times, be in direct conflict with the Funds if it does not have the same level of control or influence over the portfolio company.

There may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. In addition, where more than one Related Fund invests in the same portfolio company, there can be no assurance that such parties will dispose of investments at the same time or on the same terms. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Related Fund may realize different returns as compared to the same investment held by another Related Fund. These variations in timing may be detrimental to the Fund.

The application of the partnership agreement and the Adviser policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by the Funds and one or more Related Funds in different classes of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed.

The Funds may invest in opportunities that another Related Fund has declined, and likewise, the Funds may decline to invest in opportunities in which another Related Fund has invested.

From time to time the Adviser, may, in its discretion, enter into transactions with investors in the Funds, co-investors, investing employees or third parties to dispose of, or "sell down," all or a portion of certain investments held by the Funds. In exercising its discretion to select the purchaser(s) of such investments, the Adviser will consider the factors it deems to be relevant in its sole discretion.

The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser, and the Adviser is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, which means the Adviser may not obtain the

highest price for the transaction. Furthermore, subject to the partnership agreement, the Adviser may charge (or may decide not to charge) a co-investor interest-related costs for the time period between the closing of a Fund's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable purchasing party. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the Fund.

The Funds and the other Related Funds will, from time to time, enter into equity commitment arrangements whereby, subject to any applicable documentation, the Funds agree that upon the closing of a transaction with respect to a potential portfolio company, it will purchase equity securities in a transaction. Furthermore, in certain instances the Funds will also enter into (a) limited guarantee arrangements whereby, subject to any applicable documentation, the Funds agree that if a transaction with respect to a potential portfolio company is not consummated, it will pay a percentage of the total value of the transaction as a "reverse termination" or similar fee to the seller entity and (b) full guarantee arrangements where a Related Fund agrees to close a transaction even if the debt financing is not available or has not been funded. Co-investment vehicles are generally not direct parties to the equity commitment arrangements or limited guarantees and, in any event, are not obligated to pay their proportionate share of any reverse termination fee. Therefore, in the unlikely event that a co-investment vehicle defaults on an arrangement with the Funds to pay its proportionate share of the equity purchase price (if any) or such an arrangement does not exist, the Funds would be held responsible for the entire equity purchase price or other applicable obligations.

In addition, the Funds may from time to time invest in securities of companies in which employees and other related persons of the Adviser and its affiliates have previously invested for their own accounts. Furthermore, employees and other related persons of the Adviser and its affiliates from time to time invest for their own accounts in securities of companies in which the Funds have previously invested. While the significant interests of the employees generally align the interest of such persons with the Funds, such persons may have differing interests from the Funds with respect to such investments (for example, with respect to the availability and timing of liquidity), creating conflicts of interest. There can be no assurance that the return of the Funds participating in a transaction would be equal to and not less than another Related Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflicts not existed.

The Funds, from time to time, co-invests with third parties through partnerships, joint ventures or other similar entities or arrangements. These investments may involve risks and conflicts that would not otherwise be present in investments where a third party is not involved. Such risks include, among other things, the possibility that the third party may have differing economic or business goals than those of the Funds, or that the third party may be in a position to take actions that are inconsistent with the investment objectives of the Funds. There may also be instances where the Funds will be liable for the actions of such third-party co-investors.

*Follow-On Investments*

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has invested. In addition, a Fund may participate in leveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

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

*Fund Level Borrowing*

The Funds may from time-to-time borrow funds or enter into other financing arrangements for various reasons, including to pay fund expenses, to pay management fees, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from Investors), to make payments under hedging transactions, or to cover any shortfall resulting from an investor's default or exclusion. If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be generally used for all limited partners in such Fund on a pro-rata basis, including the general partner. The Funds will also utilize subscription facilities to benefit co-investment parties. For example, the Funds will borrow to fund a co-investment party's pro rata share of an investment or expense related to an investment. While the Adviser expects that all parties (including the general partner and any co-investment party) will bear its pro rata share of the interests expenses but not necessarily origination and other costs allocable to the extension of credit the Funds will be a t a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties.

In addition, credit facilities for certain Funds may be available to provide borrowed funds directly to the portfolio companies of such Funds, in which case such borrowed funds would be guaranteed by such Funds. In such instances, such Funds would bear the sole liability for the borrowed funds in the event of a default, and as a result, such portfolio company and any of its other investors (including direct investments by the general partner and any co-investor, including co-investment vehicles) benefit from the credit risk taken by such Funds' guarantee. To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions, a Fund's investors generally will later make corresponding capital contributions, but a Fund will bear the

expense of interest on such borrowed funds. As a result, a Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and may make net IRR calculations higher than such calculations otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. While a fund will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by a Fund's general partner or will result in a Fund's general partner receiving Carried Interest earlier than it would otherwise have by decreasing the amount of distributions from a Fund that are required to be made to investors in satisfaction of the preferred return. A general partner therefore has a conflict of interest in deciding whether to borrow funds because such general partner may receive disproportionate benefits from such borrowings.

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

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

#### *Providers of Operations Support*

The Adviser, the Funds and/or the portfolio companies will from time to time retain other companies and individuals ("Operations Support Providers"), which may be employees and former employees of the Adviser, affiliates of the Adviser, employees of such affiliates, portfolio companies of the Funds, third party consultants (including specialized consultants, advisers, industry specialists, external executives, industry advisory roundtable members, and similar professionals), "operating partners" or "senior advisors."

The Operations Support Providers are engaged to provide operational support, due diligence, research, specialized operations and consulting services and similar or related services to the Funds, or in connection with, one or more portfolio companies or prospective portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies and from time to time also provide "front office" functions with respect to a Fund, such as sourcing or other investment-related functions (such services collectively, "Operations Support Services"). These services may be high-level insight or extensive day-to-day roles, and may include support to the general partners on behalf of the Funds, or portfolio companies regarding, among other things, the company's management (including serving in management positions or participating in determining corporate strategy), the company's supply chain, revenue and margin

management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters. It is expected that the services provided by the Operations Support Providers will expand over time.

The nature of the relationship with each such Operations Support Provider and the time devotion requirements of each such Operations Support Provider may vary significantly. Certain Operations Support Providers may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio companies. These arrangements may be memorialized in a formal written agreement or may be informal, and are negotiated individually, depending upon the anticipated Operations Support Services to be provided. In certain cases, Operations Support Providers have attributes of Adviser Personnel (for instance, they may have dedicated office space, receive Adviser administrative support services, participate in general meetings or events for Adviser personnel, have Adviser e-mail address or business cards), even though they are not employees, affiliates or personnel of the Adviser. Operations Support Providers may be offered the ability (or may have a preferred right) to co-invest alongside Funds or may be offered the opportunity directly by the portfolio company to invest in the company, including in investments in which such Operations Support Provider is involved or participates in the management thereof. Pursuant to the governing documents of the Funds, fees, compensation, expenses and any attributable overhead associated with Operations Support Services (collectively, "Operations Expenses") are paid and/or reimbursed by the Adviser, portfolio companies and/or the Funds or other Related Funds. Operations Expenses (including Operations Expenses incurred in connection with an Operations Support Provider that is an affiliate or employee of the Adviser or its affiliates) may be determined at the discretion of the general partners taking into account the particular Operations Support Services, may include reimbursement of an allocable portion of an affiliated Operations Support Provider's compensation (including, without limitation, salary, bonus, payroll taxes and benefits) and overhead (including, without limitation, rent, property taxes and utilities allocable to the workspaces), an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the Funds and/or other Related Funds and/or portfolio company or other incentive-based compensation (e.g., Carried Interest or promote) to the Operations Support Provider, and may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is an Operations Support Service will be made by the general partners, in their good faith discretion, but will generally be based on whether third parties typically provide such services to investment advisers or companies. Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of the investment. In the event an Operations Support Provider is paid an annual retainer, the value provided to the relevant Fund and/or portfolio company by such Operations Support Provider may vary year to year and there can be no assurance that the annual retainer paid will be commensurate with the value provided by the Operations Support Provider. In addition, an Operations Support

Provider's benefits described herein will, in certain circumstances, continue after termination of status as an Operations Support Provider.

Because such costs and expenses are paid for by portfolio companies and/or the Funds or, if incurred by the Adviser, are reimbursed by portfolio companies and/or the Funds, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing the portfolio companies or the Funds to incur) such expenses. The Adviser believes any such potential conflicts of interest are mitigated by the quality, availability or other benefits to be realized from the services to be provided.

To the extent services are provided for the benefit of a Fund, without reference to a particular portfolio company, Operations Expenses incurred in connection with such services are borne by such Fund and, indirectly, the investors in such Fund. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to the Funds, such Operations Expenses will be allocated among the Funds as determined by the general partners or Adviser, consistent with the governing documents of the applicable Funds and as described above (see "*Allocation of Expenses*"). To the extent any such Operations Expenses are payable to any affiliated Operations Support Provider by the Funds or a portfolio company, such Operations Expenses will be retained by such Operations Support Provider and will not reduce the Advisory Fee or any other fees otherwise payable to the Adviser or its affiliates and will not benefit the Funds or their investors, even if the Operations Expenses paid by a Fund or a portfolio company have the effect of reducing any retainers or minimum amounts otherwise payable by the Adviser. The determination of whether an Operations Expense is paid by a portfolio company, a Fund, or the Adviser will be made by the Adviser in its good faith discretion. A general partner's good faith determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses shall be binding on the Funds and their investors. Over time, certain existing and former employees of the Adviser (including senior personnel) may transition to an Operations Support Provider role, which may shift the burden of compensating such persons from the Adviser to the applicable Fund and/or its portfolio companies, and any fees received by such persons will not reduce the Advisory Fee. It may be difficult to distinguish services provided by the Operations Support Providers from the investment advisory services provided to the Funds by the Adviser and its affiliates.

*Business with and among Portfolio Companies*

There may be situations where the Adviser is in the position of recommending services of a portfolio company of the Funds to other portfolio companies of the Funds, which may involve fees, commissions, servicing payments and/or discounts to the Adviser, an affiliate, or a portfolio company. The Adviser will generally have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies of the Funds or any other Related Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Funds. The benefits received by a portfolio company providing a service may be greater than those received by the Funds and their portfolio companies receiving the service.

Current and former officers and executives of portfolio companies may also invest in the Funds. While the Adviser believes this aligns portfolio company management teams with the best interests of the Funds, the Adviser may, in certain circumstances, be incentivized to take (or refrain from taking) certain actions with respect to a portfolio company in order to maintain the goodwill with such portfolio company management team investor.

In certain instances, a portfolio company of the Funds may compete with, be a customer of, or be a service provider to, another portfolio company of the Funds or a portfolio company of other Related Funds. In providing advice to a portfolio company, the Adviser may consider the interests of one portfolio company or Related Fund and is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or the Funds. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by the Adviser to a portfolio company of the Funds, or another Related Fund may have adverse consequences to a separate portfolio company owned by the Funds. The performance and operations of a competitor, customer or service provider portfolio company could conflict with, and adversely affect the performance and operations of another portfolio company, or could adversely affect prices, business opportunities or potential acquisition opportunities. For instance, a portfolio company may seek to expand its market share at the expense of another portfolio company; withdraw business from another portfolio company in favor of another company offering the same product or service at a lower price; increase its own prices; purchase assets from, or sell assets to, another portfolio company; commence litigation against another portfolio company; or prevent one portfolio company from commencing litigation against another portfolio company.

In addition, certain portfolio companies controlled by the Funds may engage in activities that could adversely affect another Related Fund and/or its portfolio companies, including, for instance, as a result of laws and regulations of certain jurisdictions (such as bankruptcy, environmental, consumer protection and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of the Funds and/or a portfolio company being used to satisfy the obligations or liabilities of another Related Fund or its portfolio companies.



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

The Funds' portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Related Funds that, although the Adviser determines to be consistent with the requirements of the partnership agreement, may not have otherwise been entered into but for the affiliation with the Adviser and which may provide economic or other benefits to the Adviser or its affiliates. For example, the Adviser may in the future cause portfolio companies to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these agreements and which may be pooled across multiple portfolio companies and discounted due to scale), benefits management, data management and/or mining, technology development, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio companies and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, servicing payments, commissions or similar payments and/or discounts being paid to the Adviser, its affiliates or a portfolio company, including related to a portion of the savings achieved by the portfolio company. While the Adviser may have a conflict of interest because its economic benefit may incentivize the Adviser to maintain such arrangements, the Adviser believes that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and the Adviser's benefits from such arrangements are reduced because the Adviser only benefits at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated with the Adviser will only take actions that are beneficial to, or not opposed to, the interests of the Funds and its portfolio companies.

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

While less common, from time to time the Funds could hold an investment in a different layer of the capital structure than an investor or another party with which the Adviser has a material relationship, in which case the Adviser could have an incentive to cause the Funds or the portfolio company to offer more favorable terms to such parties (including, for instance, financing arrangements).

Employees of the Adviser may serve as directors of, or observers on boards with respect to, certain portfolio companies. While conflicts of interest may arise in the event that such employee's fiduciary duties as a director conflicts with those of the Funds, it is expected that

the interests will generally be aligned. For instance, by reason of their responsibilities in connection with other activities of the Adviser, certain employees may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information. Due to these restrictions, the Funds may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold. Furthermore, an employee serving as a director to a portfolio company owes a fiduciary duty to the portfolio company, on the one hand, and the relevant Fund, on the other hand, and such employees may be in a position where they must make a decision that is either not in the best interest of the Fund, or is not in the best interest of the portfolio company. Employees serving as directors may make decisions for a portfolio company that negatively impact returns received by the Fund investing in the portfolio company. In addition, to the extent an employee serves as a director on the board of more than one portfolio company, such employee's fiduciary duties among the two portfolio companies may create a conflict of interest. Certain decisions made by a director may subject the Adviser, its affiliates or the Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Funds will indemnify the Adviser and employees from such claims. Employees serving in a director or observer role are required to remit any remuneration they may receive as directors to the Funds. In addition, employees may leave the employment of the Adviser or its affiliates and become an officer or employee of a portfolio company. Employees are prohibited from receiving consulting, management or other fees personally from portfolio companies.

From time to time employees may also be asked to serve as directors of, or observers with respect to, certain entities in which the Funds have fully exited its ownership interest and/or following the termination of such person's employment with the Adviser. In such circumstances, any compensation or fees received with respect to such exited investment and/or by such former employee is not subject to the management fee offset described above, or otherwise shared with the Funds and/or investors.

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

Certain members of a Fund's advisory committee may be officers or directors of, or otherwise affiliated with, investors in another Related Fund. The general partners of the Funds may, from time to time utilize the services of investors and their affiliates on an arm's length basis with commercially reasonable terms, as it deems appropriate.

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

In certain situations, the Funds may invest in a portfolio company in which certain Fund investors or prospective investors directly or indirectly hold an interest or otherwise derive a financial or other benefit. This creates a conflict of interest, as the Adviser has an incentive to cause

the portfolio company to favor itself, or those investors or prospective investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Funds. Additionally, the portfolio company could recommend to its clients or customers that they invest in the Funds. While not generally anticipated to occur, the Adviser may have an incentive in such transactions to cause the Funds to make an investment in such a portfolio company and/or to structure the terms of such investment in a manner that is believed to strengthen and/or cultivate relationships that may provide benefits to current or future Related Funds and/or the Adviser and as a result, such conflicts of interest could affect the negotiations of the terms of the investment. To the extent such a transaction arises, the Adviser believes that the economic arrangement of the Adviser and its affiliates (e.g., the carried interest that it would receive) and the requirement that the personnel of the Adviser have exposure to such portfolio companies through their commitment to invest in such portfolio companies, mitigate this conflict.

#### *Service Providers*

Services required by the Funds (including some services historically provided by the Adviser or its affiliates to the Funds) may, for certain reasons including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of the Adviser or its affiliates. This can create a conflict of interest because the Adviser and its affiliates have an incentive to outsource such services at the expense of the Funds to, among other things, leverage the use of employees. Such services may include, without limitation, deal sourcing, asset management, information technology, licensed software, depository, data processing, client relations, administration, custodial, marketing and marketing- reviews, accounting, valuation, legal, human resources, client services, compliance, corporate secretarial and tax support, director services and other similar services. Certain costs may be incurred by the Funds for a third-party service provider that are not incurred for comparable services by other Related Funds. The decision by the Adviser to initially perform a service for the Funds in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future, and the Adviser has no obligation to inform the Funds or investors of such a change. In addition, certain internal service providers (such as internal accountants) may "shadow" or otherwise review the reports of other services provided by such third parties. The costs and expenses of any such third-party service providers will be borne by the Funds.

If a service provider provides services to the Funds on the property of the Adviser, the Funds may also be responsible for any overhead, rent or other fees, costs and expenses charged by the Adviser in connection with an on-site arrangement.

The Adviser and/or its affiliates may engage certain service providers to provide services to the Adviser, the Funds and/or the portfolio companies, including services during the due diligence and acquisition process. Such service providers or their affiliates are, in certain circumstances, investors or affiliates of such investors and may include, for example, investment or commercial bankers, outside legal counsel, pension consultants and/or other investors who provide services (including mezzanine and/or other lending arrangements). This creates a conflict of interest, as the Adviser may give such investor preferred terms with respect to its

investment in a Fund, enhanced information or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor.

In addition, the Adviser will have a conflict of interest in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Related Funds or will provide the manager information about markets and industries in which the Adviser operates, will provide other services that are beneficial to the Adviser and/or will provide financial sponsorship of events held by the Adviser (such as transaction closing dinners or outings, or informational summits or training events for the Adviser or portfolio company personnel). The Adviser generally has an incentive to recommend the products or services of certain investors or prospective investors to the Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or its portfolio companies.

The Adviser generally may in its discretion, contract directly with, or recommend to the Funds or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with, a related person of the Adviser or an affiliate (including but not limited to a portfolio company of the Funds). When making such a recommendation, the Adviser, because of its financial or other business interest, has an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

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

Additionally, employees, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence the Adviser in determining whether to select or recommend such service provider to perform services for a Fund or a portfolio company.

The Adviser may compete against, or engage in business with (i.e., through co-investments and joint ventures) another investment adviser with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. Such relationships may influence decisions that the Adviser makes with respect to the Funds.

*Side Letter Agreements; Advisory Committee Rights*

The Adviser may enter into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to: (i) the addition of or forbearance from a term contained within a Fund's governing documents, this to accommodate such investor's specific regulatory, tax, operational, legal or other concern, (ii) a modification of the right of the general partner to make distributions in-kind, (iii) excuse rights applicable to particular investments, (iv) reporting obligations, (v) waiver of certain confidentiality obligations, (vi) consent of the general partner to certain transfers by such investor, (vii) special rights with respect to co-investment opportunities or rights or terms necessary in light of particular legal, regulatory, tax or other characteristics of such investor, and (viii) economic terms. Except as otherwise agreed with an investor, the Adviser (or applicable general partner) is not required to disclose the terms of side letter arrangements with other investors in the same Fund. Also, investors will have no recourse against a Fund, the applicable Fund's general partner, the Adviser or their respective affiliates in the event that certain investors receive additional or different rights or terms pursuant to such side letters, some of which rights may impact the rights and/or increase the obligations of other investors. In addition, side letter arrangements with certain investors of the Funds impose additional restrictions on investing in certain types of assets, geographies or industries in order to meet certain legal, tax, regulatory, internal policy or other requirements of such investors. While these restrictions are intended to apply solely to such investors, they may ultimately restrict the investments made by an applicable Fund.

Generally, each Fund has established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the advisory committee because those designating limited partners will, for instance, have greater information rights. The advisory committee may also have the ability to approve conflicts of interests with respect to the Adviser and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. Representatives of the advisory committee may have various business and other relationships with the Adviser, Adviser personnel and its affiliates. These relationships may influence the decisions made by such members of the advisory committee.

In addition, members of one Fund's advisory committee may also be a member of another Fund's advisory committee. In such instances, a conflict of interest exists because the Funds on which such overlapping advisory committee members may have conflicting interests and such advisory committee members may be asked to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

*Other Potential Conflicts*

It is expected that the officers, directors and employees of the Adviser responsible for managing a Fund will from time to time have responsibilities with respect to certain other Related Funds managed by the Adviser. Conflicts of interest arise in allocating time, services or functions of these officers, directors and employees. Employees of the Adviser have an incentive to allocate more time, services or functions to Related Funds from which such employees derive a higher economic benefit and/or better-performing Related Funds. In addition, the Adviser receives and generates various kinds of portfolio company data and other information, including

related to financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics, some of which is sometimes referred to as “big data.” This information may, in certain instances, include material non-public information received or generated in connection with efforts on behalf of one Related Fund’s investment (or prospective investment) in a portfolio company. As a result, the Adviser is better able to anticipate macroeconomic and other trends and financial opportunities, enhance and improve operations of portfolio companies and otherwise develop investment strategies. The Adviser also intends to utilize such data for purposes of identifying new investments opportunities for the Funds. Information from a portfolio company owned by the Funds may enable the manager to better understand a particular industry and develop and execute investment strategies in reliance on that understanding for the Adviser and other Related Funds that do not own an interest in such portfolio company, without compensation or benefit to the Funds or its portfolio companies. Portfolio companies may incur incremental expenses in collecting and organizing information requested or required to be furnished to the Adviser (which expenses are indirectly borne by the Funds).

The Adviser may enter into information sharing and confidentiality arrangements with portfolio companies and other sources of information that may limit the internal distribution and use of such data. The Adviser may in certain instances use this information in a manner that may provide a material benefit to the Adviser, its affiliates, or to certain other Related Funds without compensating or otherwise benefitting the Funds or other Related Funds from which such information was obtained. In addition, the Adviser may have an incentive to pursue investments in portfolio companies based on the data and information expected to be received or generated. Furthermore, except for (a) contractual obligations to third parties to maintain confidentiality of certain information, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws prohibiting insider trading, anti-competition laws and laws protecting national security interests, the Adviser is generally free to use data and information from the Funds’ activities in its sole discretion for the benefit of the Adviser and other Related Funds. The sharing and use of “big data” and other information present potential conflicts of interest and any benefits received by the Adviser or its personnel will not be subject to the management fee offset provisions or otherwise shared with the Funds or its investors. The Adviser may utilize such information to benefit the Adviser, its affiliates or certain Related Funds in a manner that may otherwise present a conflict of interest resulting from the particular facts and circumstances, but does not intend to specifically disclose such conflicts to the Funds.

The Adviser and its affiliates, from time to time, enter into formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory and contractual requirements, these information sharing arrangements are designed to allow the Adviser, the Funds and the Funds’ portfolio companies to better discern economic or other trends and developments. The Adviser believes that the Funds benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across the Funds’ businesses and the Funds’ portfolio companies. However, information sharing may involve conflicts of interest between the Related Funds and/or between the Funds and the Adviser. For example, data analytics based on inputs from one portfolio company may inform business decisions by other portfolio investments, or investment decisions by the Adviser and its affiliates, without the source of the data being directly compensated. It is difficult,

if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such information. Therefore, the Adviser and its affiliates may utilize such data outside of Fund activities in a manner that may provide a material benefit to the Adviser, without directly compensating or otherwise benefiting the Funds. As a result, the Adviser may have an incentive to pursue investments (on its own behalf or on behalf of the Fund) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits the Adviser and/or investments held by other Related Funds.

The Funds and the other Related Funds may enter into borrowing arrangements that require the Funds to be jointly and severally liable for the obligations. If another Related Fund defaults on such arrangement, the Funds will be held responsible for the defaulted amount.

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

Additionally, the Adviser and the Funds and the portfolio companies of the Funds may engage other common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Adviser, the Funds, and/or the portfolio companies. While the Adviser often does not have visibility or influence regarding advantageous service rates or arrangements, there will be situations in which the Adviser receives more favorable service rates or arrangements than the Funds or its portfolio companies. This may result in the Adviser receiving a more favorable rate on services provided to it by such a common service provider than those payable by the Funds and/or the portfolio company, or the Adviser receiving a discount on services even though the Funds and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between the Adviser, on the one hand, and the Funds and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies.

The Adviser and its personnel may, from time to time, receive certain intangible and/or other benefits and/or prerequisites arising or resulting from their activities on behalf of the Funds, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Funds expenses may result in “miles” or “points” or credit in loyalty/status programs to the Adviser and/or its personnel, and such benefits, rewards and/or amounts will exclusively benefit the Adviser and/or such personnel even though the cost of the underlying service is being borne by the Funds, the investors and/or the portfolio companies. Any such benefits, rewards and/or amounts will not be subject to the management fee offset arrangements described above or otherwise shared with the Funds, the investors and/or the portfolio companies. In addition, airline travel incurred as a Fund expense for

employees of the Adviser travelling for appropriate Fund-related purposes (including, without limitation, travel related to a portfolio company, a prospective portfolio company or other Related Fund-related matter) may benefit such employees of the Adviser to the extent the trip also serves a personal purpose.

The Funds may create a platform for acquiring companies in a particular industry for the purpose of creating synergies across, and adding value to, such companies (e.g., merging companies together to create economies of scale or running certain companies in a coordinated manner). In such instances, a holding company (“Holding Company”) would generally be created that would acquire and manage the companies in the platform. The Holding Company would be staffed with personnel responsible for sourcing, acquiring and managing companies for the Holding Company. The Holding Company’s costs and expenses (including compensation for its personnel, which compensation may include, among other things, the granting of profit participation in certain investments of Holding Company and/or a capital interest in such investments or the underlying assets) would be borne by the Holding Company (and, therefore, indirectly borne by the Funds). Such costs and expenses will not offset the Advisory Fee and are in addition to Advisory Fees and other compensation (e.g., Carried Interest) received by the Adviser or its affiliates. In addition, as the Adviser or its affiliates earns Advisory Fees and Carried Interest from the Funds, the Adviser or its affiliates will benefit from the assets, income and gains of Holding Company.

In addition, from time to time, the Adviser recruits a management team to pursue a new “platform” opportunity expected to lead to the formation of a future portfolio company. In other instances, a new platform could be formed to recruit an existing or newly formed management team to build such platform through acquisitions and organic growth. In certain circumstances, such platform employees may include former employees of the Adviser, or current or former senior advisors or consultants to the Adviser and its affiliates. The structure of each platform and the engagement of personnel will vary, including whether a management team’s services are exclusive to the platform and whether the members of the management team are employed directly by the platform or indirectly through a separate management company established to manage such platform. Platform structures may change during the investment’s hold period, for instance, in connection with restructurings or dispositions. The management team of a platform investment may provide services with respect to other platform investments of more than one Related Fund, or provide the same or similar services for unaffiliated parties. The services provided by the platform management team could be similar to, and in some cases overlap with, the services provided by the Adviser to the Funds. The Funds will bear the expenses of the management team or portfolio company, as the case may be, including any overhead expenses, management or other fees, employee compensation (including cash compensation and profits-interest), diligence expenses or other related expenses in connection with backing the management team or the build out of the platform company. Such expenses may be borne directly by the Funds as Fund expenses or indirectly as the Funds bear the start-up and ongoing expenses of the newly formed platform portfolio company. Such costs and expenses will not offset the management fee and are in addition to management fees and other compensation (e.g., carried interest) received by the Adviser.



The Adviser has in the past and may, from time to time in the future, cause the Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the Funds, the General Partner, the Adviser and/or employees and their respective agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the manager that cover one or more Related Funds and/or the Adviser (including employees and their respective agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Related Funds, and/or the Adviser on a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in the Funds bearing less (or more) premiums, fees, costs and expenses for insurance policies.

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

## **Item 12: Brokerage Practices**

The Adviser’s advisory business generally involves privately negotiated transactions in which best execution obligations do not arise in the same context as transactions in publicly traded securities. With respect to such private transactions, the Adviser believes it fulfills its best execution responsibilities through careful evaluation and negotiation of the terms of each such transaction.

However, while it is not anticipated, the Adviser could from time to time purchase or sell publicly traded securities. In such circumstances, the Adviser considers various factors in determining which broker is most likely to deliver best execution including, but are not limited to, the

Company's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived financial soundness of the broker selected and other brokers considered; the Adviser's knowledge of actual or apparent operational problems of any broker; the broker or dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions. Best execution is not limited solely to the consideration of the best available commission rate.

The Adviser and its affiliates may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. The Adviser often employs this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of Funds with orders for other Funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction.

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

The Adviser does not maintain relationships with broker-dealers that feature soft-dollar benefits or referral arrangements.

### **Item 13: Review of Accounts**

Accounts under the Adviser's management are monitored on an ongoing basis by the investment team. The investment team meets on a weekly basis to review the portfolio, investment objectives and guidelines, discuss current positions and any changes or updates to current holdings, and discuss any positions they may buy in the future on the Adviser's watch list. The Chief Compliance Officer is generally present at these meetings to ensure the investment process that is disclosed to investors is adhered to.

Investors will receive quarterly account statements from the Adviser, and generally supplement these statements with investment updates and reports provided during investor meetings or as requested. Investors receive quarterly distributions from SkyKnight Income, LLC.

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

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. The Adviser may compensate third parties for client or investor referrals. To the extent the Adviser engages a placement agent, such terms and conditions will be disclosed to each potential Fund investor consistent with applicable law.

**Item 15: Custody**

The Adviser is deemed to have custody of the Funds because the Adviser has the authority to obtain funds or securities, for example, by deducting advisory fees or otherwise withdrawing funds from the Funds.

The Advisers complies with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”) (i.e., the “custody rule”) by meeting the following conditions of the pooled vehicle annual audit approach. Upon completion of the Funds’ annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), the Adviser will distribute the audited financials to the Funds’ investors within 120 days of the Funds’ fiscal year end.

**Item 16: Investment Discretion**

Clients grant the Adviser discretion through the execution of a limited power of attorney included in the investment management agreement or Fund governing documents. Investors agree to such appointment of discretionary management through submission of subscription documents.

**Item 17: Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, the Adviser has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that the Adviser receives will be treated in accordance with these policies and procedures.

The Adviser considers the reputation, experience, and competence of a company’s management and board of directors when it evaluates a prospective investment. In general, the Adviser votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity’s name. The Adviser also generally votes in favor of compensation practices and other measures that are in-line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance, and that align the interests of management and shareholders.

The Adviser’s CCO has the responsibility to monitor votes for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions will require a mandatory conflicts of interest review by the Adviser’s CCO in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote and/or the Adviser’s affiliates and their clients has an interest in how the vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The Adviser’s CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Funds.

With that being said, voting generally goes through the following process: an investment professional will receive the opportunity to have a proxy vote from the portfolio company, they will notify the CCO of the voting opportunity, and discuss their vote with the CCO. From there, the investment professional will submit their vote and provide the CCO with record of how they voted.

The Adviser reserves the right to abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of the CCO or Managing Partner or the Adviser's relevant investment professionals, the costs associated with voting such vote would outweigh the benefits to the relevant funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant funds.

The Adviser has not identified any material conflicts of interest in connection with past proxy votes. Absent specific client instructions, if the Adviser identifies a material conflict of interest it will endeavor to vote in the best economic interest of its clients and investors.

A copy of the Adviser's proxy voting policies and procedures, as well as specific information about how the Adviser has voted in the past, is available upon written request to the CCO

**Item 18: Financial Information**

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