

KLH Capital Partners, L.P.

Part 2A of Form ADV

The Brochure

4030 W. Boy Scout Boulevard, Suite 925
Tampa, FL 33607
www.klhcapital.com

Updated: March 31, 2023

This brochure provides information about the qualifications and business practices of KLH Capital Partners, L.P., a Florida limited partnership (“KLH” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 813-222-0160. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

KLH is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder. However, such registration does not imply a certain level of skill or training.

Additional information about KLH is also available on the SEC’s website at: www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

KLH commenced fundraising on KLH Capital Fund V, L.P. in Q4 2022, closing on \$301,400,000 of commitments as of December 31, 2022.

ITEM 3 – TABLE OF CONTENTS

ITEM 2 – MATERIAL CHANGES	2
ITEM 3 – TABLE OF CONTENTS	3
ITEM 4 – ADVISORY BUSINESS.....	4
ITEM 5 – FEES AND COMPENSATION	6
ITEM 6 – PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT	16
ITEM 7 – TYPES OF CLIENTS.....	17
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS ..	18
ITEM 9 – DISCIPLINARY INFORMATION.....	57
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	58
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	59
ITEM 12 – BROKERAGE PRACTICES	61
ITEM 13 – REVIEW OF ACCOUNTS	62
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION	63
ITEM 15 – CUSTODY	64
ITEM 16 – INVESTMENT DISCRETION	65
ITEM 17 – VOTING CLIENT SECURITIES	66
ITEM 18 – FINANCIAL INFORMATION.....	67

ITEM 4 – ADVISORY BUSINESS

KLH is a private equity firm that provides investment advisory services to privately offered pooled investment vehicles (and certain co-investment vehicles and alternative investment vehicles thereof). KLH seeks to make value-oriented investments in lower middle-market companies with an emphasis on specialty services, value-added distribution industries and niche manufacturing. KLH makes majority and minority equity investments in companies through (i) management buyouts, (ii) family restructuring, (iii) recapitalizations, (iv) minority recapitalizations, and (v) corporate divestitures. The principals of KLH are James B. Darnell, William L. Dowden III, and Kyle P. Madden. KLH was founded in 2004.

KLH serves as an investment adviser to KLH Capital Fund II, L.P., KLH Capital Fund III, L.P., KLH Capital Fund IV, L.P. and KLH Capital Fund V, L.P. (and certain feeder funds and alternative investment vehicles thereof), (each, a “Fund” and collectively, together with any future private investment funds to which KLH and/or its affiliates provide investment advisory services, the “Funds”). Fund IV and Fund V are collectively referred to as the “SEC Funds” (each an “SEC Fund” and collectively, the “SEC Funds”).

KLH Capital Fund III, L.P. is currently licensed as a small business investment company by the United States Small Business Administration (“SBA”). The Fund uses private capital and leverage from the SBA to make investments in companies.

In the future, KLH and its affiliates may, and may permit certain related persons, to form one or more partnerships or other entities to invest side-by-side with the Funds, or form one or more partnerships or other entities to invest with the same or substantially similar criteria and objectives of the Funds. KLH and its affiliates may also form one or more partnerships, joint ventures or other entities or arrangements to facilitate investment by certain investors (a “Co-investment Opportunity”). A Co-investment Opportunity typically will be offered to some limited partners and not other limited partners in a Fund, and may be offered to other persons who are not limited partners in any Fund. Decisions regarding whether and to whom to offer co-investment opportunities may be made by KLH and/or its affiliates in accordance with a Fund’s applicable private placement memorandum or term sheet, limited partnership agreement and investment management agreement (collectively, the “Governing Documents”). Such co-investments typically involve investment and disposal of interests in the applicable Portfolio Company (as defined herein) at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing Fund) purchases a portion of an investment from one or more Funds after such Funds have consummated their investment in the Portfolio Company (also known as a post-closing sell-down or transfer), which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility. Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment, but in certain instances could be well after the Fund’s initial purchase. Where appropriate, and in KLH’s sole discretion, KLH reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to

the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

KLH has the general authority to recommend investments to the Funds, subject to the limitations set forth in the relevant Governing Documents. However, the management and the conduct of the activities of each Fund remain the ultimate responsibility of each Fund's general partner. The investment advice provided by KLH and its affiliates to the Funds is tailored to meet the individual investment objectives and restrictions of each Fund, as set forth in the relevant Governing Documents. Investors in the Funds (generally referred to herein as "investors," "limited partners" or "partners") participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the Governing Documents; for the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between KLH and any investor.

Investments made by the Funds are referred to herein collectively as "Portfolio Companies" and individually as a "Portfolio Company."

As of December 31, 2022, KLH has \$593,359,961 of regulatory assets under management.

ITEM 5 – FEES AND COMPENSATION

Adviser Compensation

Generally, for each Fund, KLH receives a management fee (each, a “Management Fee”) and carried interest in connection with the provision of advisory services to such Fund. KLH or other entities or affiliates receive additional compensation in connection with management and other services performed for Portfolio Companies of Funds and such additional compensation will offset in whole or in part the Management Fees otherwise payable and due in accordance with each Fund’s Governing Documents. Investors in a Fund also bear certain expenses. Fees and other compensation paid by a Fund to KLH varies from Fund to Fund and may be different from the fees and compensation payable in respect of any successor Fund or co-investment vehicle formed to facilitate a Fund investment. Investors should carefully review the Governing Documents of the relevant Fund in conjunction with this Brochure for complete information about fees and compensation. Except as otherwise agreed, KLH is permitted to exempt certain investors in a Fund from payment of all or a portion of the relevant Management Fees and/or carried interest, including certain limited partners who are affiliates or employees of KLH and any other person designated by KLH.

Management Fees

The SEC Funds each pay KLH, quarterly in advance, a management fee (the “SEC Funds Management Fee”) equal to 2.0% on an annual basis of their respective Fund investor capital commitments. Investors participating in a closing after the initial closing of an SEC Fund (or such later date as is determined by the general partner of the respective SEC Fund (the “SEC Fund General Partner”)) (such date, the “SEC Fund Effective Date”) bear the SEC Fund Management Fee from the SEC Fund’s Effective Date. Upon the earlier to occur of (i) the expiration of the investment period of the respective SEC Fund or (ii) the occurrence of certain events describe in the Governing Documents (such date, the “Stepdown Date”), the respective SEC Fund’s Management Fee will equal 2.0% of (a) the aggregate investment contributions made (or payable to the respective SEC Fund pursuant to capital call notices then issued or to be issued to repay indebtedness incurred by the respective SEC Fund and/or used to fund an investment), less (b) the aggregate amount of investment contributions with respect to the portion of each investment that has been disposed of or permanently written-down, in each case with respect to partners not designated as “affiliated partners;” provided that investments in a Portfolio Company will be treated as having been disposed of or permanently written down only to the extent that, as of the date of any such disposition or write down, the aggregate fair market value of all remaining respective SEC Fund’s investments in such Portfolio Company is less than the respective SEC Fund’s aggregate investment contributions made with respect to such Portfolio Company. The respective SEC Fund’s Management Fee will be payable until all portfolio investments are distributed or until KLH’s relationship with the respective SEC Fund is terminated for other reasons (as described in the respective SEC Fund’s Governing Documents). Installments of the respective SEC Fund Management Fee payable for any period other than a full quarterly period are adjusted on *pro rata* basis according to the actual number of days in such period. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors in the relevant Fund.

Under the Governing Documents, where the fair market value of an investment exceeds the total amount of investment contributions relating to such investment, post-Stepdown Date Management Fees will not be calculated based upon such appreciated value, and will instead continue to be calculated based on the amount of such investment contributions. However, where there has been a partial distribution, partial writedown or partial sale of an investment and the fair market value of such investment following such event exceeds the total amount of investment contributions relating to such investment, the Governing Documents do not require Management Fees after the Stepdown Date to be reduced.

As a result, the amount of Management Fees generally will not correspond with fluctuations in a Fund's net asset value, including following the investment period, and will not be reduced in connection with any write downs, except in the case of investments permanently written down. Except where the Governing Documents expressly provide to the contrary, Management Fees will not be reduced (in whole or in part) in the case of partial distributions (e.g., those resulting from a dividend recapitalization) or partial sales of investments.

In many circumstances, the fair value component of such post-Stepdown Date Management Fees will include capitalized transaction-specific expenses of unrealized investments. Further, Management Fees generally will not be reimbursed or refunded under the Governing Documents in the event of realizations, dispositions or partial write-downs that occur partway through the relevant calculation period.

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

The Management Fee is expected to be reduced by all or a portion of a Fund's share of any directors' fees, management services or advisory consulting fees, transaction fees (including, any closing fees, investment banking fees, placement fees, commitment fees, breakup fees, litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors' fees and other similar fees) and certain other fees paid to KLH or any of its affiliates, partners, members, officers or employees, by any Portfolio Company or prospective Portfolio Company (collectively, "Supplemental Fees"). To the extent that such an offset credit would reduce the Management Fee for a given Management Fee payment period below zero, the credit will be carried forward for future application against payable Management Fees and if a credit remains upon liquidation a payment will be made crediting limited partners unless a limited partner has elected to waive such amount (e.g., where an adverse tax consequence may result).

As a matter of practice, KLH is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. Any Supplemental Fees with respect to an investment or potential investment (including a transaction not consummated) shall be allocated to the relevant Fund (and offset against such Fund's Management Fee as described above) only to the extent of such Fund's relative ownership (or anticipated ownership) of such investment or potential investment on a fully diluted basis. Accordingly, a Fund will, in most cases, only benefit from the Management Fee reduction described above with respect to its allocable portion of any such Supplemental Fee and not the portion of any Supplemental Fee related to General Partner or

affiliated partner commitments or that relates to any other person that holds an economic interest in (or, in the case of a transaction not consummated, would have held an economic interest in) the applicable investment (which could include co-investment vehicles managed by KLH, third parties, portfolio company management or employees and/ or others), which have the potential to be significant. To the extent Supplemental Fees are paid in kind (including through securities, option grants or other interests), KLH is permitted to calculate the amount of offset based on the then-current value of the in-kind payment, rather than the ultimate value of the interests as of a future date.

In accordance with the relevant Governing Documents, Fund II and Fund III will each pay KLH a Management Fee quarterly in advance. The Management Fee payable by Fund II and Fund III to KLH is equal to a certain management fee rate multiplied by the cost basis of its investments (including investments made with both private capital and SBA leverage) in active companies. The management fee rate on which the Management Fees are payable by Fund II and Fund III range from 2.0% to 2.5% depending on value of the base on which the Management Fee is calculated.

Additional Fees and Expenses

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Governing Documents, over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

KLH is liable for its normal operating overhead and administrative expenses, including salaries, bonuses and employee benefits, office facilities, back office support, accounting, management/finance functions, marketing, travel, and other management-related costs. The principals or other current or former employees of KLH generally receive salaries and other compensation derived from, and which in certain cases may be structured to include a portion of, the Management Fee, performance-based compensation (i.e., carried interest) or other compensation received by KLH or its affiliates.

In addition to the relevant Management Fee and carried interest the Funds pay KLH, each Fund will pay, or reimburse, the relevant General Partner and/or its affiliates for all other fees, costs, expenses, liabilities and obligations relating to the relevant Fund and/or its subsidiaries' or intermediate entities' activities, business, Portfolio Companies or actual or potential investments (to the extent not borne or reimbursed by a Portfolio Company or potential Portfolio Company) pursuant to the relevant Governing Documents. These costs and expenses are detailed in the relevant Funds' Governing Documents and include fees, costs, expenses, liabilities and obligations relating or attributable to:

- (i) activities with respect to the origination, identification and sourcing of investment opportunities for a Fund, including attending and sponsoring industry conferences and events, meeting with consultants, finders broker-dealers, investment banks and other sources of investments and developing and maintaining an investment pipeline;
- (ii) activities with respect to the pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases and/or

research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, a Fund's Portfolio Companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence and deal-sourcing software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful;

(iii) indebtedness of, or guarantees made by, a Fund, KLH, the relevant General Partner or any "affiliated partner" on behalf of such Fund (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee;

(iv) financing, commitment, origination and similar fees and expenses;

(v) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder (including with respect to the retention of potential Operations Group (as defined below) members and other Portfolio Company executives) and similar services;

(vi) brokerage, sale, custodial, depository, local paying agent, trustee, record-keeping, account, registered office and similar (including any depository appointed pursuant to the European Union Alternative Investment Fund Managers Directive (the "AIFMD") or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), and any Swiss representative or paying agent appointed pursuant to the Swiss Collective Investment Schemes Act (as amended), including any law, rule or regulation relating to the implementation thereof, trustee, record keeping, account and similar services;

(vii) legal, accounting, research, auditing, technology, administration (including fees and expenses associated with compliance with any anti-money laundering laws and regulations and any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services as well as costs and expenses related to the establishment or maintenance of such other services), consulting (including consulting and retainer fees, salary and other compensation paid to and benefits or personnel costs and expenses provided to or on behalf of the Operations Group or any of its members, consultants (including costs related to hiring consultants (e.g., headhunter fees, background checks or relocations costs), consulting, retainer and other fees, incentive equity, stock awards, salary and other compensation paid to, and benefits or personnel costs provided to or on behalf of, the Operations Group or any of its members, entrepreneur advisors, operational advisors, strategic advisors and similar individuals or other advisors, consultants performing investment initiatives, due diligence and/or finding or evaluating potential investments or attractive market segments and other similar consultants) performing investment initiatives or providing services related to environmental, social and governance investment

considerations and policies and other consultants), tax and other professional services, including costs and expenses related to the establishment or maintenance of any such activities or services;

(viii) reporting, filings and other ongoing compliance requirements contemplated by the AIFMD or any similar law, rule or regulation (excluding, for the avoidance of doubt, the initial and/or preliminary registrations, filings and compliance obligations related thereto), including secondary legislation, regulation, rules and/or associated guidance, and any related requirements;

(ix) reverse breakup, termination and other similar arrangements, including a co-investor's or potential co-investor's share of such costs;

(x) insurance (including directors and officers liability, fidelity bond, cyber-security, portfolio company management liability, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles and broker fees, costs and commissions) and the costs and expenses of any consultants or other advisors utilized in the procurement, review, maintenance and analysis of insurance policies;

(xi) filing, title, transfer, survey, registration and other similar fees and expenses;

(xii) printing, communications, mailing, courier, marketing and publicity;

(xiii) the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms or other communications with partners, any other administrative, compliance or regulatory filings or reports (including Form PF and Bureau of Economic Analysis Reports) or other information, including fees, costs and expenses of any third-party service providers and professionals related to the foregoing;

(xiv) compliance with any tax or financial account reporting regime applicable to a Fund, any alternative investment vehicle of a Fund and/or the relevant General Partner, including the "Foreign Account Tax Compliance Act" or "FATCA" and the OECD Standard for Automatic Exchange of Financial Account Information - Common Reporting Standard, and any similar laws, rules or regulations, including any fees, costs and expenses of any third-party services providers and professionals related to the foregoing;

(xv) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting and ledger systems, financial management and cybersecurity) or other administrative or reporting tools (including subscription-based services);

(xvi) any activities with respect to protecting the confidential or non-public nature of any information or data (including any costs and expenses incurred in connection with compliance with the Data Protection Directive (95/46/EC), the UK Data Protection Act 2018, the Privacy and Electronic Communications (EC Directive) Regulations 2003, the General Data Protection Regulation (EU 2016/679) (as amended) (or other data protection laws implemented in other jurisdictions) and the Freedom of Information Act, 5 U.S.C. § 552);

(xvii) to the extent provided in the Governing Documents, or otherwise approved by the relevant General Partner in its sole discretion, activities or proceedings of the advisory board for a Fund (the “Advisory Board”) (including any costs and expenses incurred by representatives of the relevant General Partner, the Advisory Board members, permitted observers and other persons in attending or otherwise participating in meetings of the Advisory Board);

(xviii) indemnification obligations (including legal and any other fees, costs and expenses incurred in connection with indemnifying any partner or other person pursuant to the relevant Governing Documents and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the relevant Governing Documents), except as otherwise set forth in the relevant Governing Documents;

(xix) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith;

(xx) any annual, periodic or special meeting of the limited partner and any other conference, meeting or webcast or other video conference with any limited partner(s), and any periodic executive forum of Portfolio Company management and other persons, in each case, including any costs and expenses associated with venue, set-up, room and board, dining, entertainment, gifts and mementos, honorarium, events or speakers, and other meeting or conference-related costs and expenses;

(xxi) except as otherwise determined by the relevant General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with such Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to such Fund to the extent not paid by the investors investing in such entities and any other costs and expenses related to any structuring or restructuring of such Fund and/or its affiliated entities;

(xxii) the termination, liquidation, winding up or dissolution of a Fund and any legal entities owned directly or indirectly by such Fund, including Portfolio Companies and related entities;

(xxiii) defaults by partners in the payment of any capital contributions;

(xxiv) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of a Fund, the relevant General Partner and related entities, KLH, any entities owned directly or indirectly by such Fund (including portfolio companies) and any alternative investment vehicle of such Fund, including the preparation, distribution and implementation thereof;

(xxv) (A) compliance with any law, rule, regulation, policy directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider fees, costs and expenses related thereto, any regulatory expenses of the relevant General Partner or any of its affiliates incurred in connection with the operation of a Fund and any

costs and expenses related to compliance with any environmental, social or governance investment considerations and policies of the relevant General Partner and/or a Fund and/or any of their respective affiliates and/or (B) any costs and expenses related to the validation or other confirmation of any payments made to a Fund or the relevant General Partner in connection with any voluntary or compulsory review (including any anti-money laundering laws, rules or regulations);

(xxvi) any litigation or governmental inquiry, investigation or proceeding, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the relevant Governing Documents;

(xxvii) any consultants, experts or advisors, including independent appraisers, engaged by the relevant General Partner in connection with a Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same entity as one or more investment vehicles (other than such Fund) managed or controlled by the relevant General Partner or any of its affiliates;

(xxviii) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner or any limited partner's name change, internal restructuring or change in trust, registered agent or custodian;

(xxix) any taxes, fees and other governmental charges levied against a Fund and/or any alternative investment vehicle and all expenses incurred in connection with any tax audit, inquiry, investigation settlement or review of such Fund and/or any alternative investment vehicle (except to the extent that such Fund is reimbursed therefor by a partner or such tax, fee or charge is treated as having been distributed to the partners pursuant to the relevant Governing Documents) and any costs and expenses of or related to the "partnership representative" of such Fund;

(xxx) distributions to the partners and other expenses associated with the acquisition, holding and disposition of investments, including extraordinary expenses;

(xxxi) unreimbursed expenses and unpaid fees of the Operations Group or its members, employees or other persons engaged by the Operations Group;

(xxxii) compliance or regulatory matters, except as otherwise set forth in the relevant Governing Documents, including compliance with the relevant Governing Documents and/or any side letter or similar agreement;

(xxxiii) amendments to, and waivers, consents or approvals pursuant to, side letters and similar agreements with limited partners and "most-favored-nations" election processes in connection therewith;

(xxxiv) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of a General Partner or KLH or any of their respective affiliates at any business-related trade conference, including any applicable registration fees and exhibition, reasonable business-related sponsorship costs and expenses or other presentation fees, costs and expenses;

(xxxv) any travel (including, where appropriate as determined by the relevant General Partner, the cost of using or chartering private aircraft or other private air travel (at a cost not to exceed the cost of corresponding first class commercial airfare), other air travel, car or ride sharing services, other

modes of transportation, lodging, meals and entertainment) and other meals and entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities;

(xxxvi) any of the items listed in clauses (i) through (xxxv) above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful and/or that may have been offered to co-investors (including co-investors' proportionate share of any expenses related to an investment or other opportunity not consummated);

(xxxviii) any Organizational Expenses (as defined in the relevant Governing Documents, as applicable);

(xxxviii) any Placement Fees (as defined in the relevant Governing Documents, as applicable); and

(xxxix) any other fees, costs, expenses, liabilities or obligations approved by the Advisory Board.

To the extent that the relevant General Partner, KLH or their affiliates bear any Fund expenses, they shall be entitled to be reimbursed by the applicable Fund or to offset such amounts against any reduction of the relevant Management Fee as described below. As a general matter, broker deal expenses and other expenses relating to the diligence or evaluation of a prospective investment are allocated among investors within a Fund regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment.

Both of the SEC Funds General Partners are authorized to create an operations group (the "Operations Group") comprised of persons retained or employed by such General Partner or any of its affiliates primarily to provide manufacturing, sales, marketing, technology, human resources, acquisition integration/rationalization, supply chain, logistics, sourcing and/or other operations services, acquisition or other due diligence, or similar services to the SEC Funds, any alternative investment vehicle or any Portfolio Company of the SEC Funds or any prospective Portfolio Company or any alternative investment vehicle of the SEC Funds. Any compensation, including fees, incentive equity or other stock awards, and any reimbursement of certain travel and other costs, received by the Operations Group members may be paid by a Portfolio Company or prospective Portfolio Company of the SEC Funds.

As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds, and there can be no assurance that the benefits to investors will be commensurate with such expenses. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

Waiver of Management Fees

Certain Governing Documents may reduce the Management Fee for a Fund by an amount based on a fixed, or formulaically calculated, percentage of limited partner capital contributions, with KLH receiving a contingent interest in such Fund's profits in lieu of such foregone Management Fee amounts. This contingent interest in a Fund's profits is created by designating a portion of the

capital contributions (generally corresponding to the Management Fee reduction amount) of a Fund's limited partners as an investment in the Fund attributable to KLH. KLH's right to receive and retain amounts under these provisions is contingent on the Fund generating a sufficient amount of certain types of profit over its life. The foregoing Governing Document provisions may result in an acceleration (or delay) of a portion of investor capital contributions relative to the timing of such contributions in the absence of such Governing Document provisions. The applicable Management Fee reduction under these provisions has the potential to be significant. Due to the reduction in Management Fees resulting from such provisions, it is possible that Management Fee offsets (described above) might not be fully realized by investors in a Fund, resulting in a net additional benefit to KLH. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by KLH and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will be delayed.

Carried Interest

Both of the SEC Funds General Partners will receive a carried interest with respect to the SEC Funds equal to 20% of all realized profits subject to an 8% compound preferred return, as more fully described in the Governing Documents. The respective carried interest distributed to KLH is subject to a potential clawback or giveback at the end of the life of each of the SEC Funds if KLH has received excess cumulative distributions and at an interim interval as provided in the Governing Documents.

Operating Professionals.

Additionally, as further described herein and in the applicable Governing Documents of each Fund, KLH expects to use or retain certain operating professionals, such as consultants, advisors or Operations Group members, to provide services to (or with respect to) one or more Funds or certain current or prospective Portfolio Companies in which one or more Funds invest. Such operating professionals generally provide services in relation to the identification, acquisition, holding, improvement and disposition of Portfolio Companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for Portfolio Companies. Operating professionals are expected to receive compensation, including, but not limited to, cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits, participation or equity interest in a Portfolio Company or holding company, incentive equity and stock awards, profits or equity interests in one or more Funds or General Partners, remuneration from KLH and/or its Funds or affiliates, guaranteed minimums or other compensation, the amount of which typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such operating professionals, a percentage of the value of the Portfolio Company, the invested capital exposed to such Portfolio Company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows from such Portfolio Company. Compensation in the form of profits or equity interests in a Portfolio Company or intermediate holding company generally has a dilutive impact on the relevant Fund's investment, and has the potential to result in economic effects greater than the original amount of compensation, and the relevant Fund typically will bear the costs of all operating professional

compensation as well as fees, costs and expenses of structuring operating professional arrangements. Operating professionals also generally will be reimbursed for certain travel and other costs in connection with their services. With respect to certain of the Funds, no such amounts paid by Portfolio Companies (or a Fund) are expected to offset the Management Fee.

In addition, operating professionals generally make use of KLH resources or otherwise are associated with KLH. KLH and/or its affiliates may agree to compensate certain of such persons to the extent Portfolio Company-related compensation falls below certain specified levels on an aggregate annualized basis or provide other compensation. To the extent that operating professionals are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain Portfolio Companies or Funds will bear a greater share of such compensation due to the utilization of the operating professional's services at a time when fewer Portfolio Companies or Funds make use of such operating professionals. Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or tangible work product generated by the operating professional. Although the use of operating professionals and the allocation of compensation paid to them by KLH, its affiliates and/or the Portfolio Companies subjects KLH and/or its affiliates to potential conflicts of interest, KLH believes that such potential conflicts may be reduced by the anticipated cost savings to Portfolio Companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the operating professional is lower than market rates for the services provided and/or if the services of the operating professionals align with KLH's model for the Portfolio Company and improve Portfolio Company performance. Although KLH seeks to retain operating professionals with a view to reducing costs to Portfolio Companies (and, ultimately, the Funds) and/or improving Portfolio Company performance, a number of factors may result in limited or no cost savings from such retention. KLH also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that KLH believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only operating professionals and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

KLH or its affiliates may be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses to the Funds. KLH or its affiliates, in its sole discretion, will allocate fees and expenses in accordance with the Funds' Governing Documents and in a manner that it believes in good faith is fair and equitable to the Funds under the circumstances and considering such factors as it deems relevant.

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

Pursuant to the relevant Governing Documents, the applicable general partner of a Fund (a “General Partner”) is entitled to receive “carried interest” with respect to each investor in a Fund. Generally, carried interest is paid out of the proceeds realized from the investments of the applicable Fund. The percentage of the proceeds paid to a General Partner as carried interest may vary between investors.

Each General Partner is an affiliated entity of KLH. Because a General Partner is entitled to receive carried interest based on the performance of a relevant Fund, the carried interest or other performance-based compensation may create an incentive for KLH to make more speculative investments and make different decisions regarding the timing and manner of the realization of such investments, than would be made if such carried interest or performance-based compensation were not allocated to KLH.

In order to address the potential conflicts of interest described above, KLH seeks to determine the allocation of investment opportunities among the Funds in a manner that it believes is fair and equitable consistent with each Fund’s investment objectives and in accordance with each Fund’s Governing Documents. To determine whether a Fund will participate in an investment opportunity, KLH assesses whether an investment opportunity is appropriate for such Fund based on the Fund’s investment restrictions and objectives (including those set forth in each Fund’s Governing Documents), strategy, capital structure, risk profile, time horizon, investment size, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure.

ITEM 7 – TYPES OF CLIENTS

KLH's sole clients are the Funds, which operate as exempt investment pools under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "Investment Company Act"), and references throughout this Brochure to "clients" and to KLH's related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The investors participating in each Fund may include individuals, banks or thrift institutions, other investment entities, endowments, sovereign wealth funds, family offices, public and private pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities.

Generally, an investor in a Fund must be an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, and unless waived in the discretion of a General Partner, a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act.

The minimum investment commitment for each of the Funds are not the same and range from \$1 million to \$5 million, however a General Partner may permit investments below the minimum amount set for in the relevant Governing Documents and minimum investment commitments are typically established for each investor.

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

Methods of Analysis and Investment Strategies

KLH's investment strategy seeks to drive operational transformation across lower middle-market companies in the specialty services, value-added distribution, and niche manufacturing industries. KLH seeks to transform companies that it believes have stable fundamentals and well-demonstrated performance by strategically repositioning them to achieve their next level of growth through (i) management buyouts, (ii) family restructuring, (iii) recapitalization, (iv) minority recapitalizations, and corporate divestitures. KLH seeks to pursue businesses that it believes (i) are fundamentally stable, (ii) have talented, coachable management, and (iii) exhibit substantial growth potential through strategically repositioning a product/service offering.

KLH seeks opportunities where founders want a targeted list of qualified partners, rather than pursue a broad auction process. KLH employs a two-pronged strategy whereby high impact outreach is achieved through the use of customized content and chemistry and trust is built early. Through a highly collaborative approach, KLH acts as a partner with management to develop a plan to enhance the areas of (i) strategic planning, (ii) leadership development, (iii) infrastructure, and (iv) add-on acquisitions to increase a company's capability and scalability and generate outperformance.

KLH's Investment Committee is comprised of William L. Dowden III, James B. Darnell and Kyle P. Madden. The Investment Committee generally meets weekly to discuss existing and prospective investments. Investments are evaluated independently, as well as in the context of a Fund's existing holdings and sector exposures.

There can be no assurance that KLH will achieve the investment objectives of any Fund and a loss of investment is possible.

Certain Risks Relating to the Investment Strategies of the Funds

Investing in the Funds involves a significant risk of loss that investors should be prepared to bear, including, but not limited to, the risk summarized below:

Investments in Private Companies.

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

Future and Past Performance; Loss of Principal.

Certain of the Funds may, and in the future will, consist of newly organized entities that have no prior operating history or track record. Accordingly, such Funds would not have performance history for a prospective investor to consider. Prospective investors should understand

that an investment in a Fund does not represent an interest in any investment or investment portfolio of any other Fund managed by KLH. Information about the prior performance of a Fund is not necessarily indicative of another Fund's future results, and there can be no assurance that such Fund will achieve comparable results. An investor should not rely on any expectation and there can be no assurance that the risk/return profile of an investment in a Fund will resemble that of another Fund managed by KLH. An investor should only invest in a Fund as part of an overall investment strategy, and only if the investor is able to withstand a total loss of its investment in such Fund. While KLH and/or its affiliates intend for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. With respect to any of the Funds' investments, loss of principal will be possible.

Investment in Junior Securities.

The securities in which the Funds will invest may be among the most junior in a Portfolio Company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Fund's investment once made.

Concentration of Investments; Lack of Diversification.

The Funds will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, the Funds' investment portfolios could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect a Fund's aggregate return. Furthermore, to the extent that the capital raised is less than a targeted amount, the Funds may invest in fewer Portfolio Companies and thus be less diversified.

Unspecified Investments.

Investors will be relying on the ability of KLH to locate and evaluate the investments to be made by the Funds using the proceeds of the relevant offering. The activity of identifying, structuring, completing and realizing private equity investments involves a high degree of uncertainty and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that KLH will be able to identify, or the Funds will be able to complete, portfolio investments that satisfy the Funds' relevant rate of return objectives or, if completed, realize such investments for fair or attractive values or that the Funds will be able to fully invest their committed capital.

Lack of Sufficient Investment Opportunities.

The business of identifying, structuring and completing private equity transactions is highly competitive. The Funds will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers and other financial investors, including hedge funds, investing directly or through affiliates, and other private equity funds. Over the past several years, an ever-increasing number of investment funds have been or are being formed, and many fund sponsors have increased the size of successor funds as compared to their corresponding prior funds. Other investment funds with

similar investment objectives to the Funds likely will be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, and/or more personnel than KLH, the General Partner, the Funds and their respective affiliates.

To the extent that a Fund encounters significant competition for investments, returns to the relevant investors may decrease. In addition, it is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified and consummated. Regardless of the extent to which the commitments of the investors are invested (or drawn down to be invested), investors will be required to bear Management Fees through a Fund during the investment period based on the entire amount of such investor's commitments and other expenses as set forth in each Fund's Governing Documents.

Dynamic Investment Strategy.

While KLH generally intends to seek attractive returns for the Funds primarily through as the investment strategy and methods described herein, KLH is permitted to pursue additional investment strategies and/or modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the Governing Documents. KLH is permitted to pursue investments outside of the industries and sectors in which KLH, the General Partner, and their affiliates have previously made investments or have internal operational experience.

Impact of Government Regulation, Reimbursement and Reform.

Certain industry segments in which the Funds may invest are (or may become) (i) highly regulated at both the federal and state levels in the U.S. and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Funds intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the Portfolio Companies.

Illiquidity; Lack of Current Distributions.

Investments in the Funds should be viewed as illiquid investments. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The Funds' ability to dispose of investments may be limited for several reasons. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Funds. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In view of these limitations on liquidity, the Funds generally will not be able to return capital or realize gains, if any, on an investment in a

privately-held entity until the partial or complete disposition of such investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Funds (including the Management Fee payable to KLH) may exceed its income, thereby requiring that the difference be paid from a Fund's capital, including, without limitation, unfunded commitments.

Leveraged Investments; Borrowing.

The Funds are permitted to make use of leverage by incurring or having a Portfolio Company or intermediate entity incur debt to finance a portion of its investment. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment, and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which may be impacted by regulatory restrictions and guidelines and which are difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including, but not limited to, the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) may restrict or otherwise discourage lending that results in companies carrying large amounts of debt.

Leverage often impose restrictive financial and operating covenants on a company, in addition to the burden of debt service, and will constrain its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of Portfolio Companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged Portfolio Companies in a down market. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. In the event any Portfolio Company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the Portfolio Company, which could adversely affect the returns of such Fund. Additionally, lenders would typically have a claim that has priority over any claim by a Fund to the assets of such Portfolio Company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a Portfolio Company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. If a Portfolio Company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal amount of financial leverage, a Fund may hold a larger than expected equity investment in such Portfolio Company and may realize lower than expected returns from the Portfolio Company that would adversely affect a Fund's ability to generate attractive returns for such Fund as a whole. Any failure by lenders to provide previously committed financing could also expose the Funds to potential claims by sellers of businesses which the Funds may have been contracted to purchase. Moreover, the companies in which the Funds will invest may not be rated by a credit rating agency. Except where otherwise required by the relevant Governing Documents, a Fund will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a Portfolio Company's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that a Fund would be compensated for providing such guarantee or exposure to such liability. Any use of leverage by a Fund generally also will result in fees, interest expense and other costs to such Fund that may exceed, or otherwise not be covered by, distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations, including with respect to the amount of time such leverage may remain outstanding. A Fund generally is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other Funds and/or other entities managed by or otherwise affiliated with KLH, a General Partner or any of their affiliates, including through Fund subsidiaries and other intermediate entities, and, in connection with incurring such indebtedness, KLH or a General Partner may, in its sole discretion, cause a Fund to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such entities. However, it is possible that, if and when a Fund were to seek to enforce any such right, any such entity could default on its obligation and/or such right may otherwise be unenforceable. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the Fund will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a Fund incurs leverage (or provides any guaranty), such amounts are permitted to be secured by the capital commitments of a Fund's investors, and such investors' contributions may be required to be made directly to the lenders instead of such Fund, and other Fund assets. The inability of a Fund to repay any leverage secured by the capital commitments of a Fund's investors could enable a lender to issue a capital call on behalf of KLH or the General Partner of a Fund.

Subscription Lines.

A Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in additional partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the relevant Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the

Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, or results in short-term gains to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's Management Fee calculation, such as during periods where Management Fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's Management Fee calculation under the Governing Documents. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds) as, to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities in their entirety, including co-investors' or potential co-investors' proportionate share of such amounts, which are expected to be borne exclusively by such Fund.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in a Fund or impose concentration or other limits on the Fund's investments, and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a Portfolio Company or other Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Fund, resulting in a potential net benefit to the Fund, or additional potential liquidity constraints or other burdens on the relevant Portfolio Company or Fund subsidiary.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows a General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A General Partner is authorized to use Fund-level borrowing to pay Management Fees and to reimburse KLH for expenses incurred on behalf of the relevant Fund. A Fund is also

permitted to utilize Fund-level borrowing when a General Partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If a Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

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

No Market for Interests; Restrictions on Transfer; No Right of Withdrawal.

Limited partner interests in a Fund may not generally be transferred, sold, assigned, pledged or otherwise encumbered without the prior written consent of the General Partner, which is permitted to be withheld pursuant to the relevant Governing Documents, and the volume of transfers permitted in any calendar year may be restricted in order to comply with certain safe harbors under the tax regulations promulgated under U.S. Internal Revenue code of 1986. Voluntary withdrawals from a Fund will not be permitted except in very limited circumstances generally involving situations where retaining an interest in a Fund would violate certain laws or regulations. In addition, interests in a Fund are not redeemable. There will be no public market for interests in a Fund, and none is expected to develop. Interests in a Fund have not been registered under the Securities Act, the securities laws of any U.S. state or the securities laws of any non-U.S. jurisdiction and therefore cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws, or unless an exemption from registration is available. It is not contemplated that registration of the interests in the Fund will ever be effected. Investors may not be able to liquidate their investments prior to the end of a Fund's term and must be prepared to bear the risks of an investment in such Fund for an extended period of time.

Investments Longer than Term.

A Fund may make investments that may not be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of the Fund's term or otherwise, or the Fund's term may be extended to facilitate the wind-down of such Fund. Although KLH, a General Partner or their affiliates generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, KLH, a General Partner or their affiliates have a limited ability to extend the term of a Fund, and the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. To the extent that such investments are held in trust, the trust may incur operating and formation expenses. In addition, there can be no

assurances with respect to the timeframe in which the winding-up and the final distribution of proceeds to investors will occur.

Distributions in Kind.

Although, under normal circumstances, prior to the termination of a Fund, the Fund intends to make distributions in cash or marketable securities, it is possible that under certain circumstances (including the winding-up of such Fund), distributions of investments for which there is no readily available public market and/or which may be subject to substantial restrictions on sale or transfer may be made in-kind. It may be difficult for investors to liquidate the investments received at a price or within a time period that is determined thereby to be ideal, and significant administrative burden may be involved. After a distribution of investments is made, the recipients may decide to liquidate such investments within a short period of time, which could have an adverse impact on the price of such investments. Investors in receipt of a distributed investment will have no guidance from a Fund or a General Partner with respect to disposition of such investment (including timing of such disposition). The price at which such investments may be sold by such investors may be lower than the value of such investments determined pursuant to the relevant Governing Documents, including the value used to determine the amount of carried interest accruing to the General Partner with respect to such investment. In addition, the direct holding of certain investments may subject the holder to suit or taxes in jurisdictions in which such investments are located.

Reliance on the General Partner and Portfolio Company Management.

Control over the operation of a Fund, including decisions with respect to structuring, negotiating and purchasing, financing and eventually divesting investments on behalf of the Fund, will be vested with KLH. Consequently, a Fund's future profitability and investment performance will depend largely upon the business and investment acumen of KLH's principals. The loss or reduction of service of one or more of KLH's principals could have an adverse effect on a Fund's ability to realize its investment objectives. In addition, the principals currently, and expect in the future to, manage or advise other investments and/or investment funds besides the Funds and the principals anticipate that they will need to devote substantial amounts of their time to the investment activities of such other investments and/or funds, which could pose conflicts of interest in the allocation of the time of the principals. Investors generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of the Fund will depend on the actions of KLH and its affiliates. In addition, certain changes KLH or its affiliates or circumstances relating to KLH or its affiliates may have an adverse effect on a Fund or one or more of its Portfolio Companies, including potential acceleration of debt facilities. Furthermore, there can be no assurance that a Fund's investments will achieve results similar to those attained by previous investments of the principals. In addition, a Fund's investments may differ from previous investments made by the principals in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure and holding period.

The success of many of a Fund's Portfolio Companies is heavily dependent on the management of such companies. Each Portfolio Company's day-to-day operations will be the

responsibility of such company's management team. Additionally, KLH, or its affiliates will generally establish the capital structure of companies in which a Fund invests on the basis of financial projections for such companies, which will contain significant judgment and input from the Portfolio Company management team. Although KLH or its affiliates will be responsible for monitoring the performance of each portfolio investment and the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management team, or any successor, will be able or willing to successfully operate a company in accordance with a Fund's objectives. Portfolio Companies may need to attract, retain and develop executives and members of their management teams. The market for executive talent can be extremely competitive. There can be no assurance that the management team of a Portfolio Company on the date a portfolio investment is made will remain the same or continue to be affiliated with the company throughout the period the Portfolio Company is held by a Fund. There can be no assurance that Portfolio Companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, a Fund may be adversely affected thereby.

Projections.

Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by KLH or its affiliates in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Limited Access to Information.

Limited partners' rights to information regarding a Fund, the relevant General Partner or KLH generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of KLH's control. Decisions by KLH or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor KLH and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's Advisory Board generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and KLH reserves the right to withhold certain information from investors subject to such laws for reasons relating to KLH's public reputation, business strategy or other reasons.

Risks in Effecting Operating Improvements.

In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of the Fund to effect improvements in the operations of a Portfolio Company. The activity of identifying and implementing operating improvements at Portfolio Companies entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of key personnel and disrupt normal business. There can be no assurance that a Fund will be able to successfully identify and implement such improvements or that any such successfully implemented improvements will result in a return on invested capital with respect to such Portfolio Company.

Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions.

Before making investments, KLH and its affiliates will typically conduct such due diligence as 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, technical, environmental, regulatory 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 and the facts and circumstances related thereto and KLH may rely on the advice received from such third parties. Investment analyses and decisions by KLH will often be undertaken on an expedited basis in order for a Fund to take advantage of investment opportunities and/or consummate investments. In such cases, the information available to KLH at the time of an investment decision may be limited, and KLH may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity will 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 an investment being successful or even ensure a return on invested capital.

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

Numerous jurisdictions have enacted, or have committed to enact, legislation and administrative guidance requiring the collection and sharing of certain information in order to combat tax avoidance. The U.S., pursuant to the "Foreign Account Tax Compliance Act" or "FATCA" has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion by United States tax residents using foreign accounts. It includes certain provisions on withholding taxes and requires financial institutions outside the United States to collect and share information about their U.S. customers. In addition, the Organization for Economic Co-operation and Development ("OECD") has published a global Common Reporting Standard for the exchange of information pursuant to which many countries have now signed multilateral agreements. One or more of these information exchange regimes are likely to apply to the Funds and/or alternative investment vehicles and may require KLH to collect and share with applicable taxing authorities information concerning investors (including identifying information and amounts of certain income allocable or distributable to them). An investor's failure to provide required information may result in withholding taxes, government-imposed penalties, expulsion from a Fund and/or alternative investment vehicles or other potential remedies.

Tax Liability Considerations.

The Funds may take positions with respect to certain tax issues that depend on legal and other interpretive conclusions. Should any such positions be successfully challenged by a taxing authority, an investor might be found to have a different tax liability for that year than that reported on its tax returns. In addition, a taxing authority's review of a Fund may result in a review of the returns of some or all of the investors in such Fund, which examination could result in adjustments to the tax consequences initially reported by the Fund and affect items not related to an investor's investment in the Fund. If such adjustments result in an increase in tax liability for any year, a Fund or one or more of the relevant investors may also be liable for interest and penalties with respect to the amount due. The legal and accounting costs incurred in connection with any taxing authority's review of a Fund's tax returns will be borne by the Fund. The cost of any review of an investor's tax return will be borne solely by the investor.

Conflicting Investor Interests.

Investors may have conflicting investment, tax, and other interests with respect to their investments in a Fund, including conflicts relating to the structuring and timing of investment acquisitions and dispositions. As a consequence, conflicts may arise in connection with decisions made by KLH regarding an investment that may be more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, KLH generally will consider the investment, tax and other relevant objectives of each Fund and its investors as a whole, not the investment, tax, or other objectives of any investor individually.

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.

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

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the 2007-2008 downturn in the U.S. and global financial markets, may complicate or prevent a Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, such Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

Additionally, the SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of KLH and the Funds. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact KLH and its affiliates,

the Funds and/or their investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to the Funds.

Privacy, Data Protection and Information Security Compliance Risk.

The adoption, interpretation and application of consumer protection, privacy, data protection and/or information security laws and regulations in the United States, Europe and other jurisdictions (collectively, “Privacy Laws”) could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of KLH, the General Partners, the Funds and/or the Portfolio Companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance.

As Privacy Laws are implemented, interpreted and applied, compliance costs for KLH, the General Partners, the Funds and/or their Portfolio Companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Certain jurisdictions, including U.S. states, have proposed, adopted or are considering similar Privacy Laws, which if enacted could impose significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include KLH, the General Partners, the Funds and/or their Portfolio Companies.

European Union Alternative Investment Fund Managers Directive.

The AIFMD regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (the “EEA”).

To the extent that the Funds are actively marketed to investors domiciled or having their registered office in the EEA: (i) the Funds, KLH and/or a General Partner will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in the Funds incurring additional costs and expenses; (ii) the Funds, KLH and/or the General Partner may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in the Funds incurring additional costs and expenses or may otherwise affect the management and operation of the Funds; (iii) the Funds, KLH and/or the General Partner will be required to make detailed information relating to the Funds and their investments available to regulators and third parties; and (iv) the AIFMD will restrict certain activities of the Funds in relation to EEA Portfolio Companies (including, in some circumstances, the Funds’ ability to recapitalize, refinance or potentially restructure an EEA Portfolio Company within the first two years of ownership), which may in turn affect operations of the Funds generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing

of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Funds to raise its target amount of commitments.

United Kingdom (“UK”) Exit from the European Union (“EU”).

The UK formally left the EU on January 31, 2020 (“Brexit”), and entered a transition period that ended on December 31, 2020. On December 30, 2020, the UK government and the EU Commission signed a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period. However, this agreement does not include an agreement on financial services and, as a result, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

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

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

Registration under the U.S. Commodity Exchange Act.

Registration with the U.S. Commodity Futures Trading Commission (“CFTC”) as a “commodity pool operator” or as a “commodity trading advisor” or any change in a Fund’s operations necessary to maintain KLH’s and/or the General Partner’s ability to rely upon the exemptions from registration as a “commodity pool operator” or “Commodity trading advisor” could adversely affect such Fund’s ability to implement its investment program, conduct its operations and/or achieve its objectives and subject the Fund to certain additional costs, expenses

and administrative burdens. Furthermore, any determination by KLH to cease or to limit investing in interests which may be treated as “commodity interests” in order to comply with the regulations of the CFTC may have a material adverse effect on a Fund’s ability to implement its investment objectives and to hedge risks associated with its operations.

Sanctions Compliance Considerations.

Economic sanction laws in the United States and other jurisdictions may prohibit or otherwise restrict KLH, a General Partner, the Funds, the Portfolio Companies and their respective officers, directors and employees from engaging in transactions in or relating to certain countries and relating to certain individuals and entities. In the United States, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) and U.S. Department of State administer and enforce laws, executive orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. The lists of OFAC restricted countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at www.treas.gov/ofac. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions and similar laws and regulations in non-U.S. jurisdictions may significantly restrict the Funds’ direct or indirect investment activities in certain countries. The economic sanctions and related laws of different jurisdictions in which the Funds makes investments also may conflict with one another, such that compliance with all applicable laws may be difficult. Failure by KLH, a General Partner, the Funds or any of the Funds’ Portfolio Companies to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties.

Anti-Corruption & Anti-Boycott Considerations.

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

CFIUS and National Security Clearance Considerations.

Certain investments are expected to be subject to or require review and approval by the U.S. Committee on Foreign Investment in the United States (“CFIUS”), such as where CFIUS-related laws, regulations or guidance deem non-U.S. persons or entities under their control (such as a Fund, co-investors and/or rollover sellers) to be acquiring a U.S. business (including a business with assets, employees, facilities, and/or operations in the United States). CFIUS has the authority to review proposed or existing transactions or investments or to seek to impose limitations on or prohibit investments, and CFIUS filings and other considerations can materially impact transaction timing, feasibility, certainty and costs. In certain circumstances, CFIUS considerations have the potential to prevent a Fund from maintaining or pursuing investments, or limit the universe of available buyers for an existing investment. Any of these factors have the potential to adversely affect a Fund’s performance, and the likelihood that CFIUS considerations will be implicated is expected to increase where non-U.S. limited partners comprise a substantial percentage of a Fund. Under the Governing Documents, the relevant General Partner generally is authorized, although not required, to excuse or otherwise limit non-U.S. limited partners’ ability to invest in U.S. businesses (or to exercise voting or advisory committee rights with respect thereto) in order to anticipate or comply with CFIUS considerations. However, there can be no assurance that invoking any such excuse provisions or other limitations will allow a Fund to proceed with or maintain any investment, or to avoid losses relating thereto. Similar considerations are expected to apply with respect to reviews by non-U.S. national security or investment clearance regulators.

Financial Institution Risk; Distress Events.

An investment in a Fund is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a “Financial Institution”) of some or all of the Fund’s (or any Portfolio Company’s) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a “Distress Event”). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, KLH, any General Partner, the Funds and/or any of their Portfolio Companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose potentially increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that any intervention will occur, be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of KLH to manage the Funds and their investments, and on the ability of KLH, any Fund or any Portfolio Company to maintain operations, which in each case could result in operational burdens, significant losses and unconsummated investment acquisitions and dispositions. Such losses could include: a loss of

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

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

Need for Follow On Investments.

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

Over-Commitment.

In order to facilitate the acquisition of a Portfolio Company, the Funds may make (or commit to make) an investment in such company with a view to selling a portion of such investment to co-

investors or other persons prior to or within a brief period after the closing of the acquisition. In such event, a Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive term, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. As a consequence, the Fund may bear the entire portion of any breakup fee or other fees, costs and expenses related to such investment, hold a larger than expected investment in such Portfolio Company or may realize lower than expected returns from such investment.

Non-U.S. Investments.

The Fund is permitted to invest in Portfolio Companies that are organized, headquartered and/or have substantial sales or operations outside of the United States, its territories, and possessions. Investments in non-U.S. securities or instruments involve certain factors not typically associated with investing in U.S. securities and instruments, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Fund's non-U.S. investments are denominated (including risks associated with potentially rapid inflation), and costs associated with conversion of investment principal and income from one currency into another; (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which the Fund invests; (iii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iv) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (v) the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements, and less or more government supervision and regulation; (vi) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic, governmental or social instability, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation; (vii) the possible imposition of non-U.S. taxes on income, gains and gross sales or other proceeds recognized with respect to such securities or instruments; (viii) the application of complex U.S. and non-U.S. tax rules to cross-border investments; (ix) possible non-U.S. tax return filing requirements for the Fund and/or the Partners; (x) differing and potentially less well-developed or well-tested corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors; (xi) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (xii) political hostility to investments by foreign or private equity investors; and (xiii) less publicly available information.

Hedging Arrangements; Related Regulations.

KLH is permitted (but is not obligated) to endeavor to manage a Fund's or any Portfolio Company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. Such Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may

result in losses greater than if hedging had not been used.

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

Certain hedging arrangements may create for KLH, a General Partner and/or one of their affiliates an obligation to register with the CFTC or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a Portfolio Company to hedge its exposures becomes limited by such requirements.

Significant Adverse Consequences for Default.

The Governing Documents provide for significant adverse consequences in the event an investor defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from a Fund, the General Partners reserve the right to cause a defaulting investor to transfer its interest in the relevant Fund for an amount that is less than the fair market value of such interest and be paid over a period of up to ten years, without interest. Whether and how to exercise KLH and/or a General Partner's remedies against a defaulting investor will be in the sole discretion of KLH and/or the General Partner, and KLH and/or the General Partner may require the non-defaulting investors to contribute capital to make up for the shortfall created by such defaulting investor.

Impacts of Excuse or Exclusion.

An investor's participation in a Fund's investments may be limited by virtue KLH and/or a General Partner's right to exclude an investor from, or an investor's right to be excused from, participating in certain of a Fund's investments as set forth in the relevant Governing Documents, thereby increasing the participation of other investors. As a consequence of one or more investors being excused or excluded or other factors limiting their participation in investments, the aggregate returns realized by the participating investors could be adversely affected in a material manner by the unfavorable performance of even one investment by the Fund.

Dilution.

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

Failure to Make Capital Contributions.

If an investor fails to pay when due installments of its commitment to a Fund, and the contributions made by non-defaulting investors and borrowings by such Fund are inadequate to cover the defaulted amount, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to investors (including non-defaulting investors).

Transfer by KLH.

To the extent KLH, a General Partner, their partners, the principals and/or their respective affiliates commit to make a direct or indirect investment in or along-side a Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in such Fund's Governing Documents.

Recycling; Reinvestment.

During the investment period for a Fund, KLH and/or a General Partner generally has the right to recall certain capital returned or distributed to the investors. Accordingly, during the term of a Fund, an investor may be required to make capital contributions in excess of its commitment (with certain limitations), and to the extent such recalled or retained amounts are reinvested in investments, an investor will remain subject to investment and other risks associated with such investments.

Fees and Expenses.

The Funds will pay and bear all expenses related to its operations, including Management Fees and the costs of holding, monitoring, maintaining and disposing of Portfolio Companies, including investment banking fees and consulting fees, whether or not the Funds make any profits. While it is difficult to predict the future expenses of a Fund, such expenses may be substantial and may surpass such Fund's operating income. The amount of these partnership expenses will reduce the actual returns realized by investors on their investment in a Fund (and may, in certain circumstances, reduce the amount of capital available to be deployed by the Fund for investments). Fund expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. As a result, the amount of a Fund expenses ultimately called or called at any one time may exceed expectations.

Control Person Liability.

The Funds are expected to have controlling interests in a number of its Portfolio Companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws and regulations) and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of any of the Portfolio Company's facilities or operations, a Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. If any such liabilities were to arise, a Fund might suffer significant losses. While KLH intends to manage the Funds in manner that will minimize the exposure of these risks, the possibility of successful claims against a Fund and/or its

affiliates cannot be precluded.

Non-controlling Investments.

The Funds may hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, the Funds at times may hold minority equity stakes of any size such as might occur if Portfolio Companies are taken public. As is the case with minority holdings in general, such minority stakes that the Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

To the extent a Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant Portfolio Companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of such Fund or its investors. Such third parties may be in a position to take action contrary to a Fund's business, tax or other interests, and such Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, the Funds generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that the Funds will be able to control the timing or occurrence of an exit strategy for such Portfolio Companies in a manner that maximizes or protects value.

Director Liability.

KLH expects that the Funds will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests (each, a "Board Representative"). In those instances where the Funds are not the sole shareholder of the applicable Portfolio Company, a Board Representative may have duties to persons other than the Funds. Serving on the board of directors (or similar governing body) of a Portfolio Company exposes the Board Representative, and ultimately the Funds, to potential liability. Not all Portfolio Companies may obtain insurance with respect to such liability, and the insurance that Portfolio Companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Funds' investment activities.

Liability of Limited Partners.

Certain of the Funds have been organized as Delaware limited partnerships. Generally, an investor should not be personally liable for the debts of such Funds except that, in the event the Fund is otherwise unable to meet its obligations, the investors may, under applicable law, be obligated to repay amounts previously received by them to the extent such amounts are deemed to have been wrongfully distributed to them, subject to certain limitations set forth in the relevant Governing Documents. In addition, any investor's commitment is susceptible to risk of loss as a result of any liability of a Fund irrespective of whether such liability is attributable to an investment to which such investor did not contribute any capital.

Limitation of Recourse and Indemnification.

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

Litigation.

The transactional nature of the business of the Funds exposes the Funds, KLH, a General Partner and their respective affiliates generally to the risk of third-party litigation. In the ordinary course of its business, the Funds may be subject to litigation from time to time. Additional regulation could also increase the risks of third-party litigation. The outcome of such proceedings may materially adversely affect the values of the Funds and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of KLH, the General Partner's and the principals' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Advisory Board.

KLH and/or a General Partner will appoint one or more investor representatives to an advisory board. The Governing Documents may provide that to the fullest extent permitted by applicable law, none of the advisory board members shall owe any fiduciary duties to the relevant Funds or any other investor. In addition, representatives of the advisory board may have various business and other relationships with KLH and its partners, officers, directors, employees and affiliates. These relationships may influence their decisions as members of the advisory board.

U.S. Taxation of Carried Interest.

U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with the Funds, KLH or a General Partner who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for KLH and/or a General Partner and their affiliates to incentivize, attract and retain individuals to perform if such three-year holding period requirement did not exist. This could also create an incentive for the principals to cause the Funds to hold investments for a longer period than would be the case.

Changes in U.S. Tax Laws.

All statements contained herein concerning the U.S. federal income tax (or other tax) consequences of an investment in the Funds are based on existing law and interpretations thereof. Recent or future changes in U.S. federal income tax law could materially affect the tax consequences of an investor's investment in a Fund, and the tax treatment of a Fund's Portfolio Companies. While some of these changes could be beneficial, others could negatively affect the after-tax returns of a Fund and the relevant investors. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment in the Funds, or of investments made by the Funds, will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment of investors.

Recently enacted legislation changes the U.S. taxation of U.S. taxable investors, tax-exempt investors and non-U.S. investors. Among other changes, this legislation modifies the taxation of investments in flow-through entities conducting an operating business, imposes new limitations on various types of deductions (particularly for U.S. individual taxpayers), limits the deductibility of interest expense for investors in flow-through entities and imposes new limits on the use by tax-exempt investors of losses from unrelated business activities.

The legislation also makes significant changes to the U.S. taxation of corporations. Among other changes, the legislation reduces the U.S. federal income tax rate on corporations from 35% to 21%, adds new limitations on interest expense and net operating loss deductions, allows 100% "bonus" first-year expensing of certain tangible personal property and purchased software, accelerates the time at which certain deferred revenue must be recognized, moves the U.S. towards a modified territorial tax system under which domestic corporations receive a 100% deduction for foreign-source portions of dividends received from 10%-owned foreign corporations, adds new provisions designed to discourage U.S. companies from locating their intellectual property in low-tax jurisdictions and adds new rules to prevent so-called "base erosion" and corporate inversions.

The full implications of the recent legislation for investors and Portfolio Companies are not yet clear. Accordingly, there can be no assurance that the recent legislation or subsequent legislation, regulations and interpretations thereof will not have an adverse effect on a Fund's investment performance or any investor's after-tax returns from a Fund.

Tax and Distributions; Phantom Income.

Due to possible difference between the allocation of gain or income for any tax purposes and distribution of cash relating to gain or income (including possible timing differences), there can be no assurance that investors who are subject to tax on the allocated gain or income will receive distributions sufficient to satisfy their tax liabilities fully. Further, there can be no assurance that a Fund will have sufficient cash flow to enable them to make distributions in the amount necessary for payment of all tax liability resulting from that investor's ownership of an interest in such Fund.

U.S. Federal Income Tax Liability Resulting from IRS Audits.

U.S. federal income taxes arising from a U.S. Internal Revenue Service ("IRS") audit will be paid by the Funds absent an election to the contrary. In addition, a "partnership representative"

will have the power to act on behalf of a Fund and its investors in all IRS audits and other proceedings involving such Fund's U.S. federal income, loss, deductions, and credits.

Delayed Tax Information.

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

Uncertain Economic, Social and Political Environment.

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Funds and their Portfolio Companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Funds' Portfolio Companies.

General Economic and Market Conditions.

The private equity industry generally and the success of the Funds' investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by KLH and/or General Partner. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Funds and may affect each Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Funds' investments and could have a negative impact on the performance and/or valuation of the Funds' Portfolio Companies. The Funds' performance can be affected by deterioration in the capital markets and by market events, including events similar to the credit crisis in the summer of 2007 or the downgrading of the credit rating of the U.S. in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held Portfolio Companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in Portfolio Companies and each Fund's performance. Volatility and illiquidity in the financial sector may have

an adverse effect on the ability of the Funds to sell and/or partially dispose of their Portfolio Company investments. Such adverse effects may include the requirement of a Fund to pay break-up, termination or other fees and expenses in the event such Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Fund to dispose of investments at prices that KLH and/or General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect the Funds' ability to raise funding to support their investment objectives.

Public Health Emergencies; COVID-19.

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

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

The ultimate impact of any such health emergency — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds' and their Portfolio Companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds' ability to fulfill their investment objectives. They may also impair the ability of Portfolio Companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their Portfolio Companies, the General Partners and KLH may be significantly impacted, or even

temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.

In the event that the global credit markets deteriorate, and it becomes more difficult for investment funds such as the Funds to obtain favorable financing for investments, the Funds' ability to generate attractive investment returns may be adversely affected. Moreover, to the extent that such deterioration is not temporary and continues, it may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such deterioration also may restrict the ability of the Funds to realize their investments at favorable times or for favorable prices.

Adequacy and Availability of Insurance.

While the Funds may seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues (e.g., business interruption insurance may not provide any or adequate coverage relating to shutdowns caused by pandemic health emergencies), an increase in operating and maintenance expenses and/or a replacement or rehabilitation. Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, pandemics, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact a Fund's profitability. In addition, the availability of adequate insurance (including general partner liability and directors and officers policies) are subject to market factors and recent trends have increased both the cost of (in some cases substantially) and the difficulty of obtaining such policies, which trend may continue depending upon various market conditions.

Material Non-Public Information.

As a result of the operations of KLH and its affiliates, KLH may come into possession of confidential or material, non-public information. Therefore, KLH and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, such Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or KLH's internal policies and practices. Due to these restrictions, a Fund may not be able to make an investment that it would otherwise might have made or sell an investment that it otherwise might have sold.

Russia-Ukraine Conflict.

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

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

LIBOR and other Benchmark Rates.

To the extent that a Fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on the London Interbank Offered Rate ("LIBOR") or other benchmark or reference rates (each, a "Benchmark Rate"), the Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants are working to facilitate the transition of existing instruments and contracts away from LIBOR to new Benchmark Rates, and any such transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the Funds and their Portfolio Companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

Secondaries and other General Partner-Led Transactions.

There continues to be a significant market in the private fund sector for secondary sales, General Partner-led transactions, continuation funds, successor fund investments and other transactions for the disposition of investments, and KLH reserves the right to dispose of (or seek additional capital for) Fund investments through such means. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase a portion of one or more investments that will continue to be managed by KLH following the transaction. Such transactions are undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where KLH believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving

liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Funds sponsored by KLH and its affiliates), often on different terms than the original investment. However, certain of such transactions are expected to require: a limited partner to invest additional capital in the existing Fund and/or other investment vehicles; a greater exposure to one or more particular Portfolio Company; and/or a delay in the full liquidation of its investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant Portfolio Company will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant General Partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a Fund or limited partner and those of KLH or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where KLH or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction (potentially in addition to performance-based compensation earned by the relevant General Partner on the sale of an asset from an existing Fund in such transaction), their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, KLH, the relevant General Partner and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. To the extent KLH requires existing limited partners and/or new buyers to commit capital to a continuation fund or another Fund managed by KLH in addition to the purchase amount paid in a transaction, such requirement is expected to have a dilutive effect on the purchase price for the selling Fund and its limited partners. There can be no assurance that any such transaction will accurately reflect the fair market value of the Fund investment(s) being sold. Further, the relevant General Partner is expected to be incentivized to make investments in Portfolio Companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Fund, and in such circumstances KLH reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant Advisory Board prior to the closing of the transaction, there can be no assurance that KLH will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of a Fund or any individual limited partner or group of limited partners. However, KLH reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Governing Documents. KLH is permitted to seek the consent of the relevant Fund Advisory Board to waive conflicts associated with such transactions and accordingly not all limited partners will necessarily be able to approve or disapprove of such transactions. Similar to any prospective sale or disposition of Fund investments, to the extent such transactions are not consummated, the relevant Fund is expected to bear all of the related costs in the absence of an agreement with other parties to bear a portion of such costs.

Conflict of Interest.

Investors should be aware that various actual and potential conflicts will arise from the overall investment activities of the Funds, KLH, a General Partner and their respective affiliates. The following discussion identifies certain potential conflicts of interest that should be carefully considered before making an investment in a Fund. In addition, investors should be aware that KLH, a General Partner and their respective personnel may in the future engage in further activities that may result in additional conflicts of interest not addressed below. There can be no assurance that KLH or a General Partner will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to the Funds.

Until such time as KLH and/or a General Partner is permitted under the Governing Documents to raise a successor investment fund to the Funds, the principals generally will pursue substantially all appropriate investment opportunities that meet the investment criteria of each Fund principally for the benefit of each Fund, subject to certain exceptions set forth in each Fund's Governing Documents. However, the principals currently, and expect in the future to, manage several other investment funds besides the Funds and investments similar to those in which the Funds will be investing and expects to direct certain relevant investment opportunities or resources to those investment funds and investments. Over time, certain investment opportunities suitable for the Funds are likely also to be suitable for other investment funds sponsored by KLH, a General Partner or their affiliates. In determining which investment funds should participate in such investment opportunities, subject to the relevant Governing Documents, KLH, a General Partner, the principals and their affiliates are subject to potential conflicts of interest among the investors in a Fund and investors in the other investment funds sponsored by KLH, a General Partner and the principals. Investments by more than one client of KLH in a Portfolio Company also have the potential to raise the risk of using assets of a client of KLH to support positions taken by other clients of KLH. To determine whether the Fund or other investment funds sponsored by the General Partner or its affiliates will participate in the relevant investment opportunity, the General Partner generally assesses whether an investment opportunity is appropriate for each relevant Fund based on the terms of such Fund's Governing Documents, as well as factors including, but not limited to: each fund's investment restrictions and objectives (including those set forth in the relevant Fund's Governing Documents, where applicable), strategy, capital structure, risk profile, time horizon, investment size, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure. A Fund is permitted to invest together with other funds advised by an affiliated adviser of the General Partner in the manner set forth in the relevant Governing Documents. The General Partner will determine the allocation of investment opportunities among the Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with the General Partner's obligations and reserves the right to take into consideration factors such as those set forth above. In the event that the available amount of an investment opportunity in which the Fund will invest exceeds an amount appropriate for the Fund, such excess may also be offered to one or more potential investors.

The General Partner's allocation of investment opportunities among the Fund and any of the other investment funds sponsored by the General Partner or an affiliate thereof often will not be proportional. Therefore, such allocations generally will be more advantageous to the Fund relative to one or all of the other investment funds, or vice versa. While the General Partner will allocate investment opportunities in a way that it believes in good faith is fair and equitable to the Funds,

there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which the General Partner may be subject did not exist.

Additionally, conflicts of interest are expected to arise when and to the extent a Fund makes an investment in a Portfolio Company in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. For instance, the Fund may not invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as such other investment fund. This likely will result in differences in price, investment terms, leverage and associated costs between the Fund and any other investing fund sponsored by the General Partner or an affiliate. Where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed, the first Fund to invest typically will bear the full amount of broken deal expenses relating to the transaction, regardless of whether other Funds could or would have invested in the company in potential future transactions. There can be no assurance that the Fund and the other investing fund(s) will exit the investment at the same time or on the same terms, and there can be no assurance that the Fund's return on such an investment will be the same as the returns achieved by any other investment fund participating in the transactions. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to the Fund.

KLH personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. KLH's principals and investment staff will continue to manage and monitor such investments until their realization. Such other investments that KLH principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a Fund. Following the investment period of a Fund, KLH principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. To the extent an advisory opportunity is received that is unsuitable for a Fund, in KLH's sole discretion, KLH and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Unless restricted by the Governing Documents, KLH personnel are permitted to serve on boards or act in other roles unaffiliated with KLH, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles, none of which will offset or otherwise reduce Management Fees.

Except to the extent prohibited by the Governing Documents, KLH and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto.

The General Partner may be faced with a variety of potential conflicts of interest when it

determines allocations of various fees and expenses to the Fund. The General Partner, in its sole discretion, will allocate fees and expenses in accordance with the Governing Documents and in a manner that it believes in good faith is fair and equitable to the Funds under the circumstances and considering such factors as it deems relevant. As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by KLH or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on the number of funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or KLH. The Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment.

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

Additionally, a Portfolio Company typically will reimburse the General Partner or service providers retained at the General Partner's discretion for expenses (including, without limitation, travel expenses) incurred by the General Partner or such service providers in connection with the performance of services for such Portfolio Company. This subjects the General Partners and their affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the Partnership Agreement and its internal reimbursement policies and practices, the General Partner determines the amount of these reimbursements for such services in its own discretion.

The General Partners also reserve the right, from time to time, to employ personnel with pre-existing ownership interests in or who were employed by Portfolio Companies owned by the Fund or other funds or investment vehicles advised by the General Partner or an affiliate; conversely, former personnel or executives of the General Partner expected, from time to time, to serve in significant management roles at Portfolio Companies or service providers recommended by the General Partner. Similarly, the General Partner and/or its personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, and their respective affiliates and personnel, including managers of private funds, banks, brokers,

advisors, consultants, finders (including executive finders and Portfolio Company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees and current and former Portfolio Company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the General Partner, and/or the Fund, other funds or other investment vehicles the General Partner or an affiliate advises. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through KLH entities, whether or not relating to financing KLH personnel obligations to fund General Partner commitment obligations) to KLH personnel and their estate planning vehicles. The General Partner expects to be subject to potential conflicts of interest with the Fund in recommending the retention or continuation of a third-party service provider to the Fund or a Portfolio Company owned by the Fund if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more funds the General Partner or an affiliate advises, will provide the General Partner information about markets and industries in which the General Partner operates (or is contemplating operations) or will provide other services that are beneficial to the General Partner or one or more Fund. The General Partner expects to be subject to a potential conflict of interest in making such recommendations, in that the General Partner has an incentive to maintain goodwill between itself and the existing and prospective Portfolio Companies for the Fund and other funds and investment vehicles that the General Partner or an affiliate advises, while the products or services recommended may not necessarily be the best available to the Portfolio Companies held by the Fund.

Over the life of the Fund, the General Partner generally expects to exercise its discretion to recommend to the Fund or to a Portfolio Company thereof that it contract for services with various service providers, potentially including, among others: (i) the General Partner (or an affiliate, which may include other Portfolio Companies of the Fund or other investment funds sponsored by the General Partner or an affiliate) and at rates determined or substantively influenced by the General Partner; (ii) an entity with which the General Partner or its affiliates or current or former members of their personnel has a relationship or from which such person derive a financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where KLH personnel are seconded, or from which KLH receives secondees; or (iii) a limited partner (or a limited partner of another fund) or its affiliates. For example, KLH expects to be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects KLH to potential conflicts of interest, because although it intends to select service providers that it believes are aligned with its operational strategies and that will enhance Portfolio Company performance and, relatedly, returns of the relevant Fund, the General Partner has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. Additionally, there is a possibility that the General Partner, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the General Partner, the Fund or other investment funds sponsored by the General Partner or its affiliates), may favor such retention or continuation even if a better price and/or quality of service provider could be obtained from another person. KLH will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its Portfolio Companies to incur) such

expenses. Although KLH generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Additionally, from time to time KLH expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside, one or more Funds, and due to the nature of the service provider relationships these persons have the potential to have information advantages relative to other investors or co-investors. Whether or not the General Partner has a relationship with or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The fact that the General Partner's carried interest is based on a percentage of net profits creates an incentive for the General Partner to cause the Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case. In addition, because the Fund has a fixed investment period after which capital from limited partners generally may only be drawn down in limited circumstances, and because the Management Fee is, at certain times during the life of the Fund, calculated based upon the invested capital the Fund, the Management Fee structure creates an incentive for the General Partner to deploy capital when it might not otherwise have done so.

Possibility of Fraud or Other Misconduct of Employees and Service Providers.

Misconduct by (i) KLH employees, (ii) Portfolio Company directors, officers or employees, and (iii) service providers to the foregoing and/or their respective affiliates could undermine the due diligence efforts of the Fund and/or the General Partner and cause significant losses to the Fund. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Fund, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting the Fund's business prospects or future marketing activities, and non-compliance with applicable laws or regulations (and the concealing of any of the foregoing). Such activities may result in reputational damage, litigation, business disruption, market or industry segment volatility and/or financial losses to the Fund. KLH has controls and procedures through which it seeks to minimize the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.

Unfunded Pension Liabilities of Portfolio Companies.

Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a Portfolio Company, such fund (and any other 80%-owned Portfolio Companies of such fund) might be found liable for certain pension liabilities of such a Portfolio Company to the extent the Portfolio Company is unable to satisfy such liabilities. Although the Fund intends to manage its investments to minimize any such exposure, the Fund may, from time to time, invest in a Portfolio Company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Fund may own an 80% or greater interest in such a Portfolio Company. If the Fund (or other 80%-owned Portfolio Companies of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on

the operations of the Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under ERISA, as in effect as of the date of this Memorandum, which may change in the future as the case law and guidance develops.

Valuation of Assets.

There is not expected to be an actively traded market for most of the securities owned by the Fund. When estimating fair value, the General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the General Partner may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of Management Fees.

Co-Investments.

The General Partner may, in its sole discretion, provide or commit to provide co investment opportunities to one or more limited partners and/or other persons (including Operations Group members, vendors, service providers and/or other third-parties), in each case on terms to be determined by the General Partner in its sole discretion. Conflicts of interest are expected to arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the General Partner in its sole discretion, may not be in the best interests of the Fund or any individual limited partner. In exercising its sole discretion in connection with such co-investment opportunities, including with respect to allocating a particular investment to and among potential co-investors and determining the terms thereof, the General Partner reserves the right to consider some or all of a wide range of factors (some or all of which may benefit the General Partner or its affiliates), including, but not limited to: (i) the ability of a potential co investor to react promptly to a co-investment opportunity; (ii) any strategic advantages that may result from a potential co investor's participation in a co-investment opportunity; (iii) a potential co investor's Commitment to the Fund and/or commitment to one or more Other KLH Funds; (iv) the likelihood that a potential co investor may invest in the Fund and/or a future Other KLH Funds; (v) the potential co-investor's investable assets relative to the size of the co-investment opportunity; (vi) tax, regulatory and/or securities law considerations (e.g., qualified purchaser or qualified institutional buyer status); (vii) confidentiality concerns that may arise in connection with providing the potential co-investor with specific information relating to the co-investment opportunity; (viii) whether the potential co-investor's participation in an investment opportunity may subject the relevant KLH fund to legal, regulatory, reporting or other burdens or could impair the ability of either the General Partner or KLH to execute the relevant transaction in the desired time or on desired terms; (ix) the size of the investment allocation and practicality of dividing it among multiple potential co-investors; (x) lender requirements; and/or (xi) whether the General Partner or KLH believes that allocating investment opportunities to the potential co-investor will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Fund or

Other KLH Funds.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the General Partner in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and KLH expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to Management Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons in a manner not subject to the “most-favored nation” provisions of a Fund’s Governing Documents and (iii) co-investors’ proportionate share of a particular investment typically is not subject to the Management Fee offset provisions of a Fund’s Governing Documents. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the General Partner’s interest in limiting the Fund’s exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. When and to the extent that employees and related persons of KLH and its affiliates make capital investments in or alongside certain Funds, KLH and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Fund’s return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Additionally, from time to time, certain service providers (e.g., lenders) seek to negotiate co-investment rights as a component of their compensation or in exchange for granting better terms to KLH, a fund or Portfolio Company in connection with the services provided. Co-investment opportunities may, and typically will, be offered to some and not to other limited partners. The General Partner’s allocation of co-investment opportunities generally will not result in allocations that are proportional to the amounts committed, if any, by the relevant potential co-investors to the Fund, any Other KLH Funds or any other co-investment vehicle, and such allocations may be more or less advantageous to some persons or entities than to others.

The Fund may co-invest with third parties through partnerships, joint ventures or other

entities or arrangements. Such investments may 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 that are inconsistent with those of the Fund, or may be in a position to take action contrary to the investment objectives of the Fund. In addition, the Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner. There can be no assurance that the Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the General Partner or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other limited partners. When and to the extent that employees and related persons of the General Partner make capital investments in or alongside the Fund, the General Partner is subject to conflicting interests in connection with these investments. The General Partner's allocation of co-investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others.

Contingent Liabilities Upon Disposition.

In connection with the disposition of an investment, the Fund and/or the General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable Portfolio Company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. The Fund and/or the General Partner may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Fund and, ultimately, its investors. In such a situation, limited partners may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in the Partnership Agreement. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each limited partner that receives a distribution in violation of such Act will, under certain circumstances, be obligated to recontribute such distribution to the Fund.

Cybersecurity Risks and Identity Theft.

Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. The Fund and its Portfolio Companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquake. Although the General Partner intends to implement various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly KLH, the General

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

Agreements with Certain Investors.

The Fund and/or the General Partner reserve the right to enter into a side letter or other similar agreement with a particular limited partner in connection with its admission to the Fund without the approval of any other limited partner, which would have the effect of establishing rights under, altering or supplementing the terms of, or confirming the interpretation of an applicable Governing Documents with respect to such limited partner in a manner more favorable to such limited partner than those applicable to other limited partners, and such rights may be significant. Such rights, terms or confirmations in any such side letter or other similar agreement may include, without limitation, (i) excuse, exclusion or withdrawal rights applicable to particular investments or limited partners (which may increase the percentage interest of other limited partners in, and contribution obligations of other limited partners with respect to, certain investments); (ii) reporting obligations of the General Partner; (iii) waiver of certain confidentiality obligations; (iv) consent of the General Partner to certain transfers by such limited partner; (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such limited partner; and/or different fee structures or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of KLH's compensation), many of which will not be subject to the "most-favored nation" provisions of a Fund's Governing Documents.

KLH is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners (e.g., based on commitment amount to a Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to KLH, its affiliates and personnel or the Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to KLH, its affiliates and personnel, or the Funds). Further, side letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds. Except where required by the Governing Documents, other investors will not receive copies of side letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, KLH, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters. Side letters subject KLH to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Fund's Advisory Board results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other side letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Fund or of limited partners as a whole, including in the event that a side letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Fund.

As a consequence of one or more limited partners being excused or excluded from, or for regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain liabilities or obligations, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event a limited partner defaults on a drawdown in respect of an investment. Although KLH believes it to be unlikely, excuse or other rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Fund have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner on behalf of the relevant Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the Governing Documents; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Fund. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Fund.

Disclosure of Confidential Fund and Investor Information.

The limited partners are expected to include entities that are subject to public disclosure requirements, including state public records or similar freedom of information laws which may compel public disclosure of confidential information regarding the Fund, its investments and its investors. There has been a recent increase in the number of requests under such laws for contracts (including partnership agreements, subscription agreements and side letters) that investors in private

equity funds that are subject to such laws have in place with private equity funds. The Fund may incur expenses in connection with responding to any such disclosure requests, even if the Fund ultimately succeeds in asserting confidentiality for any requested documentation. Moreover, notwithstanding the obligation that the limited partners will have pursuant to the Partnership Agreement to maintain the confidentiality of the Fund information, there can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement or otherwise. The General Partner may also in certain circumstances, in an effort to protect any such potential disclosure, withhold all or any part of the information otherwise to be provided to such a limited partner, as more fully described in the Partnership Agreement. There can be no assurance that such information will not be disclosed by the Fund, the General Partner, KLH, their affiliates and personnel, Portfolio Companies or services providers to any of them including, without limitation, to comply with laws, regulations or policies to which they are or may become subject. In addition, under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, the U.S. Securities and Exchange Commission SEC has the authority to require private equity fund advisers, such as KLH, to file additional reports with the SEC regarding their funds and investment activities. Any public disclosure of the Fund information could have an adverse effect on the Fund and its investors, for example, by affecting the Fund's competitive advantage in finding attractive investment opportunities.

Other Benefits.

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

In-Kind Distributions.

A Fund's General Partner generally is permitted to receive a distribution in kind from the Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the General Partner as carried interest (which generally will be made using the value of the relevant securities on the date of contribution). In such circumstances, there is a potential conflict of interest between the General Partner (and its beneficial owners) and the relevant Fund's limited partners. For example, a General Partner and its beneficial owners may intend to hold the investment for a different time period than KLH deems suitable for the relevant Fund. Although a General Partner and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the relevant Fund's disposition thereof, neither the relevant Fund nor its limited partners will benefit from the increase, and over time the economic benefit to the General Partner and its beneficial owners could exceed the value of the General Partner's pro rata interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of a General Partner contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the relevant Fund or its limited partners.

The forgoing risks do not purport to be a complete explanation of all the risks involved in acquiring a limited partnership interest in a Fund. Prospective investors should also read the applicable Governing Documents for a Fund prior to making an investment in such Fund.

ITEM 9 – DISCIPLINARY INFORMATION

KLH and its employees have no information to disclose that is applicable to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Each General Partner of a Fund is affiliated with KLH by common ownership. The General Partners operate as a single advisory business together with KLH and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions. As described in Item 6, a General Partner is entitled to receive performance-based compensation from a Fund which may in certain circumstances, create a conflict of interest. KLH has adopted certain policies relating to the allocation of investments among the Funds, as described in Item 6 and the Funds' relevant Governing Documents.

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

Code of Ethics (Including Personal Trading)

KLH has adopted a written code of ethics (the “Code”) that is applicable to all employees in accordance with Rule 204A-1 under the Advisers Act. Among other things, the Code requires that KLH and its employees act in the Funds’ best interests, abide by all applicable laws and regulations, adhere to an insider trading policy to prevent the misuse of material non-public information, and pre-clear and report certain personal securities transactions. KLH’s restrictions on personal securities trading apply to employees, as well as employees’ family members living in the same household. A copy of KLH’s Code is available upon request.

The Chief Compliance Officer monitors employee trading, relative to Fund trading, to guard against employees engaging in improper transactions. The Chief Compliance Officer does not grant preclearance where it would appear that an employee’s trading could disadvantage the Funds. To avoid any potential conflicts of interest involving personal trades, KLH’s Code requires employees to (i) pre-clear certain personal securities transactions, (ii) report personal securities transactions on at least a quarterly basis, and (iii) provide KLH with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

KLH generally intends to avoid any transaction that constitutes a “principal transaction” within the meaning of Section 206(3) of the Advisers Act. In such a transaction, an adviser acts as principal for its own account with respect to the sale of a security to, or purchase of a security from, its client. If, however, KLH determines such a transaction is in the best interests of a Fund, the Adviser may enter into such transaction provided the Adviser has met: (i) the Advisers Act requirements with respect to such a transaction, including the relevant disclosure requirements and the requirement to obtain the informed consent of the Fund; and (ii) any requirements imposed by the Governing Documents.

Participation or Interest in Client Transactions

KLH has the discretion to manage investments of the Funds, as described in Item 16. KLH’s principals have a material financial interest in these investments through their interests in a General Partner of a Fund. Similarly, KLH principals may personally make investments in certain companies prior to KLH investing in such companies. Such investments by KLH’s principals may present a potential conflict of interest. KLH has designed written policies to ensure compliance with the provisions of the Governing Documents, as applicable, addressing potential conflicts of interests involving KLH and its affiliates.

Allocation of Investments

KLH and/or its affiliates currently manage more than one investment fund and may in the future manage one or more other investment funds besides the Funds. In determining which investment funds should participate in such investment opportunities, subject to the relevant Governing

Documents, KLH and/or its affiliates are subject to potential conflicts of interest among the investors in the Funds and investors in the other funds managed by KLH and/or its affiliates. To determine whether a Fund or other investment funds sponsored by KLH and/or its affiliates will participate in the relevant investment opportunity, KLH and/or its affiliates generally assesses whether an investment opportunity is appropriate for each relevant Fund based on the terms of such Fund's Governing Documents, as well as factors including, but not limited to, each Fund's investment restrictions and objectives (including those set forth in the relevant fund's partnership agreements, where applicable), strategy, capital structure, risk profile, time horizon, investment size, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure. KLH will allocate investments to the Funds and in a manner that it believes in good faith is fair and equitable to each Fund under the circumstances and considering such factors as it deems relevant.

Co-Investment Opportunities

KLH and/or its affiliates may form other partnerships or similar entities to co-invest in a Portfolio Company. As noted in Items 4 and 8, co-investment opportunities may be offered to one or more investors, and/or other persons (including KLH affiliates and/or employees). Decisions regarding whether and to whom to offer co-investment opportunities may be made by KLH and/or its affiliates in consultation with other participants in the relevant co-investment opportunity. Conflicts of interest may arise in the allocation of such co-investment opportunities.

ITEM 12 – BROKERAGE PRACTICES

Due to the nature of the investments the Funds make, KLH does not ordinarily deal with any financial intermediary such as broker-dealers. To the limited extent KLH transacts in public securities, it intends to select brokers based on the broker's ability to provide best execution for a Fund.

KLH does not affect soft dollar arrangements (that is, arrangements under which research and certain other services are acquired in connection with brokerage arrangements). If the Adviser determines to do so, it will endeavor to do so within the "safe harbor" provided by Section 28(c) of the Securities and Exchange Act of 1934.

ITEM 13 – REVIEW OF ACCOUNTS

Portfolio Companies are monitored on an ongoing basis by KLH and the Investment Committee. Because investments made by the Funds are generally private, illiquid and long-term in nature, KLH's review process is not directed toward a short-term decision to dispose of securities. However, the Investment Committee closely monitors the Portfolio Companies to confirm that each Fund is maintained in accordance with its stated objectives. This includes regular phone calls and meetings with management, review of monthly financial statements, and service as a director on a Portfolio Company's board.

In accordance with the relevant Governing Documents, KLH provides or will provide each Fund's investors with annual audited financial statements of the respective Fund.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

As the advisory clients are private investment funds, KLH does not provide compensation for client referrals under Rule 206(4)-3.

In connection with the marketing and sale of interests of Fund IV, one or more placement agents may be engaged and compensated in accordance with the relevant Governing Documents.

ITEM 15 – CUSTODY

KLH is deemed to have custody of the Funds' cash and securities in accordance with Rule 206(4)-2 under the Advisers Act (the "Custody Rule") because KLH and/or the General Partner has authority to direct and dispose of the Funds' assets. KLH will comply with the Custody Rule requirements by subjecting the Funds to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

KLH Capital Fund II, L.P. audited financial statements are prepared on a tax basis. KLH Capital Fund III, L.P.'s audited financial statements are expected to be prepared in accordance with the Small Business Investment Act of 1958, as amended, and the rules and regulations thereunder and interpretations thereof promulgated by SBA. The SEC Fund's audited financial statements are expected to be prepared in accordance with generally accepted accounting principles and distributed to the Fund's investors within 120 days of its fiscal year end.

ITEM 16 – INVESTMENT DISCRETION

KLH has discretion to manage investments for the Funds without the consent of the relevant investors, subject to certain limitations set forth in the relevant Governing Documents. However, the management and the conduct of each Fund remain the ultimate responsibility of such Fund's General Partner.

ITEM 17 – VOTING CLIENT SECURITIES

Proxy Voting

The Funds invest in private companies, which typically do not issue proxies. KLH has adopted and implemented written policies and procedures governing the voting of securities (the “Proxy Voting Policy”), in the event KLH is required to vote proxies on behalf of the Funds. In accordance with the Proxy Voting Policy, all proxies that KLH receives in connection with a Portfolio Company, will be treated in the best interest of the relevant Fund.

When voting Fund proxies, KLH will take into consideration all relevant factors, including without limitation, acting in a manner that KLH believes will (i) maximize the economic benefits to the Fund and (ii) generally promote sound corporate governance by the issuer. Occasionally, KLH may be required to exercise a vote for a privately-held Portfolio Company, in which case the same procedures shall apply.

KLH will seek to avoid material conflicts of interest between itself and the Funds. If KLH identifies a material conflict of interest, KLH will take additional steps such as engaging outside counsel to review the material conflict of interest and make a recommendation and/or abstain from voting if it deems it is in a Fund’s best interests.

Class Actions

KLH has also developed policies and procedures regarding the Funds’ participation in class actions (the “Class Action Policy”). KLH will determine whether a Fund will (a) participate in a recovery achieved through a class action, or (b) opt out of the class action and separately pursue its own remedy. KLH may also outsource to a third-party vendor the pursuit of recoveries on behalf of the Funds.

A copy of KLH’s Proxy Voting Policy and Class Action Policy, and specific information about how KLH has voted proxies in the past, is available upon written request.

ITEM 18 – FINANCIAL INFORMATION

KLH does not require prepayment of Management Fees more than six months in advance or is aware of any other events requiring disclosure under this item of the Brochure.