

**Item 1**  
**Cover Page**

Form ADV Part 2A

**Firm Disclosure Brochure**

March 31, 2023

**Adjuvant Capital, L.P.**

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This disclosure brochure (the “Brochure”) provides information about the qualifications and business practices of Adjuvant Capital, L.P. and certain of its affiliates (“Adjuvant,” “Investment Manager” or the “Firm”) for purposes of Form ADV. If you have any questions about the contents of this Brochure, please contact us at the number listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. From time to time in this and other documents Adjuvant may refer to itself as a “registered investment adviser” by virtue of its anticipated registration with the SEC. This title does not imply any level of training or skill. Additional information about Adjuvant is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2**

### **Material Changes**

The Firm has updated this Brochure as of March 31, 2023 in connection with Adjuvant's annual Form ADV amendment filing. There have been no material changes to this Brochure since the Firm's previous Brochure updates made in connection with Adjuvant's last Form ADV annual amendment filing, submitted on March 31, 2022. In the future, this Item will disclose a summary of any and all material changes that occur between annual updating amendments to the Form ADV.

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## **Item 4**

### **Advisory Business**

**A.** Adjuvant is a Delaware limited partnership that registered with the SEC as an investment adviser effective April 9, 2020. The Firm is principally owned by Glenn Rockman.

**B.** Adjuvant is a discretionary investment manager that seeks long-term capital appreciation through investments in late-stage life science technologies. The Firm manages two pooled investment vehicles, Adjuvant Global Health Technology Fund, L.P., which is a Cayman Island exempted limited partnership (the “Offshore Fund”), and Adjuvant Global Health Technology Fund DE, L.P., a Delaware limited partnership (the “Onshore Fund”), which is managed in parallel alongside the Offshore Fund (both collectively referred to herein as, the “Fund”). Interests in the Fund will be offered privately and generally available only to persons who are “accredited investors” as defined in Regulation D under the Securities Act of 1933, as amended (“Securities Act”) and “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (“Investment Company Act”). The Onshore and Offshore Funds’ general partners (“General Partner”) are advisory affiliates of Adjuvant.

An investment in the Fund is subject to the investment objectives, terms and conditions outlined in the applicable offering documents, which include, but are not limited to, the confidential private placement memorandum, limited Fund agreement and subscription materials (collectively, “Governing Documents”). This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase interests in the Fund and the disclosure contained herein shall not be relied on to determine whether an investor (each an “investor” or “Limited Partner”) should purchase interests in the Fund. Any such offer or solicitation will be made solely to qualified investors by means of the Governing Documents. To the extent that there is any conflict between the disclosure contained in this Brochure and the Governing Documents provided to investors, the Governing Documents will govern.

While Adjuvant focuses on the strategies and asset classes discussed throughout this Brochure, the Firm does not necessarily limit the types of investments on which it advises.

**C.** To the extent set forth in the Governing Documents, Adjuvant tailors its investment advisory services to be consistent with the Fund’s investment strategy, return profile, concentration limits, time horizon, liquidity mandates and other related objectives, as defined therein. Underlying investors may not impose restrictions on investing in certain securities or types of securities.

**D.** Adjuvant does not participate as a sponsor of or portfolio manager to any wrap fee programs.

**E.** The Firm has \$268,029,399 in regulatory assets under management as of December 31, 2022. All of these assets are managed on a discretionary basis.

## **Item 5**

### **Fees and Compensation**

**A.** As compensation for its services, Adjuvant receives an annual management fee (the “Management Fee”) based on a fixed rate percentage of the Fund’s committed capital. The Management Fee is required to be paid to the Firm even if the Fund experiences net losses in a particular year or over the term of the Fund. Because there is a fixed investment period after which capital from Limited Partners can only be drawn down in limited circumstances and because the Management Fees are, at certain times during the life of the Fund, based upon capital invested by the Fund, this fee structure creates an incentive to deploy capital when the Firm would not otherwise do so.

In addition, the General Partner is entitled to received incentive-based compensation (“Carried Interest”) based on realized gains from investments.

For a schedule of the Management Fee and Carried Interest, please refer to the Fund’s Governing Documents.

**B.** The Firm receives the Management Fee directly from the Fund by deducting the applicable amounts from the Fund’s assets.

**C.** Adjuvant and the Fund generally bear their own expenses. Expenses, above and beyond the Management Fee and Carried Interest discussed above, are allocated on a case by case basis in accordance with the Governing Documents. Additional expenses the Fund will incur generally include but are not limited to Fund operating expenses and organizational expenses, which include:

- (i) legal, Fund administration (including maintaining the books and records of the Fund, including any related internal costs that the Firm may incur to produce any such books and records or external costs for a third-party administrator to maintain and oversee the Fund’s books and records), accounting, audit, consulting (including, but not limited to, consulting fees incurred by the Fund for the benefit of a portfolio company), depository (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive), investment banking, fees paid to third-party valuation agents for valuations, appraisals and pricing services, reporting, research and other information (including data and information service subscriptions, related systems and services from data providers and data management software), due diligence (including third party diligence software),
- (ii) compensation, fees and expenses paid to “Retained Domain Experts” for specialized services (other than retainers and similar fees), to the extent not paid by prospective or actual portfolio companies,
- (iii) filing and similar fees paid on behalf of the Fund,
- (iv) transaction expenses of the Fund, including such expenses with respect to transactions that are not consummated by the Fund to the extent not reimbursed by portfolio companies (including expenses that would have been borne by co-investors or co-investment vehicles),
- (v) all custody, transfer, registration and similar expenses incurred by the Fund,
- (vi) all brokerage, sale, and finder’s fees and commissions and discounts incurred in connection with the purchase or sale of securities,

- (vii) all premiums for insurance covering indemnified persons of the Fund, including insurance of which the Firm and its affiliates are beneficiaries, cyber-security insurance premiums, and any liability and errors and omissions insurance premiums,
- (viii) all expenses of the Advisory Committee,
- (ix) all expenses of the Social Impact Committee,
- (x) all expenses incurred in connection with Partner meetings,
- (xi) all interest on borrowed funds of the Fund and bridge financing expenses, financing, commitment, origination and similar fees and expenses,
- (xii) all extraordinary expenses of the Fund including all litigation and indemnification expenses,
- (xiii) risk management assessment expenses and expenses associated with the Fund's compliance with applicable laws and regulations, including expenses incurred in connection with complying with provisions of side letters (including "most favored nation" provisions), and
- (xiv) all taxes and similar fees and expenses of the Fund (other than any taxes imposed on the Fund under the Partnership Audit Rules, as defined below, that are allocable to a Partner of the Fund),
- (xv) Portfolio Fees (see Item 8 for more information), and
- (xvi) Fees for additional legal, regulatory, tax, accounting, administration and similar services provided to the Fund by the Firm and/or an affiliate (see Item 8 for more information).

Travel expenses may include, without limitation, expenses for business class travel as well as meals and entertainment. Expenses of the types borne by the Fund but associated with any Feeder Fund organized to facilitate the participation of certain investors in the Fund (including, without limitation, expenses of accounting and tax services) may be borne by the Fund.

The Fund does not have its own separate employees or offices, and it does not reimburse the Firm for salaries or office rent. The Firm is responsible for all of its overhead expenses and other similar expenses, except as provided for herein.

The fee and expense description in this Brochure does not purport to be complete or comprehensive and investors should refer to the Governing Documents for a more robust explanation.

**D.** Typically, the Management Fee is paid quarterly in advance. The Carried Interest, to the extent such compensation is earned, is paid in arrears upon the disposition of a portfolio asset.

**E.** Except as otherwise disclosed, neither the Firm nor any of its supervised persons receive, directly or indirectly, any compensation from the sale of securities or other investment products.

## **Item 6**

### **Performance-Based Fees and Side-By-Side Management**

As outlined in Item 5 of the Brochure, Adjuvant and/or the General Partner are generally entitled to receive Carried Interest based on net profits after other distributions are made to the Limited Partners, as specified in the Governing Documents. The existence of Carried Interest may motivate the Firm to make investments that are riskier or more speculative than those which would be made under a different compensation arrangement. In addition, if in the future the Firm agrees to manage assets where it (or an affiliate) does not charge Carried Interest, Adjuvant may have an incentive to favor clients investing under a performance-based fee structure. However, the Firm is committed to acting at all times in the best interests of its clients. To this end, the Firm has implemented internal controls, which are further described in the Firm's compliance policies and procedures, to address the potential conflicts associated with performance-based fees. Likewise, this risk is somewhat tempered by the fact that losses in the Fund will reduce its performance and the General Partner's incentive distribution. Additionally, because the General Partner's incentive distributions are based on the economic performance of the Fund rather than the Fund's impact generation, the General Partner is incentivized to generate economic profits rather than social impact benefits.

The General Partner is 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 Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback obligation for the General Partner.

With regard to the Management Fee, such fee is required to be paid to the Firm even if the Fund experiences net losses in a particular year or over the term of the Fund. Because there is a fixed investment period after which capital from Limited Partners can only be drawn down in limited circumstances and because the Management Fees are, at certain times during the life of the Fund, based upon capital invested by the Fund, this fee structure creates an incentive to deploy capital when the Firm would not otherwise do so.

Additional risk factors concerning Carried Interest are contained in Item 8 of this Brochure.

## **Item 7**

### **Types of Clients**

Adjuvant provides investment advisory services to pooled investment vehicles that are each excepted from the definition of an investment company under the Investment Company Act. As discussed in Item 4, interests in the Fund are and will be offered privately and generally available only to persons who are “accredited investors” as defined in Regulation D under the Securities Act and “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act. The minimum initial capital commitment is \$5,000,000, subject to reduction in the sole discretion of the General Partner.



## Item 8

### Methods of Analysis, Investment Strategies and Risk of Loss

**A.** The Fund is a life sciences investment fund focused on new or improved technologies for public health challenges the Firm believes have been historically overlooked and that cause significant morbidity and mortality in low- and middle-income countries, such as respiratory syncytial virus, mosquito-borne diseases (*e.g.*, malaria, dengue, chikungunya), cholera, tuberculosis, liver flukes, pre-eclampsia, and post-partum hemorrhage, among others. The Firm believes indications such as these offer an opportunity to earn attractive financial returns while generating meaningful, measurable improvements in global public health.

Adjuvant expects that the primary public health issues targeted by the Fund (collectively, the “Global Health Challenges”) will include:

- neglected, high-burden, and emerging infectious diseases, including anti-microbial resistance and pandemic threats;
- maternal, newborn, and child health challenges;
- family planning and sexual health; and
- malnutrition.

The Firm utilizes an investment committee (the “Investment Committee”), which consists of four Firm employees and one independent contractor, to review potential investments as well as current investments. It meets on a monthly basis.

Adjuvant utilizes a “Social Impact Committee” which is responsible for overseeing the charitable purpose of the Firm. The Social Impact Committee reviews all investment under consideration by the Investment Committee to evaluate expected social impact and compliance the program-related investment<sup>1</sup> requirements of the Fund. The Social Impact Committee may veto any potential investment approved by the Investment Committee if it finds the investment does not comply with the Fund’s social impact objectives or program-related investment requirements.

**B. and C.** The Fund may be deemed to be a highly speculative investment and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the economic risk of the loss of their entire investment in the Fund, who have a limited need for liquidity in their investment and who meet the conditions set forth in Governing Documents. There can be no assurances that the Fund will achieve its investment objective. The following risks should be carefully evaluated before making an investment in the Fund. The list of risks below does not purport to be an exhaustive list of the risks relating to an investment in the Fund.

#### **No Assurance of Investment Return**

The General Partner’s task of identifying investment opportunities in portfolio companies and managing such investments is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage, and realize such investments successfully. There is no assurance that the Fund will be able to invest its capital on attractive terms or generate returns for its investors. There is no assurance that the investments by the Fund will be profitable and there is a risk that the losses and expenses of the Fund will exceed income and gains. Any return on investment to the Limited Partners will depend upon successful

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<sup>1</sup> “Program-related investments” refers to Section 4944 (c) of the U.S. Internal Revenue Code of 1986, as amended, which allows the Fund to qualify as a tax exempt foundation.

investments made on behalf of the Fund by the General Partner and the Firm. As such, there is no assurance of any distribution to the Limited Partners prior to or upon liquidation of the Fund. Limited Partners should be prepared and able to absorb a loss of some or all of the capital invested in the Fund.

### **Risks Relating to Due Diligence of and Conduct at Portfolio Companies**

Before making investments in any particular company, the Fund will typically 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. Outside consultants, legal advisors, accountants, investment banks and other third parties may 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 Fund's reduced control of the functions that are outsourced. In addition, if the Fund is unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding a potential investment, the Fund 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 Fund carries 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. Moreover, such an investigation will not necessarily result in the investment being successful.

Instances of fraud and other deceptive practices committed by management of companies in which the Fund may invest may undermine the Fund's due diligence efforts with respect to such companies, and may negatively affect the value of the Fund's investment in the portfolio company. In addition, the government is increasing focus on reducing corruption. The Fund's investment in a portfolio company could be adversely affected by a portfolio company's violations of anti-corruption laws, and in certain instances could expose the Fund to liability or penalties for such violations.

### **Highly Competitive Market for Investments**

While the General Partner and the Firm believe that the Fund's target market is undercapitalized, the business of identifying and structuring transactions of the nature contemplated by the Fund is highly competitive and involves a high degree of uncertainty. The Fund will be competing for investments with other private equity investment vehicles as well as strategic buyers and other institutional investors. 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. There can be no assurance that the Fund will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve its targeted rate of return, or fully invest its available committed capital. A Limited Partner must rely upon the ability of the General Partner and the Firm to identify, structure and implement investments consistent with the Fund's investment objective and policies.

### **Investment in New Technologies**

The Fund intends to invest in relatively new technologies. While investments in newly developing technologies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk than more developed technologies. Certain new technologies are more costly and time-consuming to reach viability and such companies may have difficulty establishing a market presence. Developing technologies are also more likely to have undeveloped regulatory frameworks and therefore there is a greater risk that regulatory developments may adversely affect the industry and the Fund's investment in such technologies.

## **Investments in Impact- and Mission-Oriented Companies**

The Fund intends to invest in the securities of impact- and mission-oriented companies which may make decisions or otherwise pursue courses of action that may not be in the short-term operating or financial interest of the Fund (for example, in terms of increasing profitability of the portfolio company), but instead may be in the interest of achieving certain social outcomes, as described more fully elsewhere in this Memorandum. Conversely, the Fund may invest in certain companies that, while at the time of the Fund's investment seek impact- or mission-oriented strategies, cease to pursue such strategies in the interest of achieving economic outcomes. As a result, there can be no assurance that the Fund's portfolio companies will achieve both successful economic and social outcomes, or that such companies will achieve either result. As described in the Partnership Agreement, the Social Impact Committee will review investments under consideration by the Investment Committee, to evaluate expected impact and compliance with PRI Requirements and may veto any investment on such grounds. Therefore, the Fund may not invest in investments it would have invested in if not for such veto by the Social Impact Committee.

## **Low- and Middle-Income Country Development**

The General Partner anticipates engaging in activities that it believes will address public health issues that cause significant morbidity and mortality in LMICs, which may include advising and collaborating with governmental agencies (including federal, state and local departments of such agencies), non-profit entities, debt providers, larger corporations and other service providers in such countries, among other activities. While the General Partner believes that such activities will ultimately be beneficial to the Fund's investment strategy, there can be no assurance that such activities will positively affect the Fund's investment returns or social or other impact.

## **Healthcare Industry Regulatory Risks**

There is no guarantee that a government's role in the healthcare industry will not adversely impact the performance of the Fund. 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.

## **Failure of Counterparties to Perform Obligations**

In its ordinary course of business, the Firm relies on various counterparties, which include, but is not limited to, brokers, dealers, banks, custodians, and administrators (“Counterparties”). These Counterparties, with which the Firm does business on its own behalf and on behalf of a Fund, may, from time to time, default on their obligations with or without notice. Such defaults include, but are not limited to, a Counterparty’s bankruptcy, insolvency, or other failure. A Counterparty’s default on their obligations may impact the Firm’s or the Fund’s ability to conduct its business in the ordinary course. There is a risk of loss of assets on deposit at the Counterparty. Although government agencies or other organizations provide insurance coverage to depositors in the event of a Counterparty failure, coverage is limited to a specified amount and subject to rules and regulations. Prior events where a government agency or other organization stepped in to make depositors whole over their excess deposits at select Counterparties, which may or may not have a current or prior relationship with the Firm or the Fund, should not be construed as a guarantee that such action will be taken in the future. There is no guarantee that any excess deposits are recoverable. In the event of a Counterparty’s default, the Firm will work diligently to access its capital and take actions it deems appropriate while acting in the best interest of the Fund. However, the Firm’s access to capital is subject to a variety of external factors that are outside of the Firm’s control, including the timing of default, a government agency’s or other organization’s actions, including the timing of the Counterparty’s closure, ability to liquidate the Counterparty’s assets, or to effect the Counterparty’s sale or dissolution, unforeseeable economic factors or market conditions, and the Counterparty’s technology infrastructure operating as intended to facilitate access. Furthermore, the Firm’s ability to access capital may have an impact on the Firm’s and the Fund’s ability to conduct operations in the normal course including, but not limited to paying expenses, funding investment opportunities resulting in delayed or missed opportunities, and calling capital from or making distributions to limited partners. Deposits concentrated at one or a limited number of Counterparties may amplify these risks.

## **Long-Term Nature of Portfolio Investments**

The Fund is intended for long-term investment and for investors who can accept the risks associated with making highly speculative, primarily illiquid investments in privately negotiated transactions. The investments of the Fund are unlikely to provide current income, which is not an objective of the Fund. It is anticipated there will be a significant period of time (up to five years or more from the date of the Fund’s final closing) before the Fund has completed its investment program. Investments may typically take from three to five years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Transaction structures may not provide liquidity for the Fund’s investment prior to that time. In light of the foregoing, it is likely that no significant return from the disposition of the Fund’s investments will occur for a significant period of time after the initial closing of the Fund. In addition, losses on unsuccessful investments may be realized before realization of gains on successful investments. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment.

## **Illiquidity of Portfolio Investments**

It is anticipated that all or a substantial portion of the Fund’s investments will consist of securities that are subject to restrictions on sale by the Fund because they were acquired from the issuer in “private placement” transactions or because the Fund will be deemed to be an affiliate of the issuer. Generally, the Fund 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 Fund 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.

In addition, practical limitations may inhibit the Fund’s ability to liquidate certain of its investments in portfolio companies since the issuer will be privately held and the Fund will own a relatively large 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. The above limitations on liquidity of the Fund’s investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

### **Investments in Less Established Companies**

The Fund intends to invest in the securities of less established companies and/or early stage companies. Investments in such early stage companies may involve greater risks than are generally associated with investments in more established companies, as less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. For these reasons and others, such companies are generally more vulnerable to general economic trends and to specific changes in markets and technology. Such companies also may have shorter operating histories on which to judge future performance. Further, many such companies will operate at a loss (i.e., will have negative cash flow), or with substantial variations in operating results from period to period. Further, start-up enterprises may not have significant or any operating revenues, and may need substantial additional capital to support additional research and development activities, 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 managerial and technical personnel. Moreover, companies in which the Fund invests may only have one or a small number of products under development, and if such product is subject to competition or does not obtain necessary government approvals the consequences could be devastating to the prospects of such company, which in turn could negatively affect the performance of the Fund.

The marketplace for the sale of interests in smaller, private companies may be more limited than that for the sale of larger companies and thus may make realizations of gains more difficult. Any such investment should be considered highly speculative and may prove worthless, resulting in the loss of the Fund’s entire investment.

### **Non-Diversified Investments**

The Fund’s portfolio companies will be concentrated in the life sciences and healthcare industries, which concentration may involve risks greater than those generally associated with diversified investment funds. The Fund may also invest its assets in a limited number of portfolio companies. A consequence of a limited number of investments and of investments in the same few industries is that the aggregate returns realized by the Limited Partners may be adversely affected by the unfavorable performance of a small number of these investments or in the industries. In particular, the life sciences and healthcare industries are challenged by factors such as rapidly changing market conditions and participants, new competing products, improvements in existing products and pervasive regulatory requirements of federal and state governments. There is no assurance that products sold by portfolio companies will not be rendered obsolete or adversely affected by competing products or other challenges. Instability, fluctuation or an overall decline within the life sciences or healthcare industries will not be balanced by investments in other industries not so affected.

### **Leveraged Nature of Investments**

While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. The Fund's investments will from time to time involve significant leverage, as a result of which operating problems and other general business and economic risks may have a pronounced effect on the profitability or survival of the Fund's portfolio companies. 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 Fund may suffer a partial or total loss of capital invested in the portfolio company. U.S. tax-exempt Limited Partners should note that the use of leverage by the Fund may generate "unrelated business taxable income" as defined in Section 512 of the U.S. Internal Revenue Code of 1986, as amended.

### **Contingent Liabilities on Disposition of Portfolio Investments**

In connection with the disposition of an investment in a portfolio company, the Fund 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 Fund, the Limited Partners may be required to repay to the Fund or to pay to creditors of the Fund distributions previously received by them.

### **Improvement in Portfolio Company Operations Critical to Investment Success**

The success of the Fund's investment strategy depends on the effectiveness of efforts to improve the operating performance of portfolio companies following investment. Initiatives that may need to be taken in an effort 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, consummation and integration of add-on acquisitions. The proper identification and implementation of initiatives important to the achievement of 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 Firm, 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 investments.

### **Adverse Consequences of Ownership of Controlling Interest in Portfolio Companies**

The Fund may own a controlling percentage of the common equity of portfolio companies which, depending upon the amount of equity owned by the Fund, contractual arrangements between the portfolio company and the Fund, 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 Fund. In addition, because of its equity ownership, representation on the board of directors and/or contractual rights, the Fund 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 Fund to claims by a portfolio company, its other security holders, its creditors or governmental agencies.

### **Valuation of Investments**

There is no actively traded market for most of the securities owned by the Fund. When estimating fair value of portfolio companies for which no public market valuations exist, the Firm will apply a methodology 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 Firm; however, the valuation of such investments will be difficult, may be based on imperfect information and is subject to inherent uncertainties, and 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 Fund's assets or, if available, may not be considered reliable. Valuations of the Fund's investments will nevertheless impact the timing of distribution of Carried Interest and calculation of Management Fees, and therefore, the General Partner has incentives that may not align with the Fund or the Limited Partners.

In addition to company projections and impact models, the General Partner will use subjective criteria to evaluate the Fund's social impact and, as such, the standards are inherently uncertain, cannot be independently verified and, if different methodologies were used, the data could change.

### **Special Risks Associated with Non-U.S. Investments**

The Fund is expected to invest a significant portion of its Commitments 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, including (a) economic and political factors, such as the risk of expropriation, restrictions on repatriation of profits, and political and social instability, (b) differences between U.S. and foreign securities markets, including the absence of uniform accounting, auditing, and financial reporting standards in foreign markets, and the relatively greater price volatility and illiquidity of foreign securities markets, (c) currency exchange risks, including the cost of converting investment cash flows from one currency into another and the possibility of fluctuations in exchange rates and (d) tax-related issues, including the possibility of withholding or other taxes (including on dividends, interest payments or capital gains), confiscatory foreign taxes, and the possibility of double taxation and (e) increased exposure to liabilities arising from a portfolio company's breach of applicable anti-corruption or other foreign laws or regulations. Because these investments may involve non-U.S. dollar currencies the Fund may be adversely affected by changes in currency rates (including as a result of the devaluation of a foreign currency) and in exchange control regulations and may incur transaction costs in connection with conversions between various currencies.

The Fund may, but is not required to, engage in currency hedging transactions. There can be no assurance, however, that the Fund 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 Fund resulting from changes in currency exchange rates. While such transactions may reduce certain risks, such transactions themselves entail certain other risks. Thus, while the Fund 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 Fund than if it had not entered into such hedging transactions.

### **Lack of Control in Minority Investments**

The Fund's 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 Fund will rely significantly on the existing management and boards of directors of such companies, which may include representatives of other investors with whom the Fund is not affiliated and whose interests or views may conflict with the interest of the Fund.

### **Risks Associated with Investing in Pass-Through Entities**

The Fund 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, Limited Partners will be subject to tax on their distributive share of the taxable income of such entities allocated to the Fund, even if they do not receive cash distributions corresponding to such taxable income. Limited Partners must have liquidity from sources other than the Fund to bear such tax liabilities. Limited Partners 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 Limited Partners receiving tax and other financial information from the Fund. Because the Fund’s tax return is predicated in part on the tax information 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 Limited Partners of the Fund’s tax information.

### **Third Party Involvement**

The Fund will from time to time co-invest with third-parties through partnerships, joint ventures or other entities. Such investments involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals which are inconsistent with those of the Fund, or may be in a position to take action contrary to the investment objective of the Fund. In addition, the Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner.

### **Formation of Additional Funds**

Subject to certain restrictions contained in the Partnership Agreement, the Firm is expected to establish additional funds which may be competitive with the Firm, and there can be no assurance that the creation of such additional funds will not give rise to conflicts of interest between the limited partners 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 and state securities laws, and therefore cannot be sold unless they are subsequently registered under the Securities Act, or the securities laws of any non-U.S. jurisdiction, and other applicable securities laws or an exemption from such registration is available. The Fund does not contemplate registering the Interests under the Securities Act or other applicable 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 Fund should be considered illiquid.

### **Mandatory Withdrawal**

The General Partner has the authority to permit or require a Limited Partner to withdraw from the Fund if the General Partner determines that the continued participation in the Fund of such Limited Partner could materially adversely affect the Fund (for example, by causing the Fund to hold “plan assets” subject to ERISA or to be registered as an investment company under the Investment Company Act) or in certain other circumstances agreed to by the General Partner. The Fund may be required to liquidate investments in order to facilitate withdrawals. A reduction in the size of the Fund could result in greater concentration in a fewer number of investments.



### **Dilution from Subsequent Closings**

Limited Partners subscribing for Interests or increasing their Commitment amounts at subsequent closings will participate in existing investments of the Fund, diluting the interest of existing Limited Partners. Although such Limited Partners will contribute their pro rata share of all previously made capital contributions, this payment is not intended to reflect the fair value of the Fund's existing investments at the time such additional Limited Partners subscribe for Interests.

### **Multiple Classes**

Although Class A Interests and Class B Interests will participate in all investments of the Fund, they are subject to different terms with regards to the distribution of capital and profits. Limited Partners should carefully consider the relative benefits and drawbacks of each class and must make an independent determination as to which class they wish to hold. Limited Partners should understand that it is expected that Class A Limited Partners will receive distributions in advance of the Class B Limited Partners and it is expected that Class A Limited Partners will achieve distributions in excess of returns received by Class B Limited Partners. The General Partner also generally reserves the right to limit participation in a class of Interests for investors who make a Commitment to the Fund after the Fund's initial closing and there can be no assurance that investors who wish to be admitted after the Fund's initial closing will be able to invest in the class of Interest of their choice. Due to the impact of the different distribution profiles with respect to Class A Limited Partners compared to Class B Limited Partners, the General Partner may, to the extent the Fund's investments are profitable, receive profits distributions in respect of Class A Limited Partners at a different time and in different amounts compared to profits distributions in respect of Class B Limited Partners. Furthermore, the amount of any clawback obligation of the General Partner may also be different with respect to Class A Limited Partners compared to Class B Limited Partners.

### **Reinvestment**

Subject to the terms of the Partnership Agreement, the Fund is entitled to reinvest and/or distribute and recall distributions received from its investments. This can result in the Fund making investments with a cost basis greater than the capital committed by the Partners, and could result in losses on reinvested amounts.

### **Conflicting Interests of Limited Partners**

The Fund will have a diverse range of Limited Partners that may have conflicting interests stemming from differences in investment preferences, tax status, regulatory status, and mission- versus financial-oriented preferences. The General Partner will consider the objectives of the Fund and each of its respective Partners as a whole when making decisions with respect to the selection, structuring, and sale of portfolio investments. However, it is inevitable that such decisions may be more beneficial for one Limited Partner than for another Limited Partner. Please see "Conflicts of Interest" below.

### **Certain Limited Partners Will Hold Significant Interests in the Fund**

It is expected that certain Limited Partners will hold a substantial share of the Interests in the Fund. Therefore it may be difficult for other Limited Partners to influence a Limited Partner vote. In addition, such Limited Partners may be represented on the Social Impact Committee and/or have other influence over the Fund's investment program and such Limited Partners' interests and preferences may not align with and may conflict with the interests and preferences of other Limited Partners.

### **Failure to Make Capital Contributions**

If a Limited Partner fails to pay its capital contribution or any other required payment when due, and the capital contributions made by non-defaulting Limited Partners and other alternative sources of funds available to the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subject to significant penalties that could materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners). In addition, the non-defaulting Limited Partners 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 Limited Partner's investment in the Fund and increase such Limited Partners' risk of loss. If a Limited Partner 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 fact that the General Partner's incentive distributions are based on the performance of the Fund may create an incentive for the General Partner to make investments that are more speculative than would be the case in the absence of such distributions, but this incentive is somewhat tempered by the fact that losses will reduce the Fund's performance and the General Partner's incentive distributions. Additionally, because the General Partner's incentive distributions are based on the economic performance of the Fund rather than the Fund's impact generation, the General Partner is incentivized to generate economic profits rather than social impact benefits.

Furthermore, the Management Fee is required to be paid to the Firm even if the Fund experiences net losses in a particular year or over the term of the Fund. Because there is a fixed Investment Period after which capital from Limited Partners can only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of the Fund, based upon capital invested by the Fund, this fee structure creates an incentive to deploy capital when Firm would not otherwise have done so.

The General Partner is 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 Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback obligation for the General Partner.

### **Risk of Receiving Liquidating Distributions of Illiquid Securities**

The General Partner is authorized to make liquidating distributions of restricted or otherwise illiquid securities. Limited partners therefore must be prepared to bear the risks of owning such securities for an indefinite period of time.

### **Side Agreements**

The Fund, the General Partner or the Firm, subject to compliance with applicable laws and regulations, may enter into arrangements with individual Limited Partners with respect to the Fund without any further act, approval or vote of any other Partner, which would have the effect of establishing rights under, altering or supplementing the terms of the Partnership Agreement with respect to such Limited Partner in a manner more favorable to such Limited Partner than those applicable to other Limited Partners. Such rights or terms pursuant to such arrangements with respect to a Limited Partner may include, but are not limited to: (i) the addition of or forbearance from a term contained within the Partnership Agreement, this Memorandum or a Limited Partner's subscription agreement to accommodate such Limited Partner'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 Limited Partner, and (vii) special rights with respect to Co-Investment Opportunities (as defined below) or rights or terms necessary in light of particular legal, regulatory, tax or other characteristics of such Limited Partner. Except as otherwise agreed with a Limited Partner, the General Partner is not required to disclose the terms of any side letter arrangement with other Limited Partners.

### **Indemnification**

Subject to the limitations set forth in the Partnership Agreement, the Fund will be required to indemnify the General Partner, the Firm, their respective officers, directors, partners, agents, stockholders, members, employees and other affiliates, and any other person who serves at the request of the General Partner on behalf of the Fund as an officer, director, partner, employee or agent of any other entity, and members of the Advisory Committee and Social Impact Committee for liabilities incurred in connection with the affairs of the Fund and otherwise as provided in the Partnership Agreement. Such liabilities may be material and may have an adverse affect on the returns to the Limited Partners. 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 Fund would be payable from the assets of the Fund, including the unfunded Commitments of the Limited Partners. If the assets of the Fund are insufficient, the General Partner may recall distributions previously made to the Limited Partners (subject to certain limitations set forth in the Partnership Agreement). Such liabilities of the Fund may not be resolved prior to the date that the Fund will be dissolved. Furthermore, as a result of the provisions contained in the Partnership Agreement, the Limited Partners may have a more limited right of action in certain cases than they would in the absence of such limitations. It should be noted that the General Partner may cause the Fund to purchase insurance for the Fund, the General Partner, the Firm and their employees, agents and representatives.

### **Handling of Mail**

Mail addressed to the Fund and received at its registered office will be forwarded unopened to the forwarding address supplied by the Firm to be dealt with. None of the Fund, the General Partner or any of its or their directors, officers, advisors or service providers (including the organization which provides registered office services in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address. In particular the principals of the General Partner will only receive, open or deal directly with mail which is addressed to them personally (as opposed to mail which is addressed just to the Fund).

### ***Risks Related to General Market Conditions***

#### **Financial Market Fluctuations; Political Measures**

The Fund's investment program is intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which the Fund operates may undergo substantial changes. General fluctuations in the market prices of securities may affect the value of the Fund's investments and instability in the securities markets will also likely increase the risks inherent in the Fund's 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 Fund.

The Fund's ability to realize investments depends not only on the portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance that the Fund will be able to exit from its 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 Fund to sell these securities when the Firm 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 Fund to buy, sell and partially dispose of its portfolio company investments. The Fund may be adversely affected to the extent that it seeks to dispose of any of its investments into an illiquid or volatile market, and the Fund may find itself unable to dispose of investments at prices that the Firm 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 Fund's 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 Fund's 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 Fund's 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 Fund could be adverse. For example, in reaction to economic events, 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.

Certain of the Fund's 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 Fund's or the underlying fund's activities and investment opportunities or change the functioning of capital markets. Consequently, the Fund may not be capable of, or successful at, preserving the value of its assets, generating positive investment returns or effectively managing their risks.

### **Market Disruption, Terrorism and Geopolitical Risk**

The Fund is subject to the risk that war, terrorism and related geopolitical 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 Fund's investments. War, terrorism and related geopolitical events have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events as well as other changes in world economic and political conditions also could 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 Fund's investments. At such times, the Fund's exposure to a number of other risks described elsewhere in this section can increase.

### **Cyber Security Risk**

With the increased use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, investment vehicles such as the Fund, its portfolio companies and their service providers may be prone to operational and information security risks resulting from cyber-attacks. In general, cyber-attacks result from deliberate attacks, but unintentional events may have effects similar to those caused by cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial-of-service attacks on websites, the unauthorized release of confidential information

and causing operational disruption. Successful cyber-attacks against, or security breakdowns of the Fund, the General Partner, the Firm, the Fund's portfolio companies and/or any of their third-party service providers may adversely impact the Fund or the Limited Partners. For instance, cyber-attacks may interfere with the processing of Limited Partner transactions, impact the Fund's ability to value its assets, cause the release of private Limited Partner information or confidential information of the Fund, impede trading, cause reputational damage, and subject the Fund to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. The Fund may also incur substantial costs for cyber security risk management in order to prevent any cyber incidents in the future. The Fund and the Limited Partners could be negatively impacted as a result. While the Fund or the Fund's service providers have established business continuity plans and systems designed to prevent such cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of securities or other instruments in which the Fund invests, which could result in material adverse consequences for such issuers, and may cause the investments therein to lose value.

### **Legal Risk, Litigation and Regulatory Action**

The Fund, the General Partner, the Firm 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 Fund, the General Partner, the Firm or their affiliates directly for actions taken or not taken by the Fund, the General Partner, the Firm. 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 Fund. The effect on the Fund, the General Partner, the Firm or any affiliate of any such legal risk, litigation or regulatory action could be substantial and adverse.

### **Taxation in Local Jurisdictions**

The Fund or the Limited Partners may be subject to income or other tax in jurisdictions in which the Fund invests. Moreover, withholding tax or branch tax may be imposed on earnings of the Fund from investments in such jurisdictions. In addition, local tax incurred in such jurisdictions by the Fund or vehicles through which it invests may not be creditable to or deductible by the Limited Partners 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 Fund's or a Limited Partner's tax treatment. In particular, the laws in some countries governing the tax treatment of foreign investment 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 Fund's investments, restrict the Fund's ability to realize income and capital gain on an efficient basis and/or eliminate the Fund's ability to make any investments in certain countries and certain of these developments may have a disproportionate effect on certain Partners depending on their tax status. In addition, investments or operations by the Fund or its affiliates in certain countries could require the Fund or the Partners to file tax returns, residency certifications or other information with the tax authorities in such countries.

Please see "Certain Regulatory, Tax and ERISA Considerations – Certain Material U.S. Federal Income Tax Considerations" below.

## **Defined Benefit Pension Liabilities**

As a result of its equity ownership, representation on the board of directors and/or contractual rights, the Fund may often be thought to control, participate in the management of or influence the conduct of its portfolio companies. This could expose the assets of the Fund to claims by a portfolio company, its other security holders, its creditors or governmental agencies. Under Title IV of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), employers who sponsor defined benefit pension plans or contribute to so-called “multiemployer” plans may be liable to the plan or the Pension Benefit Guaranty Corporation in the event of a full or partial plan termination or withdrawal from participation. This liability extends to other entities within the same “controlled group” as well as other “trades or businesses under common control”. In 2013, the First Circuit Court of Appeals, in *Sun Capital Partners III, L.P. et al. v. New England Teamsters & Trucking Industry Pension Fund*, found that a private fund (alone or with other funds) could be treated as a “trade or business” for this purpose, depending upon the level of active management and certain other factors, and remanded the case to the District court for a factual determination. The subsequent 2016 District Court of Massachusetts decision applied the “investment plus” test articulated by the appeals court and ultimately found that two private equity funds operated by the same sponsor were “trades and businesses” for purposes of ERISA. Further, the court found that the funds, neither of which itself owned a controlling 80% interest in the portfolio company, were deemed to be part of a partnership in fact as a result of their joint investment and prior activities, and therefore were jointly and severally liable for the pension withdrawal liability of such former portfolio company. This is currently an unsettled area of law, and significant questions remain regarding the potential application of the Sun Capital holding to similar factual situations. If the Fund were to be deemed a “trade or business” with the requisite level of ownership of an investment, either alone or with another fund advised by the Firm or its affiliates, the Fund itself could face liability for the Title IV obligations of its portfolio company. In addition, other portfolio companies which are deemed to be in a controlled group or under common control with an entity sponsoring or contributing to a Title IV plan could also be liable for these funding obligations. In acquiring portfolio companies with unfunded pension liabilities, both the risk of this liability being incurred as well as risk mitigation strategies will be evaluated by the Fund and, in certain instances, this risk may cause the Fund to not pursue an otherwise attractive investment opportunity or to limit its ownership percentage.

## **Conflicts of Interest**

The Firm 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 (*e.g.*, those investment vehicles managing or consulting with respect to the Legacy Investments), 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 Fund or the Limited Partners may from time to time conflict with the interests of the Firm, any other investment funds or accounts from time to time managed by the Firm 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 Fund and the limited partners of other Related Funds conflict. The conflicts of interest that may be encountered by the Fund include those discussed below, although the discussion below does not describe all of the conflicts that may be faced by the Fund.

## **Portfolio Fees**

The Firm 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 Fund, which fees will be in addition to the Management Fee and the Carried Interest paid by the Fund (such fees, together with the other fees described in this paragraph, the “Portfolio

Fees”). Portfolio Fees will typically include fees received by the Firm 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 Firm and its affiliates may also receive “monitoring fees” pursuant to monitoring agreements with portfolio companies of the Fund governing the advice, consultation and other similar ongoing services provided by the Firm to such portfolio companies, the terms of which may include (among other things) annual automatic renewals or the payment of fixed fees or fees calculated as a percentage of EBITDA 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.

Portfolio Fees are in addition to the Management Fees and Carried Interest paid by the Fund. However, 100% of the Fund’s share of any Portfolio Fees will be credited against Management Fees, other than compensation payable to Retained Domain Experts by actual portfolio companies and that is wholly retained by the Retained Domain Experts providing such services. The Firm determines the amount of these fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, management teams, the board of directors of, or lenders to, portfolio companies and/or third-party co-investors in its transactions, and the amount of such fees and reimbursements may not be disclosed to the Limited Partners. Although the Firm or certain of its affiliates receive these fees and reimbursements from actual or prospective portfolio companies or other investment vehicles of the Fund, the opportunity to earn these fees and receive these reimbursements creates a conflict of interest between the Firm and such affiliates, on the one hand, and the Fund and the Limited Partners thereof, on the other hand, because the amounts of such fees and reimbursements are often substantial, the Fund and its Limited Partners do not have an interest in the Firm or such affiliates and the rights of the Fund and its Limited Partners to these fees and reimbursements is limited to the offset described above. Portfolio Fees may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise. Generally, for purposes of calculating any Management Fee offset, Portfolio Fees are net of out-of-pocket costs and expenses incurred by the Firm in connection with generating any such fees, and Portfolio Fees paid in securities generally will be taken into account at the time such securities are disposed of for cash. As described in “Allocation of Expenses” below, the Firm 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.

### **Allocation of Expenses**

The Firm and not the Fund will bear the normal overhead expenses referred to in the Governing Documents, including, without limitation, all costs associated with the salaries of its investment and administrative personnel and its rent, utilities and office space not otherwise borne by the Fund, all retainer fees payable to Retained Domain Experts, all compensation paid to Retained Domain Experts for General Services, and 100% of the travel-related expenses of the Fund, General Partner, Firm and their affiliates and personnel with respect to pipeline development activity. All other expenses incurred in the operation or management of the Fund will be borne by the Fund or, if paid by the General Partner, the Firm or their respective affiliates, will be reimbursed by the Fund. Such other expenses are in addition to those expenses and include, without limitation, (i) legal, fund administration (including maintaining the books and records of the Fund, including any related internal costs that the Firm may incur to produce any such books and records or external costs for a third-party administrator to maintain and oversee the Fund’s books and records), accounting, audit, consulting (including,

but not limited to, consulting fees incurred by the Fund for the benefit of a portfolio company), depository (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive), investment banking, fees paid to third-party valuation agents for valuations, appraisals and pricing services, reporting, research and other information (including data and information service subscriptions, related systems and services from data providers and data management software), due diligence (including third party diligence software), (ii) compensation, fees and expenses paid to Retained Domain Experts for Specialized Services (other than retainers and similar fees), to the extent not paid by prospective or actual portfolio companies, (iii) filing and similar fees paid on behalf of the Fund, (iv) transaction expenses of the Fund, including such expenses with respect to transactions that are not consummated by the Fund to the extent not reimbursed by portfolio companies (including expenses that would have been borne by co-investors or co-investment vehicles), (v) all custody, transfer, registration and similar expenses incurred by the Fund, (vi) all brokerage, sale, and finder's fees and commissions and discounts incurred in connection with the purchase or sale of securities, (vii) all premiums for insurance covering indemnified persons of the Fund, including insurance of which the Firm and its affiliates are beneficiaries, cyber-security insurance premiums, and any liability and errors and omissions insurance premiums, (viii) all expenses of the Advisory Committee, (ix) all expenses of the Social Impact Committee, (x) all expenses incurred in connection with Partner meetings, (xi) all interest on borrowed funds of the Fund and bridge financing expenses, financing, commitment, origination and similar fees and expenses, (xii) all extraordinary expenses of the Fund including all litigation and indemnification expenses, (xiii) risk management assessment expenses and expenses associated with the Fund's compliance with applicable laws and regulations, including expenses incurred in connection with complying with provisions of side letters (including "most favored nation" provisions), and (xiv) all taxes and similar fees and expenses of the Fund (other than any taxes imposed on the Fund under the Partnership Audit Rules, as defined below, that are allocable to a Partner of the Fund). Travel expenses may include, without limitation, expenses for business class travel and for meals and entertainment. Expenses of the types borne by the Fund but associated with any Feeder Fund organized to facilitate the participation of certain investors in the Fund (including, without limitation, expenses of accounting and tax services) may be borne by the Fund.

A portfolio company will typically reimburse the Firm for expenses incurred by the Firm 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 Fund as described above. Expenses typically reimbursed by portfolio companies include, without limitation, travel expenses (which may include expenses for business class travel, and meals and entertainment expenses, expenses relating to training programs, meetings or other events (to the extent such programs, meetings or events are attended by portfolio company personnel), indemnification expenses, certain legal expenses and similar out-of-pocket 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 Firm or its affiliates may receive reimbursements of expenses, the Firm will make recommendations regarding the engagement of services providers or the incurrence of expenses by the Fund. Because certain expenses are paid for by the Fund and/or its portfolio companies or, if incurred by the Firm, are reimbursed by a Fund and/or its portfolio companies, the Firm may not necessarily seek out the lowest cost options when incurring (or causing the Fund or its portfolio companies to incur) such expenses.

### **Allocation of Investment Opportunities**

In connection with its investment activities, the Firm may encounter situations in which it must determine how to allocate investment opportunities among various persons, which may include: (i) the Fund, (ii) any co-investment vehicles that have been formed to invest side-by-side with the Fund, (iii) personnel of the Firm, and (iv) other third parties.



In addressing these various conflicts among the Fund and such other parties, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- The Fund will not make any investment unless the General Partner believes that such investment is an appropriate investment considered solely from the viewpoint of the Fund;
- The Advisory Committee of the Fund, whose members are not affiliated with the General Partner, 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 General Partner; and
- Where the Firm 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.

Subject to any restrictions set forth in the Governing Documents, the Firm, its affiliates, and partners, officers, principals and employees of the Firm and its affiliates may buy or sell securities or other instruments that the Firm has recommended to the Fund. Partners, officers, principals and employees of the Firm may also buy securities in transactions offered to but rejected by the Fund. A conflict of interest may arise because such investing Firm personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by the Firm on behalf of the Fund. In such circumstances, the investing Firm personnel will not share or reimburse the Fund and/or the Firm for any expenses incurred in connection with the investment opportunity. Additionally, while the significant interests of officers, principals and employees of the Firm in the Fund's portfolio companies generally aligns the interests of such persons with the Fund, such persons may have different interests from the Fund with respect to such investments (for example, with respect to the availability and timing liquidity).

### **Allocation of Fees and Expenses**

Subject to the terms of the Partnership Agreement, the Firm will allocate fees and expenses incurred in connection with the operations and management of the Fund between the Firm and the Fund in its sole discretion, in each case using good faith and its best judgment (see "Allocation of Expenses" above).

The Firm or one of its affiliates may provide certain legal, regulatory, tax, accounting, administration and similar services to the Fund and the Fund may bear its allocable portion of the fees, costs and other expenses (including an allocable portion of personnel and related overhead expenses) attributable to such services. The General Partner believes that any conflict of interest with respect to such fees, costs and other expenses is mitigated by the requirements set forth in the Partnership Agreement that (i) 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 Fund if such services were provided by third-party service providers, (ii) the General Partner reasonably believes that it is in the interests of the Fund to have in-house personnel perform such services rather than third-party service providers, and (iii) 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.

With respect to allocating other expenses among the Fund, co-investment vehicles, and/or third parties, as appropriate, to the extent not addressed in the Partnership Agreement, the Firm will make any such allocation determination in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. The Firm will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable.

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

The Firm may in the future establish certain investment vehicles through which certain personnel of the Firm or its affiliates, or other persons may invest alongside the Fund in one or more investment opportunities. Such co-investment vehicles generally are created to purchase and sell each investment opportunity at substantially the same time and on substantially the same terms as the Fund. Such co-investment vehicles generally do not pay Management Fees or Carried Interest. The General Partner 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, investors, strategic partners, other investors or such persons acting as finders or brokers of transactions. No investor has a right to participate in any such co-investment opportunities (“Co-Investment Opportunities”), subject to any side letter entered into with an investor that provides such investor with certain rights in respect of co-investments. Decisions regarding whether and to whom to offer such Co-Investment Opportunities are made in the sole discretion of the General Partner. Such Co-Investment Opportunities typically will be offered to some and not other investors, in the sole discretion of the General Partner and investors may be offered a smaller amount of co-investment opportunities than originally requested. In addition, third parties – rather than one or more investors – will from time to time be offered such Co-Investment Opportunities, in the sole discretion of the General Partner. Non-binding acknowledgements of interest in Co-Investment Opportunities do not require the Firm to notify the recipients of such acknowledgements if there is a Co-Investment Opportunity.

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

- The Firm’s evaluation of the size and financial resources of the potential co-investment party and the Firm’s perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the Fund without harming or otherwise prejudicing the Fund, in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
- Any confidentiality concerns the Firm 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;
- The Firm’s perception of its past experiences and relationships with the 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 Firm and the expected amount of negotiations required in connection with a potential co-investor’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;
- The level of demand for participation in such Co-Investment Opportunity;
- The Firm’s perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, 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 Firm’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 Fund 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 Fund 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 Fund being able to capitalize on a potential investment opportunity); and

- Whether the Firm 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 and other value to the Fund, portfolio companies and/or the Firm.

The General Partner's exercise of its discretion in allocating investment opportunities among investors 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. While the General Partner will determine how to allocate investment opportunities in good faith, considering such factors as it deems relevant (including, but not limited to, whether the co-investor may invest in future Related Funds sponsored by the General Partner), but in its sole discretion, there can be no assurance that the 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 General Partner may be subject, discussed herein, did not exist.

In the event the Firm determines to offer an investment opportunity to co-investors, there can be no assurance that the Firm 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 Fund or that expenses incurred by the Fund with respect to the syndication of the co-investment will not be substantial. In the event that the Firm is not successful in offering a Co-Investment Opportunity to potential co-investors, in whole or in part, the Fund may consequently hold a greater concentration and have exposure in the related investment opportunity than was initially intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto.

With respect to allocating other expenses among the Fund and a co-investment vehicle, the Firm will make any such allocation determination in a fair and reasonable manner using its good faith judgment. The appropriate allocation among co-investors and the Fund 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 Fund, rather than the co-investors. Any co-investment vehicle established for the General Partner Commitment will not pay expenses relating to potential investments that are not consummated and such expenses will be borne by the Fund. In addition, to the extent a co-investment vehicle is created in connection with a proposed transaction, costs and expenses relating to such co-investment vehicle may, in certain situations, be borne by the Fund, regardless of whether such proposed transaction is consummated.

### **Conflicts Relating to Secondary Transfers**

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

- the Firm's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;

- the Firm'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 future Related Funds and/or the Firm;
- Whether the potential purchaser would subject the General Partner, the Firm or the Fund, or their affiliates to legal, tax, regulatory, reporting, public relations, media or other burdens; and
- Such other facts as it deems appropriate under the circumstances in exercising such discretion.

A purchaser's potential investment into a future Related Fund may be considered by the General Partner in determining whether to grant or withhold its consent to a secondary transfer of interests in the Fund.

### **Warehoused Investments**

To facilitate investments prior to the closing of the Fund, an investment vehicle established by the Firm and the Gates Foundation may make one or more investments along with certain affiliates of the Firm or third parties, with the intention of transferring all or a portion of such investment to the Fund promptly/ immediately following the Fund's closing. Such warehoused investments will be transferred at cost by the Firm with third parties. There can be no assurances that such warehoused investments will be consummated. There is a risk that the warehoused assets will drop in value during the warehousing period and the Fund may be required to bear the losses in connection with any such investment.

The Investment Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and any such transaction will comply with the requirements of the Investment Adviser's principal transactions policy, as described below.

### **Principal Transactions**

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. 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. In connection with the Firm's management of the Fund, the Investment Adviser and its affiliates may (although generally do not) engage in principal transactions. The Firm 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 Fund regarding any proposed principal transactions and that any required prior consent to the transaction be received. The Partnership Agreement provides that the General Partner may grant any such approvals required under Section 206(3).

### **Cross Transactions**

In certain cases, the Firm may cause the Fund to sell investments to another Related Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, the Fund may not receive the best price otherwise possible, or the Firm might have an incentive to improve the performance of another Related Fund by selling underperforming assets to the Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Firm, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Firm and its affiliates may receive management or other fees in

connection with their management of the Related Funds involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Related Funds. The Firm will be responsible for confirming that it (i) considers its respective duties to the Fund, (ii) determines 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, and (iii) obtains any required approvals of the transaction's terms and conditions.

### **Conflicts Related to Purchases and Sales**

Conflicts may arise when the Fund makes investments in conjunction with the disposition of Legacy Investments. To the extent it deems it necessary or advisable, the Fund may, but is not required to, seek the approval of the Advisory Committee prior to causing the Fund to make an investment in any Legacy Investment. Investment opportunities may from time to time be appropriate for the Fund 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 Firm and its affiliates may invest in bank debt and securities of Legacy Investments, including equity securities. In the event that such investments are made, the interests of the pooled investment vehicle holding such Legacy Investment will, at times, conflict with the interest of the Fund, particularly in circumstances where the Legacy Investment 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 Fund 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, or to finance growth or other opportunities, the Fund may or may not provide such additional capital, and if provided the Fund will supply such additional capital in such amounts, if any, as determined by the Firm in its sole discretion. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either the Fund or a Legacy Investment. The Firm may also express inconsistent or contrary views of commonly held investments or of market conditions more generally. There can be no assurance that the return of the Fund would be equal to and not less than the pooled investment vehicle holding such Legacy Investment participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed. The Firm will determine all matters relating to structuring transactions and capitalizing portfolio companies, including the amount and terms of securities and allocation of investment opportunities, using its best judgment considering all factors it deems relevant, but in its sole discretion. The Fund may invest in opportunities that another Related Fund has declined, and likewise, a Fund may decline to invest in opportunities in which another Related Fund has invested. A conflict of interest arises because the Related Fund will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by the Firm on behalf of the Fund considering the investment. In such circumstances, the benefitting fund or funds will not be required to reimburse the Fund for expenses incurred in connection with researching such investment.

From time to time the Firm, may, in its discretion, enter into transactions with investors in the Fund to dispose of all or a portion of certain investments held by the Fund. In exercising its discretion to select the purchaser(s) of such investments, the Firm 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 Firm and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Firm. Although the Firm is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the Fund, taking into account the sales price and the other terms and conditions of the transaction. 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 Fund may sell down an interest in its portfolio companies to co-investors. The Firm may charge (or may decide not to charge) a co-investor interest costs for the time period between the closing of the Fund's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor.

The Fund will, from time to time, enter into equity commitment arrangements whereby, subject to any applicable documentation, the Fund agrees that upon the closing of a transaction with respect to a potential portfolio company, it will purchase equity securities in a transaction. Furthermore, in certain instances the Fund will enter into limited guarantee arrangements whereby, subject to any applicable documentation, the Fund agrees that if a transaction with respect to a potential portfolio company is not consummated, it will pay a percentage of the total value of the transaction as a "reverse termination" or similar fee to the seller. Co-investment vehicles (including any co-investment vehicle for the General Partner Commitment) are generally not direct parties to the equity commitment arrangements or limited guarantees. Therefore, in the unlikely event that a co-investment vehicle defaults on such arrangement, the Fund would be held responsible for the entire equity purchase price or reverse termination or similar fee, as applicable.

### **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. In addition, the Fund may participate in re-leveraging and recapitalization transactions involving portfolio companies in which a future Related Fund 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.

### **Fund Level Borrowing**

The Fund expects to 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 Limited Partners), to make payments under hedging transactions, or to cover any shortfall resulting from a Limited Partner's default or exclusion. If the Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be generally used for all Partners in the Fund on a pro-rata basis, including the General Partner. In addition, credit facilities for the Fund may be available to provide borrowed funds directly to the portfolio companies of the Fund, in which case such borrowed funds would be guaranteed by the Fund.

To the extent the Fund uses borrowed funds in advance or in lieu of capital contributions, the Limited Partners generally will later make corresponding capital contributions, but the Fund will bear the expense of interest on such borrowed funds. As a result, the 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 the Fund will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by the General Partner by decreasing the amount of distributions from the Fund that are required to be made to Limited Partners in satisfaction of the

preferred return. The General Partner therefore has a conflict of interest in deciding whether to borrow funds because the General Partner may receive disproportionate benefits from such borrowings.

Although borrowings by the Fund have the potential to enhance overall returns that exceed the Fund's cost of funds, such borrowings increase the potential exposure of the Fund to a particular investment above the level that the Fund would typically have had an investment been limited to equity. Any such borrowings will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Fund's cost of funds. In addition, borrowings by the Fund will generally be secured by Commitments made by Limited Partners to the Fund as well as by the Fund's assets and the documentation relating to such borrowings provides that during the continuance of a default under such borrowings, the interests of the Limited Partners may be subordinated to such Fund-level borrowing. Moreover, tax-exempt Limited Partners should note that the use of borrowings by the Fund may cause the realization of UBTI.

**Item 9**  
**Disciplinary Information**

In the past ten years, there have been no legal or disciplinary events involving the Firm or any of its management persons that are material to the Firm's advisory business or to the integrity of the Firm's management.



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

- A.** Neither the Firm nor any of its management persons are registered, or have an application pending to register, as broker-dealers or registered representatives of a broker-dealer.
- B.** Adjuvant is exempt from registration and membership with the Commodity Futures Trading Commission (“CFTC”) and National Futures Association (“NFA”) as a commodity pool operator in reliance on CFTC Reg. 4.13(a)(3).
- C.** The General Partner is affiliated and under common control with Adjuvant. Outside of this, neither the Firm nor any of its management persons have a relationship or arrangement that is material to the Firm’s advisory business or the Fund.
- D.** Adjuvant does not recommend or select other investment advisers for the Fund.

## Item 11

### Code of Ethics, Participation or Interests in Client Transactions and Personal Trading

**A.** The Firm has adopted a Code of Ethics (“Code”), which describes the Firm’s fiduciary duties and responsibilities to its Fund, requires that the Firm’s employees act in the best interests of Fund to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Fund to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. The Firm’s employees are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate party of any actual or suspected violations of such laws by the Firm or its employees. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of the Firm’s employees. The Code requires employees to provide duplicate brokerage accounts statements and/or trade confirmations, or their electronic equivalent, to the Firm and to report all securities transactions on at least a quarterly basis; and requires employees to provide a summary of securities holdings on at least an annual basis. The Code also includes policies and procedures to prevent the misuse and disclosure of material nonpublic information (i.e., “insider trading”) and other confidential information and policies and procedures addressing conflicts of interest; outside activities of employees; gifts and business entertainment, including limitations and reporting requirements; and pre-clearance and reporting of political contributions. The Firm provides a complete copy of its Code to any Fund, investor, prospective Fund or prospect investor upon request to the Chief Compliance Officer. Investors may contact the Firm to receive a copy of the Firm’s Code.

**B.** From time to time, consistent with a Fund’s investment objectives and subject to satisfaction of the policies and procedures set forth in the Code and in the Firm’s compliance manual (“Compliance Manual”), the Firm may recommend that a Fund acquire or sell securities in which a related person of the Firm has a pre-existing direct or indirect interest. A potential conflict of interest could arise in that the interested related person of the Firm could benefit from such a purchase or sale of the applicable security by a Fund. However, the Firm has policies and procedures designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions. These procedures are further detailed in the Firm’s policies and procedures. Certain terms of the Governing Documents and the equity participation of Adjuvant’s related persons in the Fund further mitigate such conflicts.

The Firm generally does not itself trade securities on a principal basis with the Fund. Certain related persons of the Firm, however, could be principals (and in the future other funds may be deemed principals), based on SEC staff guidance, due to an investment in any such fund or related person by the Firm and controlling persons exceeding 25% of that fund’s or related person’s assets. To the extent that the Firm and/or its related persons engage (or are deemed to engage) in principal securities transactions, any such transactions will comply with applicable law. The Firm and/or its related persons may have interests in such transactions that are adverse to the Funds or other clients. In the event that the Firm decides to engage in a principal transaction, it will disclose to investors of the Fund the material terms of the transaction and receive approval from such investors, prior to engaging in the principal transaction.

Currently, the Firm advises two pooled investment vehicles that invest in parallel alongside each other. If in the event that the Firm decides to create additional investment funds or a different advisory client, it will expand upon its policies and procedures related to “cross transactions” with any of its funds or clients, as needed.

**C.** From time to time, subject to satisfaction of the policies and procedures set forth in the Code, the Compliance Manual and the Governing Documents, the Firm or a related person of the Firm may invest in the same securities that are recommended to the Fund, although such practice is generally prohibited subject to an exception in writing by the Chief Compliance Officer. A potential conflict of interest could arise in that the Firm or the interested related person of the Firm could benefit from the Fund's ownership of, or subsequent sale of, the applicable security. However, the Code and the Compliance Manual are designed to identify and manage conflicts of interest to the extent they arise in connection with the personal securities transactions and other investment activities of Adjuvant's related persons. In particular, the Code requires that the Firm's related persons abide by policies and procedures, including a pre-clearance procedure, in connection with certain of their personal securities trading activities, and such activities are monitored under the Code to ensure compliance with such policies and procedures.

**D.** From time to time, in appropriate circumstances and subject to satisfaction of the policies and procedures set forth in the Code, the Compliance Manual and the Governing Documents, Adjuvant may in the future establish certain investment vehicles through which Adjuvant personnel and other related persons or business associates may invest alongside a Fund in one or more investment opportunities. Such vehicles, referred to as "co-investment vehicles," generally are contractually required, as a condition of investment, to purchase and sell each investment opportunity at substantially the same time and on substantially the same terms as the applicable Client that is invested in that investment opportunity. The Firm's Code and Compliance Manual are designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions.

Certain service providers (or their affiliates), including administrators, lenders, brokers, attorneys, consultants and investment banking firms, that the Firm may retain or seek to have retained for the Funds or their portfolio companies (or with respect to the Funds' portfolio investments therein) may also have relationships with, or have provided goods or services to, the Firm, its affiliates or other organizations to which senior investment professionals of the Firm have been affiliated. The Firm may choose to engage or seek to have engaged the same service providers to provide services to the Funds, portfolio companies, the Firm or its affiliates. In some cases, these service providers may provide services for one or more of these parties on terms that are more beneficial than those afforded to other of these parties. There can be no guarantee that the Fund or any of its portfolio companies will receive the most beneficial terms offered by any particular service provider. These services and relationships, or more favorable terms offered by service providers, may influence the Firm and its affiliates in deciding whether to select such a provider to perform services for the Fund or portfolio companies.

The Governing Documents generally provide that the Fund will be responsible for all costs and expenses in connection with their operation, other than the costs and expenses that will be the responsibility of the Firm or other third parties. To the extent possible, third-party expenses incurred in connection with consummated transactions may be borne by the respective portfolio companies. The Firm's out-of-pocket expenses are generally reimbursed by the applicable portfolio company or the Fund. A conflict of interest could arise in the Firm's determination whether certain costs or expenses that are incurred in connection with the operation of the Fund meet the definition of Fund operational expenses for which the Fund is responsible, or whether such expenses should be borne by the Firm. The Fund will be reliant on the determinations of the Firm in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as between the various funds advised by the Firm. There can be no assurance that errors will not arise in such allocations.

**Item 12**  
**Brokerage Practices**

**A.** Adjuvant provides investment advice primarily with respect to private investments. As such, the Firm's transactions on behalf of the Fund are normally privately negotiated and may not involve the use of a broker or dealer for the execution of Fund transactions. In those cases, the Firm will seek to negotiate and execute transactions in an efficient manner and consistent with its fiduciary duties to the Fund.

The Firm may, however, trade in certain derivative instruments. In these cases where the Firm determines to utilize a broker or a dealer to transact on behalf of the Fund, the Firm shall evaluate such broker or dealer based on a range of factors, including without limitation commission price, willingness to commit capital, ability to execute the desired transaction and other factors. As a fiduciary, the Firm must execute securities transactions in such manner that a Fund's total cost or proceeds in each transaction is the most favorable under the circumstances. The determinative factor is whether the transaction represents the best qualitative execution for the account and not whether the lowest possible commission cost was obtained. Thus, the Firm will consider the full range and quality of a broker's service in selecting or recommending brokers to meet best execution obligations, including the ability to access or otherwise execute large transactions in the public market. The Firm may not pay the lowest commission rate available. As a starting point, though, the primary consideration is the trade price and commission quoted by the broker-dealers.

**B.** Currently, the Firm provides investment advice to the Fund and no other advisory clients. The Fund consists of two pooled investment vehicles that invest in parallel alongside each other. In the event that the Firm retains other advisory clients, it will implement policies and procedures related to the aggregation and allocation of purchases and sales, to the extent applicable.

**Item 13**  
**Review of Accounts**

**A.** The Firm's investment professionals monitor the Fund's portfolio on a continuous and ongoing basis. Formal investment committee meetings will initially occur on an *ad hoc* basis until the Fund has three investments. At that point, it will meet on a monthly basis to review those investments as well as potential investments.

**B.** The Firm does not utilize any specific criteria to trigger a review of investments at this time.

**C.** Audited financial statements will be provided to investors in the Fund, generally within 120 days of the Fund's fiscal year end. Adjuvant may also distribute periodic written reports to investors which contain information such as attribution, holdings and performance, and market color, amongst other such topics.

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

- A.** No one other than the Fund provides an economic benefit to the Firm for providing investment advice or other advisory services to the Fund, unless otherwise disclosed in the Brochure and/or the Governing Documents.
- B.** As of the date of this brochure, neither Adjuvant nor any of its related persons compensates any person who is not a supervised person for client or Fund referrals.

## **Item 15**

### **Custody**

Adjuvant is subject to Rule 206(4)-2 under the Advisers Act, also known as the “Custody Rule,” which sets forth specific requirements relating to Fund securities and certain other assets over which the Firm has actual or constructive custody. While most of the Fund’s investments come in the form of privately offered securities, cash and other assets that do not meet the requirements of the SEC’s privately offered securities exception are held at a qualified custodian. Further, the Firm ensures that the Fund’s financial statements are audited by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“PCAOB”), are prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”), and are delivered to the Fund’s underlying investors within 120 days of the Fund’s fiscal year end.

**Item 16**  
**Investment Discretion**

Adjuvant provides investment advice directly to the Fund on a discretionary basis and not individually to the investors in the Fund. Generally, the Firm's authority is subject only to the investment guidelines set forth in the Fund's Governing Documents.



**Item 17**  
**Voting Client Securities**

The Fund's portfolio companies generally do not solicit proxy votes from their shareholders. In order to address the rare situation where the issuer does solicit proxy votes for certain corporate actions, the Firm has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act. The principles and guidelines of the policies address a broad range of issues and generally are believed to be consistent with Firm's fiduciary obligations in seeking to maximize long-term investment returns for the Fund. Under certain circumstances, when it is believed to be in the best interest of the Fund, the Firm may vote in a manner that is contrary to the proxy voting principles and guidelines or may abstain from voting. In connection with the voting of a proxy, the Firm's policies generally require identification of potential or actual conflicts of interest so that they may be appropriately addressed. In addition, the Firm may engage a third-party proxy voting service to vote proxies on behalf of the Fund and may, if appropriate, generally adopt such third party's proxy voting policies and guidelines; any cost of such may be borne by such Funds, as applicable.

**Item 18**  
**Financial Information**

- A.** The Firm does not require or solicit prepayment of more than \$1,200 in fees from any Fund six months or more in advance.
- B.** The Firm does not believe any financial conditions currently exist that are reasonably likely to impair its ability to meet contractual or other commitments to the Funds.
- C.** The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.