

**Form ADV Part 2A: FIRM BROCHURE**



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This brochure provides information about the qualifications and business practices of Paceline Equity Partners, LLC ("Paceline" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at (469) 405-0908 or [info@pacelineequity.com](mailto:info@pacelineequity.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Paceline is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

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

## Item 2 – Material Changes

Since Paceline’s last annual filing of the brochure (the “Brochure”) dated March 30, 2022, the Firm has closed on new investment vehicles as reflected in the Form ADV Part 1 and Item 4, below.

Paceline routinely makes changes throughout its Brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry best practices and Firm practices. In this year’s filing, the following Items have been updated, in addition to certain immaterial changes and/or conforming changes related to the following:

- Item 4: updated to reflect regulatory assets under management as of December 31, 2022;
- Item 5: updated to reflect new expenses associated with the new funds; and
- Item 8: updated to reflect additional risk factors and potential conflicts of interest in connection with the new funds.

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#### Item 4 – Advisory Business

Paceline Equity Partners, LLC (together with its fund general partners (unless otherwise specified), “Paceline” or the “Firm”), a Delaware limited liability company, is a Dallas-based private equity manager. Founded in 2018, Paceline focuses on making value-oriented and special situations investments across real assets, corporate debt and private equity markets in all market environments.

Paceline serves as the investment adviser for, and provides discretionary investment advisory services to, the following private funds: Paceline Equity Partners Opportunity Fund I, L.P. and Paceline Equity Partners Opportunity Fund I (Cayman), L.P., together “Fund I” and Paceline Equity Partners Opportunity Fund II, L.P. and Paceline Equity Partners Opportunity Fund II (Cayman), L.P. (the “Offshore Partnership”), together “Fund II” and to co-investment special purpose funds established to invest alongside a fund in a single portfolio company (the “Co-Investment Funds” and together with Fund I and Fund II, the “Funds” unless the context otherwise requires). In addition, in certain circumstances, as more fully described in Item 7 below, the Firm also permits certain investors and third parties to co-invest alongside a Fund directly into a portfolio company. Unlike the Co-Investment Funds mentioned above, such direct co-investments are not considered Funds or clients of Paceline.

Each Fund is affiliated with a general partner (“General Partner”) with authority to make investment decisions on behalf of the Funds. These General Partners are deemed registered under the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder (“Advisers Act”), pursuant to Paceline’s registration in accordance with SEC guidance. The applicable General Partner of each Fund retains investment discretion and investors in the Funds do not participate in the control or management of the Funds. While the General Partners maintain ultimate authority over the respective Funds, Paceline has been designated the role of investment adviser. For more information about the Funds and General Partners, please see Paceline’s Form ADV Part 1, Schedule D, Section 7.A. and Section 7.B.(1).

Paceline provides investment advisory services as a private equity fund manager to its Funds. The Funds invest in distressed investments in corporate credit, real assets and private equity asset classes. Paceline’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions of such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted in certain instances.

Paceline also provides asset management services to a real estate investment which is not a security and for which Paceline does not provide investment advisory services. The investment is therefore not included in Paceline’s Form ADV and is excluded from Paceline’s assets under management.

Paceline’s investment advice and authority for each Fund is tailored to the investment objectives of that Fund; Paceline does not tailor its advisory services to the individual needs of investors in its Funds. The Funds’ investment objectives are described, as applicable, in the private placement

memorandum, limited partnership agreement, subscription agreements, investment advisory agreements, side letter agreements and other governing documents of the relevant Fund (collectively, as amended, “Governing Documents”) and investors determine the suitability of an investment in a Fund based on, among other things, the Governing Documents. The Firm does not seek nor require investor approval regarding each investment decision.

Fund investors generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letter agreements. Investors in the Funds participate in the overall investment program for the applicable Fund and generally cannot be excused from a particular investment except pursuant to the terms of the applicable Governing Documents. In accordance with industry common practice, Paceline has entered into side letters with certain investors including those who make substantial commitments of capital or were early-stage investors in the Funds, or for other reasons in the sole discretion of Paceline, in each case that have the effect of establishing rights under, or altering or supplementing, a Fund’s Governing Documents. Examples of side letters entered into include provisions whereby investors have expressed an interest in participating in co-investment opportunities, certain fee arrangements, LP Advisory Committee participation, notification provisions, reporting requirements and “most favored nations” provisions, among others. These rights, benefits or privileges are not always made available to all investors nor in some cases are they required to be disclosed to all investors, consistent with general market practice. Side letters are negotiated at the time of the relevant investor’s capital commitment, and once invested in a Fund, investors generally cannot impose additional investment guidelines or restrictions on such Fund. There can be no assurance that the side letter rights granted to one or more investors will not in certain cases disadvantage other investors.

Paceline does not participate in wrap fee programs.

### **Principal Owners**

Paceline is indirectly owned by Sam Loughlin and Leigh Sansone. For more information about Paceline’s owners and executive officers, see Paceline’s Form ADV Part 1, Schedule A and Schedule B.

### **Regulatory Assets Under Management**

As of December 31 31, 2022, Paceline managed approximately \$1.045 billion in Fund regulatory assets, all managed on a discretionary basis.

### **Item 5 – Fees and Compensation**

Paceline and its affiliated General Partners receive fees and compensation in exchange for advisory services provided to the Funds, including management fees, carried interest, additional compensation in connection with management services performed for the portfolio companies of the Funds and reimbursements from portfolio companies for certain expenses advanced on their behalf. Differences

exist from Fund to Fund, and certain Funds do not charge certain fees, compensation or expenses that other Funds charge or charge them in different amounts. The following is a general description of fees, compensation and expenses of the Funds. Investors should refer to the Governing Documents of the applicable Fund for a complete understanding of how Paceline is compensated for its advisory services; the information contained herein is a summary only and is qualified in its entirety by such documents.

## **Management Fees**

Paceline charges a management fee (the “Management Fee”) to the Funds. For Fund I and Fund II, investors pay Management Fees of 2% per annum of the aggregate capital commitments calculated based upon each non-affiliated investor’s committed capital during the investment period; thereafter the Management Fee will be calculated at 2% based on invested capital in respect of investments that have not been disposed of less the amount of permanent write downs, subject to other factors as described in each Fund’s Governing Documents. The amount of Management Fees generally will not correspond with fluctuations in a Fund’s net asset value, including following the stepdown date, 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 or partial sales of investments. Where there has been a partial disposition or permanent write-down of a Fund’s investment and the fair market value of such investment following such event exceeds the total amount of such Fund’s investment contributions relating to such investment, the Governing Documents do not require Management Fees after the stepdown date to be reduced.

Payable quarterly in advance, Management Fees were negotiated with the Fund’s investors during the fundraising period of the Fund and are not subject to negotiation thereafter. Management Fees are collected through a capital call, through a draw-down on the line of credit or offset against a distribution to limited partners. Generally, investors participating in a subsequent closing after the initial closing of a Fund are responsible for paying the Management Fee as of the date of the initial closing of such Fund, plus interest, as applicable. In addition, Management Fees are payable during term extensions unless otherwise agreed to with investors.

The General Partners are permitted, in their sole discretion, to reduce or waive all or a portion of the Management Fee. Management Fees differ from one Fund to another, as well as among investors in the same Fund. Such differences can arise from the size of an investor’s commitment to a Fund, provisions of side letter agreements or other negotiated terms. Management Fees are generally waived for Paceline employees investing in a Fund (including employees investing through a General Partner), affiliates and their respective family members (although in each case, these investors generally pay their pro rata share of certain Fund expenses). Similarly, investors in a Co-Investment Fund generally pay a reduced or no Management Fee on the co-investment portion of their investment (although such co-investors generally pay Management Fees on the main Fund portion of their investment, if applicable, and pay their pro rata share of certain expenses as described more fully below).

Management Fees will generally be reduced by, as applicable: (i) the amount of fees paid by a Fund to entities or persons acting as a placement agent in connection with the offer and sale of interests in such Fund; (ii) costs incurred by Paceline in connection with the organization of such Fund that exceed a limit as specified in such Fund's Governing Documents; and (iii) certain supplemental fees and compensation with respect to portfolio investments, including closing, commitment, break-up, termination, monitoring, directors', advisory, consulting and other similar fees in connection with the purchase, monitoring or disposition of investments or from unconsummated transactions, including warrants, options, derivatives and other rights in respect of securities owned by a Fund ("Fee Income").

All such Fee Income received are offset against the Management Fee paid by a Fund net of any expenses incurred in connection with such portfolio investment and any broken deal expenses that Paceline and its affiliates have elected to pay. Any Fee Income with respect to an investment or potential investment are allocated to a Fund (and offset against the Management Fee as described above) only to the extent of the Fund's relative ownership of such investment or potential investment, except as otherwise set forth in the Governing Documents. Accordingly, a Fund will, in most such cases, only benefit from the Management Fee reduction described above with respect to its allocable portion of any such Fee Income and not the portion allocable to any other investor (which could include other Funds, Co-Investment Funds, co-investors, third parties, portfolio company management or employees and/or others) that holds an economic interest in the applicable investment. Further, any such reduction of a Fund's Management Fee is only applicable to the extent a Management Fee is payable by a Fund currently or in the future. In the event a Fund does not pay a Management Fee or does not have an offset provision requiring the reduction of Management Fees, Paceline will retain the credited offset portion of Fee Income allocable to these Funds without reduction.

To the extent that an offset credit would reduce a Fund's Management Fee for a given quarter below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon dissolution, a payment will be made to investors that have not elected to waive such amount for tax or other reasons. The amount and manner of such reduction is set forth in the relevant Governing Documents of the applicable Fund.

### **Carried Interest**

Each Fund's General Partner is entitled to be allocated carried interest ("Carried Interest") with respect to the Funds, which is generally equal to 20% of all realized profits net of all expenses in excess of an 8% compounded preferred return and catch-up provisions. Each Fund's Carried Interest arrangement differs and is further described in full detail in the relevant Fund's Governing Documents and more briefly in Item 6, below.

## Fund Expenses

In addition to the Management Fee, the Funds will pay, or reimburse Paceline for, all other fees, costs, expenses, liabilities and obligations relating to a Fund's and/or its subsidiaries' activities, business, portfolio companies or actual or potential investments and/or actual or potential investments of any alternative investment vehicle (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to periodicals or databases), 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, third-party diligence software and service providers, consultants and similar professionals in connection therewith, any fees and expenses associated with subscriptions to periodicals or databases, any fees and expenses associated with buy-side and sell-side finders' fees and other similar deal sourcing payments, meeting with consultants, finders, broker-dealers, investment banks and other sources of investments and developing and maintaining an investment pipeline, 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, and including (for avoidance of doubt) any broken deal expenses; (ii) indebtedness of, or guarantees made by, a Fund, Paceline, a General Partner or any affiliated partner on behalf of a Fund (including any credit facility, letter of credit or similar credit support), including repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees (other than placement fees), sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository (including a depository appointed pursuant to the AIFMD or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), Swiss representative and paying agent (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; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with any third-party administrator and administration, tracking or reporting software), information, appraisal, advisory, valuation (including third party valuations, appraisals, fairness opinion or pricing services), consulting (including consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies, and other similar consultants), tax and other professional services and costs associated with compliance with any anti-money laundering laws and regulations; (vii) reverse breakup, termination and other similar fees, including a co-investor's or potential co-investor's share of such costs; (viii) directors and officers liability, errors and omissions liability, cybersecurity, crime coverage and general partnership liability premiums and other insurance

and regulatory expenses, including any costs and expenses related to any retention or deductibles; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) printing, communications, marketing and publicity; (xi) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, other communications with investors, or any other related administrative, compliance or regulatory filings or reports, including fees and costs of any third-party service providers and professionals related to the foregoing; (xii) compliance with the requirements of the AIFMD, as implemented in any relevant jurisdiction and including any secondary legislation, regulations, rules and/or associated guidance, and any related requirements; (xiii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting, ledger systems, financial management and cybersecurity) or other administrative or reporting tools (including subscription-based services) for the benefit of a Fund or the investors; (xiv) any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information; (xv) to the extent provided in the Governing Documents, or otherwise approved by Paceline in its sole discretion, activities or proceedings of an LP Advisory Committee (including any costs and expenses incurred by representatives of a General Partner, the LP Advisory Committee members, permitted observers and other persons in attending or otherwise participating in meetings of the LP Advisory Committee); (xvi) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person pursuant to the Governing Documents or otherwise and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Governing Documents), except as otherwise set forth in the Governing Documents; (xvii) 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; (xviii) any annual investor meeting or other periodic, if any, meetings of investors, any other conference or meeting with any investor(s), (in each case, including any costs associated with venue, set-up, room and board, dining, entertainment, gifts and mementos, honoraria, events or speakers and other meeting or conference related costs), and any periodic executive forum of portfolio company management and other persons, regardless of whether all of the individuals attending or otherwise participating in any such meeting are Fund investors or representatives thereof; (xix) expenses related to attending industry meetings, conferences or similar events in connection with the evaluation of investment opportunities or business sector opportunities (including the evaluation of potential investments, regardless of whether such investment is ultimately consummated); (xx) except as otherwise determined by Paceline 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 the Fund, and any other costs and expenses related to any structuring or restructuring of a Fund and/or its affiliated entities; (xxi) the termination, liquidation, winding up or dissolution of a Fund and any entities owned directly or indirectly by a Fund (including portfolio companies) and related entities; (xxii) expenses incurred in

respect of any defaults by investors in the payment of any capital contributions; (xxiii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of a Fund, a General Partner and related entities and any alternative investment vehicle of a Fund, including the preparation, distribution and implementation thereof; (xxiv) complying with any law, regulation or policy related to the activities of a Fund (including any legal fees and expenses related thereto, any regulatory expenses of a General Partner incurred in connection with the operation of a Fund and any costs and expenses related to compliance with any environmental, social and governance investor considerations and policies of a General Partner or a Fund); (xxv) any litigation or governmental inquiry, investigation or proceeding involving a Fund, 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 Governing Documents; (xxvi) any third-party experts, including expert network, research firms and independent appraisers appointed by or on behalf of Paceline (to the extent it deems advisable in connection with considering, making or holding an investment; (xxvii) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by an investor; (xxviii) any taxes, fees and other governmental charges levied against a Fund or any alternative investment vehicle and all expenses incurred in connection with any tax audit, investigation settlement or review of a Fund (except (a) to the extent that a Fund is reimbursed therefor by an investor or such tax, fee or charge is treated as having been distributed to the investors pursuant to the Governing Documents or (b) any taxes and related expenses incurred in connection with any audit relating to the special profits interest or a General Partner's right to defer or waive any Carried Interest distributions, which with respect to clause (b), shall be borne by a General Partner) and any costs of or related to the "partnership representative" of a Fund or any alternative investment vehicle; (xxix) distributions to the investors and other expenses associated with the acquisition, holding and disposition of a Fund's investments, including extraordinary expenses; (xxx) unreimbursed expenses and unpaid fees of the principals, employees of Paceline and its affiliates (as determined by a General Partner) or other persons engaged by or on behalf of a General Partner, Paceline and their affiliates, for actions taken by or on behalf of, or for the benefit of a Fund, to the extent that such fees or expenses would otherwise be deemed Fund expenses under another provision of the Governing Documents if incurred by a Fund; (xxxi) except as otherwise set forth in the Governing Documents, compliance or regulatory matters directly related to a Fund, (including, but not limited to, legal fees and other fees and expenses (or portion thereof) related to: the preparation and filing of Form PF, solely to the extent allocable to a Fund, and any other U.S. Securities and Exchange Commission, U.S. Commodity Futures Trading Commission and/or U.S. National Futures Association filings and registrations or other filings which are made in respect of a Fund or a Fund's assets; related requirements under the Dodd-Frank Act, and U.S. Department of the Treasury and U.S. Department of Commerce regulations; and registrations and related requirements of non-US regulators), including the fees and costs of any third-party service providers and professionals related to the foregoing; (xxxii) any travel (including, where appropriate as determined by Paceline, the cost of using or chartering private aircraft or other private air travel (including the use of a private aircraft owned or partially owned by Paceline, any of its affiliates or any of their respective owners) at a cost not to exceed the cost of corresponding business class commercial airfare, as determined by Paceline), lodging, meals or entertainment relating

to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxiii) any organizational expenses and Management Fee; and (xxxiv) any other fees, costs, expenses, liabilities or obligations approved by the LP Advisory Committee (collectively, “Fund expenses”).

Out-of-pocket expenses associated with completed transactions are either billed directly to a Fund, reimbursed by a portfolio company or capitalized as part of the acquisition price of a consummated transaction. Out-of-pocket expenses associated with unconsummated transactions (“broken deal expenses”) are paid by the relevant Fund(s) selected as proposed investors in such transaction.

For information on Paceline’s brokerage practices and fees, please see Item 12 below.

### **Offering and Organizational Expenses**

Each investor will bear its pro rata share of a Fund’s organizational expenses, including but not limited to legal, accounting, consulting, filing, travel, marketing, printing, office set up and supplies and start-up costs (“Organizational Expenses”). The amount and type of Organizational Expenses varies by Fund and is further detailed in the Governing Documents of such Fund. Any amounts in excess of such permitted limit are borne by a Fund and paid by Paceline or offset dollar for dollar against Management Fees.

### **Portfolio Company Remuneration**

As mentioned above, Paceline receives Fee Income with respect to portfolio investments. Paceline generally has discretion over whether to charge Fee Income to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company’s holding or operating structure. The amount of Fee Income are paid by the Funds (directly, or indirectly by the portfolio companies) and are determined by Paceline on a transaction by transaction basis, subject to the terms set forth in each Fund’s Governing Documents. In most circumstances, such compensation is not reviewed or approved by an independent third party. There can be no assurance that the amount of fees charged will be proportional to the amount of hours performed on behalf of a portfolio company.

On occasion, in certain circumstances (such as a portfolio company’s liquidity needs or otherwise) Paceline determines in its discretion to waive, defer or renegotiate, in whole or in part, the amount of Fee Income received from a portfolio company. Paceline endeavors to require the payment of such fees only to the extent permitted by the earnings or cash position of the applicable portfolio company, and Paceline will defer or forego the payment of such fees if too burdensome for the portfolio company or at such time a senior credit agreement prohibits the payment of such fees. In the case of amounts deferred, such payments will generally be payable in the future, which could result in a single payment or installments of repayment amounts that are larger than if the fees had originally been paid in increments. Paceline makes such determinations on a case-by-case basis and reserves the right to take different actions (or no action) with respect to similarly-situated portfolio companies.

## **Fee Receipt Allocation**

From time to time, Paceline, a Fund or a portfolio company agrees to pay a portion of an Other Fee, the Management Fee, Carried Interest, equity grant or any other fee to a third party, such as a consultant, advisor, finder, placement agent, joint venture partner, broker and/or investment banker. Similarly, on occasion certain members of a portfolio company management team receive additional cash and equity compensation, including bonus payments or incentive equity payments based on the applicable portfolio company meeting certain success hurdles. Such compensation, whether in the form of a profits or equity interest in a portfolio company or immediate holding company, generally has a dilutive impact on a Fund's investment and indirectly reduces the proceeds available for distribution to portfolio company investors at the time of such portfolio company's sale. None of these fees or compensation offset Management Fees payable by a Fund.

## **Co-Investment Fees and Expenses**

As described above, in certain circumstances, Paceline permits certain investors to co-invest in investments alongside one or more Funds, subject to Paceline's related policies and procedures, the relevant Governing Documents and/or side letter(s) or similar arrangements. Where a co-investment vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. Since co-investments are incremental to the investment activities of a main Fund, any compensation received in connection with, related to or allocable to such co-investment does not reduce the Management Fee paid by such Fund that has also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not benefit from the portion of any fee that relates to such co-investors.

In the event a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any fees and expenses generated in the course of evaluating such investments, including out of pocket fees associated with due diligence, attorney fees, fees of other professionals and various other fees relating to such proposed but not consummated transaction ("broken deal expenses") therefore will generally be borne by the Fund(s) selected as proposed investors for such proposed transaction and not by any prospective co-investors that were to have participated in such transaction. Co-investors who commit to a transaction after a Fund signs a definitive purchase agreement will lower the risk of broken deal or similar expenses incurred by such Fund (and indirectly, by such Fund's investors) in connection with such transaction based on the timing of when a co-investor becomes contractually obligated to invest. However, to the extent that such co-investors have already invested in a portfolio company through a co-investment vehicle or Co-Investment Fund in connection with such transaction (such as for a follow-on investment), such vehicle and/or co-investor is expected to bear its share of such broken deal expenses (which is typically recorded at such portfolio company).

## **Allocation of Fees and Expenses**

In good faith and in its fair and reasonable discretion, Paceline determines on a case-by-case basis whether an expense should be borne by the Firm, a Fund, multiple Funds or a portfolio company. To the extent that the Governing Documents do not expressly provide for a method of allocation or to the extent that an invoice does not relate to a specific Fund, Paceline will typically allocate common expenses among multiple Funds on a pro rata basis and in accordance with its policies and procedures on expense allocation, unless another method is more equitable. Where one or more Funds to which an expense would otherwise be allocable are not permitted to receive an allocation based on the applicable Governing Documents, the portion of the expense attributable to such Fund(s) will be borne by Paceline.

## **Other Fees**

Paceline receives an annual fee in connection with asset management services provided for a real estate investment property managed outside of the Funds.

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

A carried interest allocation represents an adviser's compensation based on a percentage of net profits of the funds it manages. The relevant General Partner receives a Carried Interest allocation on certain realized profits in the Funds equal to 20% of all realized profits (although some Funds charge a lower Carried Interest allocation) subject to an 8% annually compounded preferred return (or hurdle) and subject to reimbursement of all relevant Fund expenses, including Management Fees. Calculated based on cumulative realized gains and income only, Carried Interest is allocated to a General Partner as portfolio holdings are liquidated or otherwise monetized and is subject to a potential after-tax giveback if the respective General Partner has received excess cumulative distributions. Each Fund's Carried Interest calculation, as well as the clawback provisions of each Fund, is further described in the relevant Fund's Governing Documents received by each investor prior to investment in such Fund.

These performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. The General Partner of each Fund, in its sole discretion, is permitted to waive or reduce the amount of Carried Interest for certain Funds or investors in a Fund. Specifically, if principals and employees and their respective family members are investors in a Fund, they will generally pay no or reduced Carried Interest or none at all. Similarly, investors in Co-Investment Funds generally pay a lower amount of Carried Interest on the co-investment portion of their investment.

The fact that a General Partner's Carried Interest allocations are based on the performance of each Fund can create an incentive for Paceline to make investments that are more speculative than would be the case in the absence of such distributions or to allocate an investment to a Fund that earns a higher Carried Interest, if applicable. The Firm believes this incentive is sufficiently mitigated,

however, due to the fact that: (i) the applicable Governing Documents create limitations on the ability of Paceline to establish new investment funds; (ii) the Funds are subject to certain contractual provisions requiring certain parallel Funds to purchase and sell investments contemporaneously if they share an investment through a contemporaneous initial investment; (iii) any losses a Fund sustains will reduce the General Partner's Carried Interest distribution; (iv) Carried Interest is generally calculated only after investors have received as distribution 100% of their capital contributions plus a preferred return; (v) a General Partner often makes a substantial commitment to a Fund to invest its own capital alongside the investors; and (vi) Paceline's ability to attract future investors is tied to the performance of its investments.

Paceline manages multiple Funds with similar investment strategies on a side-by-side basis. Management of multiple vehicles on a side-by-side basis has the potential to create conflicts of interest with regard to Paceline's allocation of investment opportunities, expenses, time and attention of advisory personnel and consideration for certain transactions. Although Paceline generally makes new investments for a Fund with the same investment objectives only after a predecessor Fund is substantially invested or committed as more fully described in the applicable Fund's Governing Documents, management of side-by-side Funds can create an incentive for the Firm or its personnel to favor a Fund in which Paceline or an affiliate has a greater financial interest. To the extent that Paceline has Funds with varying Carried Interest terms (including amount, timing waterfall conditions or other terms) and/or Paceline personnel are assigned varying percentages of Carried Interest from a Fund, Paceline and such personnel are subject to potential conflicts of interest to the extent they are involved in identifying investment opportunities as appropriate for a Fund from which they are entitled to receive a higher Carried Interest percentage.

To help minimize such conflicts of interest, Paceline allocates investment opportunities which satisfy the investment parameters of more than one Fund in accordance with Paceline's policies and procedures regarding investment allocation and the applicable Governing Documents and taking into consideration certain factors, as determined in the Firm's sole discretion, which include, but are not limited to: the amount of available capital commitments of the applicable Fund(s); anticipated future capital requirements of an investment opportunity; life-cycle of the applicable Fund(s); expected time to obtain liquidity; legal, tax and regulatory considerations; and any other factors deemed relevant by Paceline. Paceline's procedures are designed to ensure that all investment decisions are made in accordance with Paceline's fiduciary duties to its Funds and without consideration of Paceline's (or its affiliates' or employees') pecuniary interest. Paceline will not allocate investment opportunities based in whole or in part on the relative fee structure or amount of fees paid by any Fund or the profitability of any Fund. Investment allocation decisions are determined by the investment committee.

## **Item 7 – Types of Clients**

Paceline provides investment advice to its Funds, which are exempt from registration under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder ("Investment Company Act"). The Funds limit their respective investors to : (i) "accredited investors"

as defined in the Securities Act of 1933, and (ii) “qualified purchasers” or “knowledgeable employees,” each as defined in the Investment Company Act, or (iii) if applicable, “qualified clients,” as defined in the Advisers Act. Investors in the Funds must also meet certain other suitability qualifications prior to making an investment in the Funds. The Funds are not registered or required to be registered under the Investment Company Act, are not made available to the general public, their securities are not registered or required to be registered under the Securities Act of 1933 and Fund interests are privately placed to qualified investors. Qualified investors include individuals or entities to which Fund interests are permitted to be sold, which generally includes (i) in the United States, people or organizations who meet certain net worth, income and/or financial sophistication requirements as described above or (ii) in other countries, as permitted by the relevant securities laws in such jurisdiction and in compliance with any foreign offering provisions applicable to Paceline and/or the Funds. The Funds typically require capital commitments from each investor of at least \$10 million, depending on the Fund, although the applicable Fund’s General Partner has, in its sole discretion, accepted lesser amounts.

The investors participating in the Funds include high net worth individuals, other investment entities, university endowments, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations, foreign banks, fund-of-funds, corporations, limited partnerships, limited liability companies or other business entities, or other service providers retained by Paceline, and typically include, directly or indirectly, principals or other employees of Paceline and its affiliates and members of their families.

On occasion, Paceline offers co-investment opportunities for certain investors to invest alongside a Fund in certain Fund portfolio companies. As referenced in Item 4 above, co-investments have been structured either as (i) a separate Co-Investment Fund or (ii) a direct investment by certain investors into a portfolio company or its holding or operating company. When structured as a Fund, Paceline considers the investment to be a Fund client, identifies the Fund in its Form ADV Part 1, Schedule D, Section 7.B.(1), obtains an audit for the Fund, reserves the option to assess a Management Fee and Carried Interest on such Fund and includes the amount of assets of such Fund in the Firm’s regulatory assets under management. In the case of direct co-investments, Paceline does not consider the investment to be a Fund or a client, does not act as the investment manager to the co-investment portion of the investment, does not charge Management Fees or Carried Interest to the investment, does not have custody of the investment or include the amount of assets of the co-investment in the Firm’s regulatory assets under management. In such direct co-investment opportunities, Paceline will perform management, advisory and other services for the portfolio companies in which these co-investors invest, generally at no cost to such co-investors except portfolio company fees and expenses (which such fees and expenses are recorded at the portfolio company).

Opportunities to participate in co-investment transactions arise when Paceline has the opportunity for an investment in an existing or prospective portfolio company and Paceline determines that (i) an investment requires additional capital, (ii) all or a portion of the applicable opportunity is not required to be offered to a Fund, (iii) the full investment opportunity is not appropriate for a Fund, whether

due to concentration restrictions contained in the Fund's Governing Documents or otherwise or (iv) Paceline believes the Fund will benefit from the participation of the co-investor(s). Such determinations are based on the provisions of the applicable Governing Documents, side letter agreements, agreements with lenders and such other factors as Paceline will consider in its sole discretion, including those specified in its policies on investment allocation and co-investments. Subject to any restrictions contained in the Governing Documents of the relevant Fund or any side letter or other terms negotiated with respect to such Fund, in general no investor has a right to participate in any co-investment opportunity. Paceline's exercise of discretion in allocating co-investment opportunities will not always result in proportional allocations among co-investors and such allocations can be more or less advantageous to some co-investors relative to other co-investors. When co-investment opportunities are permitted, it is possible that the size of the investment opportunity otherwise available to Paceline's Fund(s) will be less than it would otherwise have been without the inclusion of such co-investors.

Paceline will select the investors that are permitted to co-invest in a particular portfolio company in its sole discretion based on various factors, including those detailed in its Governing Documents and as outlined in its internal policies and procedures. While one or more investors in the Funds are on occasion invited to co-invest in a Fund's portfolio companies, Paceline is authorized in its sole discretion to offer any or all of a co-investment opportunity to investors that are not investors in the Funds. Co-investment opportunities are made available to select Fund investors and third parties, including, without limitation, management or founders of the applicable portfolio company, co-sponsors, strategic investors, lenders, investment bankers, deal sources (including finders and consultants), other sponsors (including other private equity or venture capital firms), sector experts, strategic advisors, other persons or entities affiliated, associated or otherwise known to Paceline or its personnel. Certain service providers, including lenders and individuals who source transactions, have in the past and are expected in the future to negotiate co-investment rights or co-investment priority rights as a component of their compensation in connection with the services provided.

Paceline can cause some co-investors to bear a Management Fee and/or Carried Interest while not imposing a Management Fee and/or Carried Interest (or imposing a different Management Fee or Carried Interest) on other co-investors. In certain cases, co-investment opportunities can include opportunities to invest in Fund portfolio companies at a time when there is not a corresponding Fund investment or on different terms than a Fund investment. Some co-investors can be provided a board seat or observer rights at a Paceline portfolio company. Such positions provide such persons with voting rights, access to information and potentially the ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other investors.

Co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as a Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-investment vehicle purchases a portion of an investment from a Fund after such Fund has consummated its investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a

Fund by a co-investor or co-investment vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. When co-investors purchase their interest from a Fund after the Fund has consummated the investment, the price paid by co-investors is typically determined by the Fund's General Partner in its sole discretion. The price may not reflect the full cost incurred by the Fund in connection with the investment, any interest charge on the co-investment amount, the cost of establishing the credit facility utilized to acquire the portfolio company (if applicable) or the risk borne by the Fund in connection with purchasing and warehousing the investment. The Funds also will bear the risk that any co-investors acquiring an interest in an investment after the closing of such investment may acquire such interest on terms that may not reflect the then-current value of such investment. In either case, potential co-investors typically do not bear any transaction costs of investments that are not consummated and are not subject generally to the same risks to which a Fund is throughout the investment process. In addition, to the extent that Paceline engages in a secondary liquidity transaction in connection with an investment, co-investors will not necessarily receive the same liquidity options as investors in a Fund and may therefore be compelled to receive cash or continue to hold an interest in the investment, depending on the particular facts of the transaction. As fees paid by or on behalf of co-investors in portfolio companies are not subject to a Management Fee offset and are thus retained by Paceline, the opportunity to receive such fees could present a conflict of interest. Further, as Management Fees are offset based on each Fund's invested capital in an investment, the inclusion of co-investors presents a conflict of interest in that Paceline could be incentivized to allocate a greater portion of an investment to a co-investor than it would have otherwise allocated absent such an arrangement.

In the event Paceline is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, it is possible that a Fund will consequently hold a greater concentration and have greater exposure in the related investment opportunity than was originally intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto and would result in a greater concentration of risk as a result. To mitigate such risk, each investment is subject to concentration limits as described in the relevant Fund Governing Documents. Despite these concentration limits, it is possible an investment that is not syndicated to co-investors as originally anticipated could result in a significant impact to a Fund's overall investment returns.

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

### **Strategy**

The Funds pursue an opportunistic strategy across asset classes comprised of private equity, corporate credit and real assets, seeking to optimize risk-adjusted returns in all market environments. Across these asset classes, the Funds embrace opportunity created by complexity and dislocation through comprehensive bottom-up underwriting, focusing on optimizing performance while seeking to minimize risk. In all investments across every part of the economic cycle, Paceline seeks to generate attractive risk-adjusted returns through (i) sourcing complex investments where market dislocation

and/or asset mispricing allows Paceline to create substantial value “on the buy” and (ii) execution of return-enhancing asset management initiatives where Paceline takes an active approach to managing each asset.

The Paceline team leverages its deep relationships with key originating constituents to source potential investment opportunities.

## **Risks**

Potential investors should be aware that an investment in the Funds involves a high degree of risk and is suitable only for investors that have no immediate need for liquidity of the amount invested and can withstand a loss of their entire investment. There can be no assurance that the Funds’ investment objectives will be achieved or that an investor will receive a return of or on its capital. In addition, there can be no assurance that projected or targeted returns, if any, for the Funds will be achieved, or that the Funds will be able to generate returns for investors, or that the returns generated will be commensurate with the risks of investing in the Funds. There can be occasions when the General Partners, the Firm and their respective affiliates encounter potential conflicts of interest in connection with the Funds. Investors should also refer to a Fund’s Governing Documents for a description of the risk factors specific to their Fund. Different or new risks not addressed below will likely arise in the future and, therefore, the following list is not intended to be exhaustive. The following considerations are among those that should be carefully evaluated before making an investment in the Funds.

### Risks Relating to an Investment in the Funds

*Long-Term Nature of Investment in Interests; No Assurance of Return.* An investment in the Funds requires a long-term commitment, with no certainty of return. Because of the nature of the Funds’ investments, there can be no assurance that the Funds will be able to realize returns on such investments in a timely manner or at all. Past performance of investment entities managed or advised by the Firm or otherwise associated with the investment professionals of the Firm is not necessarily indicative of future results or performance and provides no assurance of future results or performance.

*Passive Investment in Interests; Reliance on Personnel.* The success of the Funds depends in substantial part upon the skill and expertise of the individuals employed by the Firm and its affiliates. Investors will be relying entirely on such persons to manage the affairs of the Funds. The investors will not engage in the active management and affairs of the Funds. The investors instead rely on the ability of the individuals employed by the Firm and their affiliates to identify, structure and make appropriate investments for the Funds and to manage and dispose of such investments. There can be no assurance that the members of the management team or any such other persons will continue to be associated with or employed by the Firm or its affiliates throughout the life of the Funds. The loss of key personnel can have a material adverse effect on the Funds.

*Construction of the Funds' Portfolio.* The investment strategy of the Funds is opportunistic in nature and covers a broad range of asset classes. Investors will be relying on Paceline to identify, structure and implement investments consistent with the Funds' overall investment objectives. Except as set forth in the Governing Documents, there are no material limitations on the instruments or markets in which the Funds are likely to invest or the specific investment strategies likely to be employed on behalf of the Funds. Subject to the foregoing, the Funds are permitted to make investments throughout the capital structure, including without limitation mezzanine securities, senior secured debt, bank debt, unsecured debt, convertible bonds and preferred and common stock and across asset classes such as real estate, public equity, structured equity, minority private equity, commodities and credit. It is expected that, in light of the Funds' investment objective, the Funds will often make equity, credit and/or debt investments that do not involve control or influence over the underlying entity in which the Funds invests. Additionally, the Funds will generally be permitted to invest in a number of companies operating in a wide range of industries, geographies and activities. While the Governing Documents contain information about the Firm's expectations with respect to the Funds, many factors can contribute to changes in emphasis in the construction of the portfolio, including changes in market or economic conditions or regulation as they affect various industries.

*Unspecified Use of Proceeds.* Purchasers of Fund interests will likely not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Funds and, accordingly, will be dependent upon the judgment and ability of the Firm in investing and managing the capital of the Funds. No assurance can be given that the Funds will be successful in obtaining suitable investments, or that if such investments are made, the objectives of the Funds will be achieved.

*Third-Party Litigation Costs.* The Funds' investment activities subject them to the risk of becoming involved in litigation by third parties. Such risk can increase if a Fund exercises control of or exerts significant influence on a company's business operations. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, absent certain conduct by the officers or employees of Paceline, be borne by the Funds and could require investors to return to the Funds capital and earnings previously distributed by such Fund. The Firm, the General Partners and other related parties are entitled to indemnification by the Funds in connection with such litigation, subject to limited exceptions in the Governing Documents.

*Significant Adverse Consequences for Default.* The Governing Documents provide for significant adverse consequences in the event an investor defaults on its capital commitment or other payment obligations. In addition to reducing the investor's potential distributions from a Fund, a defaulting investor would potentially be forced to transfer its interest in a Fund for an amount that is less than the fair market value of such interests. Paceline can, subject to certain limitations, require an additional funding of capital contributions from the non-defaulting investors to fund the shortfall caused by the defaulting investors.

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 a Fund are inadequate to cover such contribution, a Fund would potentially be unable to pay its obligations when due. As a result, a Fund can be subjected to significant penalties that could materially adversely affect the returns to the investors. A default by an investor also has the potential to limit a Fund's availability to incur borrowings and avail itself of credit.

*Disclosure of Information and FOIA.* Certain investors will be subject to state public records or similar freedom of information laws, which can, in certain situations, compel public disclosure of confidential information regarding the Funds, their investments and their investors. There can be no assurance that such information will not be disclosed publicly to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which the Funds, Paceline, their affiliates, investments or service providers to any of them become subject. Public disclosure of confidential information could materially harm the business and operations of the Funds' investments, and could materially and negatively impact Paceline's ability to find and make investments, either of which could have a negative impact on the Fund's returns. To the extent that Paceline determines in good faith that, as a result of the U.S. Freedom of Information Act ("FOIA"), any governmental public records access law, any state, or other jurisdiction's laws similar in intent or effect to FOIA, or any other similar statutory or regulatory requirement, an investor or any of its affiliates would likely be required to disclose information relating to a Fund, its affiliates, and/or any entity in which an investment is made (other than certain Fund-level, aggregate performance information described in the Governing Documents), Paceline would potentially, in order to prevent any such potential disclosure, withhold all or any part of the information otherwise to be provided to such investor. In addition, potential future regulatory changes applicable to investment advisers and/or the accounts they advise could result in the Firm and its respective affiliates or the Funds becoming subject to additional disclosure requirements, the specific nature of which is as yet uncertain.

*Recycling; Reinvestment.* The Firm is permitted to recall amounts distributed to the investor pursuant to the terms of the Governing Documents and/or reinvest investment proceeds received by the Funds pursuant to the terms of the Governing Documents. Accordingly, during the term of each respective Fund, an investor may be required to make capital contributions in excess of its commitment. In addition, such reinvestment limits early distributions to investors, 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. As a result, reinvestment increases the risk of investing in a Fund.

*Facilitation of Secondary Transfers.* In certain cases, Paceline will have an opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interest in a Fund. In the case of ordinary transfers, Paceline will not receive compensation for identifying such transferees and will use its discretion to select such transferees based on eligibility and other factors, and unless required by the relevant Governing

Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

*Diverse Investor Group.* The investors often have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests of individual investors can relate to or arise from, among other things, the nature of investments made by the Funds, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest can arise in connection with the decisions made by the Firm, including with respect to the nature or structuring of investments that can be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Funds, the Firm will consider the investment and tax objectives of the Funds and its investors as a whole, not the investment, tax or other objectives of any investor individually.

*Side Letters and Opt-Out Rights.* The Funds will, from time to time, enter into letter agreements or side letters with one or more investors. These side letters provide certain investors with customized terms, which results in preferential treatment or could economically incentivize the Firm to provide preferential treatment including, among others: (i) the fee structure, including reduced Management Fees, modified waterfall mechanics and/or reduced Carried Interest; (ii) the ability to opt-out of certain types of investments (including with respect to investments in certain geographies and/or industries); (iii) the reporting obligations of a Fund; (iv) the right to transfer a Fund's interests; (v) the offering of co-investment opportunities; (vi) the right to withdraw from a Fund in the event of adverse tax or regulatory events or violations of law or policies; (vii) additional confidentiality protections; (viii) the right to disclose certain information to underlying investors or to the public; (ix) structuring rights with respect to certain types of investments; (x) modification of default remedies; (xi) prior review of a Fund's investment opportunities; (xii) investment pacing restrictions or (xiii) certain other terms whether economic, procedural or otherwise. In addition, the Firm will permit certain Firm personnel, business associates and "friends and family" of the Firm to invest directly or indirectly in the Funds on terms that are more favorable than those offered to other investors, including with respect to the non-payment or reduction in payment of Management Fees and Carried Interest or different treatment with respect to fee offsets. If a Fund or an affiliate enters into a side letter entitling an investor to opt out of a particular investment (including one or more significant investors with geographic specific opt-outs) or withdraw from a Fund or allowing such investor to be excused from particular investments, any election to opt out (including by one or more significant investors with geographic or industry-specific opt-outs) or withdraw by such investor could correspondingly increase the interest that other investors will have in that particular geography, industry or investment (in the case of an opt-out) or all future investments (in the case of a withdrawal). In addition, in the case of an opt-out election, depending upon the specific terms of the Governing Documents (which can call for future capital contributions to be based on unfunded commitments rather than aggregate commitments), the election has the potential to decrease the interest that other investors will have in subsequent investments.

In addition to the foregoing, certain side letters with investors can contain provisions that economically incentivize Paceline to offer co-investment opportunities to such investor. For example, Paceline may receive economic consideration (including, without limitation, Management Fees, other fees and/or Carried Interest) with respect to co-investment opportunities. In some cases, the amount of Carried Interest that Paceline receives will depend on the amount of co-investment opportunities that Paceline offers to or closes with certain investors, which can create a potential or actual conflict of interest between Paceline and the other investors and/or the relevant Fund. In addition, Carried Interest received from co-investment vehicles typically is not subject to clawback or escrow provisions because these vehicles typically do not make more than one portfolio investment. These economics can be more favorable to Paceline than those provided by a Fund and, as a result, could create incentives that could affect how Paceline allocates investment opportunities.

Paceline is permitted, but will not be obligated to, endeavor to cause co-investors that committed to participate in a particular unconsummated co-investment to bear their proportionate share of any fees, costs or expenses related to such unconsummated co-investment, such as reverse break-up fees or broken deal expenses; provided, however, that any fees, costs or expenses related to co-investments (irrespective of whether such co-investments are ultimately consummated), such as reverse break-up fees and broken deal expenses, that are not borne by co-investors but that constitute “Fund expenses” under the Governing Documents will be borne by the Funds.

*Due Diligence:* Paceline will conduct, and will use third parties to conduct, due diligence on prospective investments. In conducting such due diligence, the investment professionals will use publicly available information, as well as information from their relationships with former and current bank lenders, management teams, consultants, competitors and investment bankers. Such level of due diligence may not, however, reveal all matters and issues, material or otherwise, relating to prospective investments.

*Research and Other Upfront Costs for Investments.* There can be circumstances when Paceline considers an investment opportunity on behalf of a Fund and initially determines not to make such an investment, but eventually makes an investment in the relevant opportunity through another Fund. In these circumstances, the Firm or such Funds or investment vehicles can benefit from research by the original investment team researching the investment and/or from the costs and expenses borne by the Fund in pursuing the potential investment, but will not be required to reimburse the Fund for the costs and expenses incurred in connection with such investment.

*Misconduct of Employees and Third-Party Service Providers.* The Firm’s reputation is critical to maintaining and developing relationships with prospective investors, as well as with the numerous third parties with whom the Firm and the Funds do business. In recent years, there have been a number of highly-publicized cases involving fraud, conflicts of interest, or other misconduct by individuals in the financial-services industry, and there is a risk that an employee of or contractor to the Firm or the Funds could engage in misconduct that adversely affects the investment program of a Fund. It is not always possible to deter such misconduct, and there can be no guarantee that the precautions the Firm

and the Funds take to detect and prevent such misconduct will necessarily be effective in all cases. Misconduct by an employee of or contractor to the Firm or the Funds, or unsubstantiated allegations of such misconduct, could result in direct financial harm to the Funds, as well as harm to the Firm's and the Funds' reputations, which would have a materially adverse effect on the Funds.

*Investing Affiliates.* The Funds sometimes effect investments through limited partnerships, limited liability companies, corporations or other vehicles sponsored or managed by the Firm or third parties. A creditor having a claim that relates to a particular investment held by any such vehicle would potentially be able to satisfy such claim against all assets of such vehicle, without regard to the participation rights of a Fund and other investors of such vehicle in the assets of such vehicle.

*Effect of Fees and Expenses on Returns.* The Funds will pay the Management Fee and will bear the expenses related to its operations. Such fees and expenses are expected to reduce the actual returns to investors. Most of the fees and expenses will be paid regardless of whether a Fund produces positive investment returns. If a Fund does not produce significant positive investment returns, these fees and expenses could reduce the amount of the investment recovered by an investor to an amount less than the amount invested in a Fund by its respective investors.

*Indemnification.* The Firm, members of the LP Advisory Committee, and their respective members, partners, officers, directors, shareholders, employees, advisors, agents, affiliates, and personnel, will be entitled to indemnification out of Fund assets, except in certain limited circumstances, to the extent set forth in the relevant Governing Documents. The assets of the Funds will be available to satisfy these indemnification obligations and investors will, in certain situations, be required to make capital contributions and return distributions to satisfy such obligations. Such obligations will survive the dissolution of the Funds.

*Limitation of Recourse.* The Governing Documents limit the circumstances under which the Firm and its affiliates will be held liable to the Funds. As a result, investors generally have a more limited right of action in certain cases than they would have in the absence of such provision.

*Risks in Making Operating Improvements.* In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of the Fund to restructure and effect improvements in the operations of an investment. The activity of identifying and implementing restructuring programs and operating improvements in investments entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements.

*Inflation Risk.* Changing demand patterns from economic and political volatility and uncertainty, including as a result of the COVID-19 pandemic, a worsening of the ongoing labor shortage, and sustained higher prices across the board, changes in global trade policies, increasing geopolitical tensions and trends such as populism and economic nationalism continue to have a significant impact resulting in a rise in inflation. The uncertain nature, magnitude and duration of hostilities stemming

from the Russia-Ukraine conflict, including the potential effects of sanctions and retaliatory cyber-attacks on the world economy and markets, have contributed to such rise in inflation.

If a portfolio company is unable to increase its revenue in such times of higher inflation, its profitability will be adversely affected. The Funds' portfolio companies can in some cases have long-term rights to income linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangements. Typically, as inflation rises, a portfolio company will earn more revenue but also will incur higher expenses; as inflation declines, a portfolio company will potentially be unable to reduce expenses in line with any resulting reduction in revenue. A rise in real interest rates would likely result in higher financing costs for portfolio companies and could therefore result in a reduction in the amount of cash available for distribution to investors. There can be no assurance that inflation will not continue to be a serious problem in the future and thereby negatively affect the Funds' investment returns.

*Valuation Risk.* There is not expected to be an actively traded market for most of the Funds' investments. When estimating fair market value, Paceline 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 investments for which reliable market quotations are not available is based on inherent uncertainties and the resulting values can differ from values that would have been determined had an active market existed for such investments and can differ from the prices at which such investments are ultimately sold.

*Targeted Returns.* The Firm generally bases a target internal rate of return for any investment on its anticipated cash flows from the investment, use of leverage, an assumed holding period for the relevant investment and other factors, many of which are outside the control of Paceline or the Funds. Actual cash flows to the Funds will depend in part on factors outside the control of Paceline or the Funds, including factors that cannot be predicted with certainty such as general economic conditions, poor performance, borrowing costs and unexpected costs and can vary considerably from the assumptions made in connection with the Firm's investment decisions. There can be no assurance that Paceline will correctly take into account all relevant factors in establishing the targeted returns for any investment, or that the assumptions will prove accurate over time. Past performance should not be viewed as indicative of future results.

*Leverage and Credit Facilities.* The Funds borrow to bridge capital calls, fund working capital needs, and allow the Funds to make additional investments, subject to the terms of the Governing Documents. The use of leverage in a market that moves adversely to a Fund's investments could result in substantial losses to a Fund, which would be greater than if investments were not leveraged. While leverage presents opportunities for increasing a Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of a Fund's investments would be magnified to the extent leverage is used.

To obtain such leverage the lender would potentially require that a Fund pledges the unfunded commitments of its investors or other Fund assets as security. In the event of a default under such a facility, the lender could foreclose on such unfunded commitments and/or other assets. In addition, an investor's contributions could be made directly to the lender instead of a Fund.

Any downturn in global or regional financial markets, negative market sentiment or funding constraints faced by the banking sector are likely to negatively impact the availability of debt to finance acquisitions and the rates at and terms on which a Fund can borrow. This can restrict the ability of a Fund to fund certain transactions and implement optimal capital structures for its investments.

Borrowings will be subject to interest, transaction and other costs, and other types of leverage, which also involve transaction and other costs. There can be no guarantee that any such costs be recovered by the return on a Fund's investments.

To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions or a portfolio company borrows funds directly through a Fund revolving credit facility, the investors generally will make correspondingly later capital contributions. As a result, a Fund's use of borrowed funds will impact the calculation of net performance metrics (e.g., IRR and multiple), and potentially make such calculations higher than they otherwise would be without fund-level borrowing, as these calculations generally depend on the amount and timing of capital contributions, as well as the level of the organizational structure at which such borrowed funds are borrowed or deployed. On occasion, a Fund draws on its line of credit to bridge financing to a parallel investment vehicle, such as to a parallel fund, Co-Investment Fund or to a portfolio company. In such circumstances, a parallel fund, Co-Investment Fund or portfolio company is not a guarantor on the line of credit although it does receive the benefit of the loan. A portfolio company's use of a Fund credit facility will not result in additional fees for such borrower Fund; where applicable and allowable, Paceline seeks to have the borrowing portfolio company to repay the applicable Fund for a portion or all of the cost of interest on the use of the line and any other expenses.

*Over-Commitment.* It is anticipated that the Funds will commit to make equity investments that exceed the amount of equity that the Firm intends for the Funds to invest (which can be in excess of the amount that the Firm determines to be desirable for a Fund to invest and/or a Fund's ordinary course concentration limit), in order to facilitate transaction execution or with a view to making investment opportunities available to co-investors prior to or within a specified period of time after the closing of the investment, including via use of a Fund's ability to provide bridge financings. In such event, a Fund will bear the risk that any or all of the investment opportunity will not be taken up by co-investors, that co-investors will fail to fund after making a commitment, or that the excess portion of such investment will not be resold or refinanced on attractive terms or at all. As a consequence, a Fund can ultimately hold a larger than expected (or desired) investment in a portfolio company. These risks would be elevated in the event of an intervening adverse event involving the Firm, a Fund, the investment opportunity, or the general or local economy. Additionally, a Fund will potentially bear the entire portion of any fees, costs and expenses related to such investments. Although the Funds

will endeavor to address such risks, the Firm will not be deemed to have violated any duty or other obligation to the Funds or any of its investors by engaging in such investments and the related co-investment, sell-down or refinancing activities. In addition, the Firm provides no assurance that valuation changes will not occur and/or that a co-investor's purchase price will be adjusted to take a valuation change into account. The Firm also endeavors to charge co-investors interest that will be payable to a Fund generally equal to at least the preferred return rate in the Governing Documents. There can be no assurance that co-investors will agree to pay such interest or that their co-investment commitments will close in a timely manner or for the targeted amount sought from co-investors.

*Investor Access to Information.* Investor's rights to information regarding the Funds will be specified in and limited to the information set forth in the Governing Documents. In particular, it is anticipated that the Firm will obtain certain types of material information from investments that will not be disclosed to investors because such disclosure is prohibited for contractual, legal or similar obligations outside of the Firm's control. Decisions by the Firm to withhold information will carry the potential to have adverse consequences for investors in a variety of circumstances. Decisions to withhold information also can make it difficult for investors to monitor the Firm and its performance. Additionally, it is expected that investors who designate representatives to participate on the LP Advisory Committee will, by virtue of such participation, have more information about the Funds and investments in certain circumstances than other investors generally and will be disseminated information in advance of communication to other investors generally.

#### Risks Relating to the Funds' Investments

*Impact of Government Regulation, Reimbursement and Reform.* The Funds are permitted to make investments in portfolio companies operating in industries that are subject to greater amounts of regulation than other industries generally. These more highly regulated industries can include energy, communications, technology, health care, financial services (including banking and mortgage servicing), insurance, transportation (e.g., aviation) and also businesses that serve customers that are governmental entities, including in the defense industry. Investments in portfolio companies that are subject to greater amounts of governmental regulation pose additional risks relative to investments in other companies generally. It is possible that changes in applicable laws or regulations, or in the interpretations of these laws and regulations, will in certain circumstances result in increased compliance costs or the need for additional capital expenditures and/or regulatory capital requirements in the case of banks or similarly regulated entities. A portfolio company also can be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Governments have considerable discretion in implementing regulations that sometimes impact a portfolio company's business and governments will, in some cases, be influenced by political considerations and will potentially make decisions that adversely affect a portfolio company's business. Additionally, it is possible that certain portfolio companies will have a unionized work force or employees who are covered by a collective bargaining agreement, which can subject any such portfolio company's activities and labor relations matters to complex

laws and regulations relating thereto. Moreover, a portfolio company's operations and profitability can, in certain circumstances, suffer if it experiences labor relations problems.

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, including, in particular, such regulated industries, are complex, are likely to be ambiguous or possibly 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, will potentially have a material adverse effect on the operations and/or financial performance of the companies in which the Funds invest.

*Risk of Controlling Interests in Portfolio Companies.* Pursuant to the Funds' investment policies, the Funds are expected to have controlling interests in a significant portion of the portfolio companies in which they invest. Control over a Fund's portfolio companies can result in additional risks and potential liability for economic or other damages relating to the activities of the portfolio companies, including environmental liability, tax, labor, or pension liabilities, or liabilities to governmental regulators. Furthermore, unsupervised management of portfolio companies could take actions that expose a Fund to potential liability and as a result, a Fund could incur a significant loss.

*Non-Controlling and Minority Investments.* The Funds hold non-controlling interests in certain investments (including such interests in real estate assets and property) and, therefore, have a limited ability to protect their position in such investments. The Funds can also invest in minority positions of companies, or otherwise in companies with respect to which a Fund will have no right to appoint senior management or otherwise exert sufficient influence to protect its position therein, although as a condition of a minority investment in a portfolio investment, the Firm expects that appropriate rights generally will be sought to protect such Fund's interests. In all such cases, a Fund will be significantly reliant on the existing management, boards of directors and other shareholders of such companies or other owners or managers of such assets or property, which can include representatives of other investors with whom the Funds are not affiliated, and whose interests potentially conflict with the interests of a Fund.

*Investments in Restructurings.* The Funds are authorized to make investments in portfolio companies that are in the process of restructuring in order to address actual or anticipated financial difficulties, which have the potential to be severe or never be overcome. A Fund's involvement in such investments, and the operations and restructuring of such portfolio companies, could subject the Fund to additional liabilities. Such liabilities could exceed the value of the original investment therein in certain circumstances.

*Portfolio Company Management Risks.* Although the Firm will be responsible for monitoring the performance of each investment, each portfolio company's day-to-day operations will be the responsibility of such company's management team, and the Funds will potentially have limited or no control rights with respect to the day-to-day operations of the portfolio company. Some companies will depend for their success on the management talents and efforts of one person or a small group

of persons whose death, disability or resignation would adversely affect their businesses, which could, in turn, adversely affect a Fund's investment in such portfolio company.

*Availability of Investments; Competitive Marketplace.* The availability of investment opportunities generally will be subject to the prevailing regulatory or political climate and market conditions in the countries where the Funds invest. The business of identifying and structuring investments of the types contemplated by the Funds is highly competitive and involves a high degree of uncertainty. Under certain circumstances, a Fund will compete with other funds and investors for desirable investments. There can be no assurance that a Fund will be able to locate and complete investments that satisfy its investment objectives and criteria or realize the value of such investments. Scarcity of appropriate investment opportunities can also impact the terms on which any such opportunities are made available.

*Risk of Limited Number of Investments; Lack of Diversity.* Despite the Firm's intent to diversify the Funds by investing in a variety of assets, a Fund will ultimately participate in a limited number of investments and many of the Funds' investments involve a high degree of risk. As a consequence, the aggregate return of a Fund is likely to be substantially adversely affected by the unfavorable performance of even a single investment. Additionally, the investors can have no assurance as to the degree of diversification in a Fund's investments, either by region or industry. As a result, the value of a Fund's investments and its capital and profitability can be materially affected by a single adverse political or economic event in a jurisdiction where a Fund invests.

*Illiquidity and Volatility of Funds' Investments.* Many of the Funds' investments will be highly illiquid and volatile, and there can be no assurance that a Fund will be able to realize returns on such investments in a timely manner, or at all.

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

*Special Situations.* The Funds invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of

business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Fund may be required to sell an investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Fund invests, there is a potential risk of loss by a Fund of its investment in such companies.

*Equity Securities.* The Funds invest in securities issued by privately-held companies whose operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that has the potential to result in substantial losses. In particular, these risks can arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks. Regulation generally, including tax laws and regulations, whether in the U.S. or abroad, could increase the cost of acquiring, holding or divesting investments, the profitability of enterprises and the cost of operating a Fund.

The Funds are permitted to make equity investments in public companies or take private portfolio companies public subject to certain limitations in the Governing Documents. Investments in equity securities of public companies would subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of a Fund to dispose of such securities at certain times (including due to the possession by a Fund of material non-public information), increased likelihood of shareholder litigation against such companies' board members, which can include the founders and other members of the management team, regulatory action by the domestic or foreign securities regulators and increased costs associated with each of the aforementioned risks.

In addition, in connection with investments in equity securities of public companies, there can be no guarantee that the Funds will be able to obtain financial covenants or other contractual rights that they would otherwise be able to obtain in making directly originated or otherwise privately negotiated investments. Moreover, it is possible a Fund will not have the same access to information in connection with investments in public securities, either when investing a potential investment or after making an investment, as compared to privately negotiated investments. It is also possible that a Fund will be limited in its ability to make investments and to sell existing investments in public securities if a Fund is deemed to have material, non-public information regarding the issuers of those securities. The inability to sell public securities in these circumstances has the potential to materially adversely affect the investment results of a Fund.

*Investments in the Transportation Sector.* The Funds are permitted to invest some of their capital into companies involved in the transportation and storage of freight by rail, air, and water and those companies that provide assets and services to companies and municipalities engaged in the railroads, airports, and ports sector. Investments in companies directly or indirectly involved in the transportation sector can have heightened risks due to their dependence on freight supply and demand as well as exposure to general economic risks, including GDP, inflation, interest rate, trade, and exchange rate risks. While Paceline seeks to structure the Funds' investments in the transportation sector with downside protection and limit exposure to general economic risks, global trade and the supply and demand of freight have been increasing over time with periods of uncertainty or volatility, and subject to a variety of factors beyond the Firm's control, including domestic freight demand, the level of imports or exports, the market demand on a regional, national and worldwide basis, weather, competition from other sources of freight, transportation and logistics, and variations in and the imposition of, governmental regulations upon the industry. Any substantial or extended decline in the price of competitive forms of freight transportation sometimes have an adverse effect on the value of a Fund's investments in companies involved, directly or indirectly, in the railroads, airports, ports, and other related transportation and logistics sectors. The revenues and operating results of companies involved, directly or indirectly, in the transportation sector are also dependent on, and subject to the demand for and supply of freight, the relative costs of various fuel sources, consumer demand for certain destinations and locales, the advances of transportation technologies, the availability of equipment and personnel and state and local laws and regulations relating to the transportation sector, which will be changed from time to time in response to economic or political conditions. Any of these factors can limit the amounts of human cargo and bulk freight that companies can generate, transport, or store and the locations at or across which these companies can generate, transport, or store, thus reducing the returns to a Fund from investments in companies involved in the transportation sectors, as well as companies that generate revenues from the provision of products and services to companies involved in the business of transportation by rail, air and water.

*"Platform" Investments; Additional Capital.* The Funds are permitted to invest in a development or "platform" phase, which will typically require additional financing to satisfy the working capital requirements or acquisition strategies. The amount of such additional financing needed will depend on the maturity and objectives of the particular portfolio company and the then current state of the financing markets. Each such round of financing (whether from a Fund or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a company would have to raise additional capital at a price unfavorable to the existing investors, including a Fund. In addition, the Funds can make additional debt and equity investments or exercise warrants, options, or convertible securities that were acquired in the initial investment in such company in order to preserve the Funds' proportionate ownership when a subsequent financing is planned, or to protect the Funds' investment when such portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of the Funds or any portfolio company. There can be no assurance that a portfolio company will be able to predict accurately the

future capital requirements necessary for success or that additional funds will be available from any source.

*Fixed-Income Securities.* The Funds are permitted to invest in fixed-income securities. These securities generally pay fixed, variable or floating rates of interest, and can include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness or financial condition of the issuer, and general market liquidity (*i.e.*, market risk).

*Derivative Instruments.* The Funds are permitted to invest in derivative instruments, which can include options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives typically allow an investor to hedge or speculate on the price movements of a particular security, financial benchmark currency, index or commodity at a fraction of the cost of investing in the underlying asset. There is no assurance that derivatives will be available at any particular time, on satisfactory terms or at all. The prices of many derivative instruments, including many options and swaps, are highly volatile.

The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement cannot only result in the loss of the entire investment, but can also expose the Funds to the possibility of a loss exceeding the original amount invested.

In addition, derivative contracts expose the Funds to the credit risk of the parties with which the Funds deal. Non-performance of such contracts by counterparties, for financial or other reasons, could expose a Fund to losses, whether or not the transaction itself was profitable. Derivatives also expose investors to liquidity risk, as there will not necessarily be a liquid market within which to close or dispose of outstanding derivatives contracts.

*Real Assets in General.* Investment in real estate and real assets is subject to substantial risks, which relate strongly to general economic conditions, the continuation of existing market conditions (including, for example, supply and demand characteristics) or, in some circumstances, a recovery or improvement in market conditions over the projected holding period for such real estate or real assets investments. Real estate and real assets are subject to significant potential environmental liabilities, operating risks, development risks, construction delays and construction risks, catastrophic events as well as zoning and regulatory risks. No assurance can be given that real assets investments can be acquired or disposed of at favorable prices or that the market for such investments will either remain stable or, as applicable, recover or improve, since this will depend upon events and factors outside the control of the Firm.

*Real Asset Acquisition and Development Risks.* Real asset acquisitions entail risks that investments will not perform in accordance with expectations and that anticipated costs of improvements to bring an acquired asset up to the necessary standard for the market position intended for that asset will exceed budgeted amounts, as well as general investment risks associated with any new real assets investment. Acquisitions can occur in competitive auction settings, leading to overpayment because competitors' bids are unknown. It is possible the Funds will invest in undeveloped properties or properties under development. New project development, redevelopment and major renovation work are subject to a number of risks, including risks of construction delays or significant cost overruns, risks that the properties will not achieve anticipated occupancy levels or sustain anticipated rent levels, and new project commencement risks such as the failure to obtain zoning, occupancy and other required governmental permits and authorizations and the incurrence of development costs in connection with projects that are not pursued to completion. Properties under development or properties acquired to be developed can potentially produce little or no cash flow during the development period or experience operating deficits after the date of completion. In addition, market conditions typically change during the course of development that can make such a development less attractive than at the time it was commenced. Newly developed or newly renovated properties do not have the operating history that would allow Paceline to make objective pricing decisions in acquiring those properties. The purchase prices of such properties will be based upon projections as to the expected operating results of such properties, subjecting the Funds to risks that such properties would not achieve anticipated operating results or would not achieve such results within anticipated time frames. In addition, investments in new development activities can be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which a Fund invests, the Fund would likely suffer a partial or total loss of capital invested in that company. Development or redevelopment projects also carry an increased risk of litigation with contractors, subcontractors, suppliers, partners and others.

*Debt Securities.* The Funds are permitted to invest in debt securities, including, without limitation, corporate bonds, notes and convertible debt securities issued by targeted portfolio companies, some of which can be non-investment grade. These securities can include fixed and floating rate debt securities and zero coupon obligations and can, at times, be unsecured or secured on the assets of the issuer or otherwise. Investment in debt securities will subject the Funds to specific risks, including interest rate risk (the declining value of debt securities as a result of an increase in interest rates) and credit risk (the inability of the issuer to make timely payments of principal or interest).

*Senior and Secured Debt.* In certain circumstances, a Fund's investments can include first lien senior secured debt or selected second lien senior secured debt, which involves a higher degree of risk of a loss of capital. The factors affecting an issuer's first and second lien leveraged loans, and its overall capital structure, are complex. Some first lien loans will not necessarily have priority over all other unsecured debt of an issuer. For example, some first lien loans permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company) or involve first liens only on specified assets of an issuer (*e.g.*, excluding real estate). The imposition of prior liens on a Fund's collateral can adversely affect the priority of the liens and claims held by a

Fund and can adversely affect a Fund's recovery on its leveraged loans. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity and interest rate risk. Although the amount and characteristics of the underlying assets selected as collateral can, in appropriate instances, allow a Fund to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold, it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to a Fund with respect to its investment.

Senior secured credit facilities are generally syndicated to a number of different financial market participants. The documentation governing the facilities typically requires either a majority consent or, in certain cases, unanimous approval for certain actions in respect of the credit, such as waivers, amendments, or the exercise of remedies. In addition, voting to accept or reject the terms of a restructuring of a credit pursuant to a Chapter 11 plan of reorganization is done on a class basis. As a result of these voting regimes, there can be no guarantee the Funds will have the ability to control any decision in respect of any amendment, waiver, exercise of remedies, restructuring or reorganization of debts owed to the Funds.

Senior secured loans are also subject to other risks, including (i) the possible invalidation of a debt or lien as a "fraudulent conveyance", (ii) the recovery as a "preference" of liens perfected or payments made on account of a debt in the ninety (90) days before a bankruptcy filing, (iii) equitable subordination claims by other creditors, (iv) so-called "lender liability" claims by the issuer of the obligations and (v) environmental liabilities that can arise with respect to collateral securing the obligations. Recent decisions in bankruptcy cases have held that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination.

The Funds' investments can be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Funds earlier than expected. As a consequence, the Funds' ability to achieve its investment objective would likely be affected.

*Subordinated Debt.* The Funds are permitted to invest in debt instruments (including CMBS (as defined below)) that are subordinated or otherwise junior in an issuer's capital structure. Investments in subordinate debt securities can be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which can be secured and/or subject the Funds to a "first loss" subordinate holder position relative to other lenders. The ability of the Funds to influence a company's affairs, especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors. For example, under terms of subordination agreements, senior creditors will typically be able to block the acceleration of the mezzanine debt or other exercises by a Fund of its rights as a creditor. Accordingly, there can be no assurance that the Funds will be

able to take the steps necessary to protect their investments in a timely manner or at all. Further, the ability of a borrower to make payments on the loan underlying these securities is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit and any classes of securities junior to those in which a Fund invests, it will not be able to recover all of its investment in the securities purchased. Investments in subordinate securities have a higher risk of loss and credit default than investments in more senior securities and subordinated tranches absorb losses from default before other more senior tranches are put at risk. Mezzanine debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) so-called lender liability claims by the issuer of the obligations, and (iii) environmental liabilities that can arise with respect to collateral securing the obligations. The securities the Funds invest in can be subject to early redemption features, refinancing options, pre-payment options, or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Funds earlier than expected, resulting in a lower return to a Fund than projected. In addition, depending on fluctuations of the equity markets and other factors, warrants and other equity securities can become worthless.

*Loan Originations.* The Funds are permitted to engage in loan origination activities. The value of a Fund’s investments in loans can be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted loan. When engaged in such investments, Paceline generally attempts to minimize this risk by maintaining low loan-to-liquidation values with each loan and the collateral underlying the loan. However, there can be no assurance that the value assigned to such collateral will retain its value. In addition, certain loans can be supported, in whole or in part, by personal guarantees made by the borrower or a relative, or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a loan can be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, the value of collateral supporting loans can fluctuate. In addition, active lending/origination by a Fund can subject the Fund to additional regulation, as well as possible adverse tax consequences to the investors. Finally, there is often a monetary, as well as a time cost, involved in collecting on defaulted loans and, if applicable, taking possession of and subsequently liquidating various types of collateral.

*CLO and CDO Investments.* The Funds are permitted to invest in Collateralized Loan Obligations (“CLOs”) and Collateralized Debt Obligations (“CDOs”). The value of CLOs and CDOs generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry, and changes in prevailing interest rates. Consequently, holders of CLOs and CDOs must rely solely on distributions on the CLO or CDO collateral or proceeds thereof for payment. If distributions on the CLO or CDO collateral are insufficient to make payments on the CLOs or CDOs, no other assets will be available for payment of the deficiency.

The lack of an established, liquid secondary market for some CLOs and CDOs can have an adverse effect on the market value of those CLOs and CDOs, and will in most cases make it difficult to dispose of such CLOs and CDOs at market or near-market prices. Additionally, the public markets for high-yield corporate debt securities have experienced periods of volatility and periods of reduced liquidity, and CLOs and CDOs are generally subject to certain other transfer restrictions that can contribute to illiquidity. Therefore, if a Fund decides to dispose of any particular investment, no assurance can be given that it will be able to dispose of such investment at the prevailing market price, if at all. Such illiquidity can adversely affect the price and timing of liquidations of such securities by the Funds.

*Mortgage-Backed and Asset-Backed Securities Generally.* The Funds are permitted to invest in mortgage-backed securities (“MBS”) and asset-backed securities (“ABS”), including subordinated tranches of such securities. The value of MBS and ABS will be influenced by factors affecting the value of the underlying assets, and by the terms and payment histories of such MBS and ABS.

In some cases, some or all of the MBS and ABS contemplated to be acquired by the Funds will not be rated, or will be rated lower than investment-grade securities, by one or more nationally recognized statistical rating organizations. Lower-rated or unrated MBS and ABS, or “B-pieces”, in which the Funds intend to invest have speculative characteristics and can involve substantial financial risks as a result. The prices of lower credit quality securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic or real estate market conditions or individual issuer concerns. Securities rated lower than “B” by the rating organizations can be regarded as having poor prospects of ever attaining any real investment standing and can, in some cases, be in default. It is possible that existing credit support and the owner’s equity in the property will be insufficient to protect the Funds from loss. As an investor in subordinated MBS and ABS in particular, the Funds will be first in line among debt holders to bear the risk of loss from delinquencies and defaults experienced on the collateral.

The Funds are permitted to acquire subordinated tranches of MBS and ABS issuances. In general, subordinated tranches of MBS and ABS are entitled to receive repayment of principal only after all principal payments have been made on more senior tranches and also have subordinated rights as to receipt of interest distributions. Such subordinated tranches are subject to a greater risk of non-payment than are senior tranches of MBS and ABS or MBS and ABS backed by third-party credit enhancement. In addition, an active secondary market for such subordinated securities is not as well developed as the market for certain other mortgage-backed securities. Accordingly, such subordinated MBS and ABS often have limited marketability and there can be no assurance that a more efficient secondary market will develop.

Some investment characteristics of MBS and ABS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal can be prepaid at any time because the underlying mortgages (or other assets) generally can be prepaid at any time. The frequency with which prepayments (including voluntary prepayments by the obligors and liquidations due to defaults and foreclosures) occur on loans and

other assets underlying MBS and ABS will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgage loans when prevailing mortgage rates fall below the interest rates on their mortgage loans. Although ABS are generally less likely to experience substantial prepayments than are residential MBS (“RMBS”), certain of the factors that affect the rate of prepayments on RMBS also affect the rate of prepayments on ABS. Particular investments can experience outright losses, as in the case of an interest only security in an environment of accelerated actual or anticipated prepayments. Particular investments will be affected by the credit quality of their underlying loans and the creditworthiness of the borrowers. Also, it is possible that particular investments will underperform relative to hedges that the Funds have constructed in these investments, resulting in a loss.

*Residential MBS.* The Funds are permitted to invest in RMBS including subordinated tranches of RMBS. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. The value of RMBS will therefore be influenced by factors affecting the value of the underlying portfolio or mortgage loans and by the terms and payment histories of such RMBS. These risks include, without limitation, default, delinquencies, prepayment and modification risks, as well as interest rate and general market risks.

In addition, residential mortgage loans underlying RMBS can be subject to various federal and state laws, public policies and principles of equity that protect consumers, delay foreclosures or permit or encourage modifications, which could have an adverse effect on the value of a mortgage loan and the corresponding RMBS. Violation of such laws, public policies and principles can limit the servicer’s ability to collect all or part of the principal or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation can also result in cash flow delays and losses on the related issue of RMBS.

The value of RMBS and other mortgage-backed securities in which the Funds are permitted to invest generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will decline. In addition, to the extent that the mortgage loans which underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities can be negatively affected by increasing prepayments, which generally occur when interest rates decline.

In addition, it is not expected that RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

*Commercial MBS.* The Funds are permitted to invest in Commercial MBS (“CMBS”). The collateral underlying CMBS generally consists of mortgage loans secured by income producing property, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, rental apartments, nursing homes, senior living centers and self-storage properties. Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying

mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of CMBS can result in cash flow delays and losses on the related issue of CMBS.

Successful management and operation of the related business (including property management decisions such as pricing, maintenance and capital improvements) can have a significant impact on performance of commercial mortgage loans. Issues such as tenant mix, success of tenant business, property location and condition, competition, increases in interest rates, real estate taxes and other operational expenses, general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates and civil disturbances, changes in governmental rules, regulations and fiscal policies, acts of God, social unrest and insurance coverage are among the factors that can impact both performance and market value. The value of commercial real estate is also subject to a number of laws, and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

Property-specific issues with respect to the underlying mortgaged property, such as significant government regulation of a particular industry, reliance on franchise, management or operating agreements, transferability on purchase or foreclosure of related valuable assets such as liquor and other licenses and ease of conversion of a commercial property to an alternative use can impact both risk of loss and loss severity with respect to the underlying mortgage loan pool and the CMBS.

*Deployment of Capital.* In light of the Funds' investment strategies and the need to be able to deploy capital quickly to capitalize on potential investment opportunities, the Funds can, at times, maintain cash at Fund level pending deployment into investments, and such amounts can at times be significant. Such cash can be held in either an account of the Funds or invested in money market accounts or other similar temporary investments. In the event a Fund is unable to find suitable investments, there is a possibility such cash would be maintained at the Fund level for longer periods, which can be dilutive to overall investment returns. It is not anticipated that the temporary investment of such cash into temporary investments pending deployment into investments will generate significant interest, if any, and investors should understand that such low interest payments, if any, on the temporarily invested cash can adversely affect overall Fund returns.

*Market Risks.* The Funds are permitted to make investments in securities that become publicly traded (but there can be no assurances that such securities will ever be listed on a securities exchange). Such investments involve economic, political, interest rate and other risks, any of which can result in an adverse change in the market price. In addition, in some cases the Funds can be prohibited by contract or other limitations from selling such securities for a period of time, in which case it is possible a Fund will be unable to take advantage of favorable market prices. In addition, the companies in which the Funds invest operate under changing and competitive market conditions. There is no assurance that these companies can succeed under such market conditions against their competitors. Additionally,

market conditions can negatively impact the ability of the Funds to earn profits, which can materially, negatively impact the investment performance of the Funds.

*Uncertain Economic and Political Environment.* The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the U.S. and elsewhere in the world, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a “self-reinforcing” economic downturn. A climate of uncertainty can reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty can have an adverse effect upon the companies in which the Funds make investments.

*Uncertainty Regarding Investments.* Although the Funds will attempt to conduct appropriate due diligence prior to making an investment, the due diligence process (i) can, at times, be subjective, (ii) will potentially be required to be undertaken on an expedited basis in order to take advantage of available investment opportunities and/or (iii) require the Funds to rely on limited resources available to them including information provided by the target of the investment and third-party consultants, legal advisers, accountants and investment banks. As a result, it is uncertain whether the due diligence investigation will reveal or highlight all relevant facts necessary or helpful in evaluating such investment opportunity. The Funds also cannot be certain that the due diligence investigation will result in investments being successful.

*Material Non-Public Information.* By reason of their responsibilities in connection with their other activities, it is possible that Paceline (or its professionals or employees) will acquire confidential or material non-public information or are restricted from initiating transactions in certain securities. In addition, the information provided to investors by the Funds can include material non-public information about a company in which a Fund invests. A Fund will not be free to act upon any such material non-public information that it acquires, and investors would be restricted in their ability to buy or sell securities or bank debt of companies about which they have received material non-public information. Due to these restrictions, the Funds and investors can not necessarily be able to initiate transactions that they otherwise might have initiated and there can be no guarantee that they will be able to sell investments that they otherwise would have sold.

*Investments with Third Parties.* The Funds are permitted to partner with third parties to make investments through joint ventures or other entities, including with private equity vehicles sponsored by others. It is possible that the commitment to a portfolio company in an investment with such partners will be substantial. Such investments can involve risks not present in investments where third parties are not involved, including the possibility that a partner alongside a Fund in an investment will experience financial, legal or regulatory difficulties, have economic or business interests or goals which are inconsistent with those of the Fund, take a different view from Paceline as to the appropriate strategy for an investment or disposition of an investment, be in a position to take action contrary to a Fund’s investment objectives, or have investments that differ from the terms upon which such Fund invests.

In addition, a Fund can, in certain circumstances, be liable for the actions of its third party investment partner. In those circumstances where such third parties involve a management group, such third parties can receive compensation arrangements relating to the investment, including incentive compensation arrangements.

*Counterparty Credit Risk.* The Funds' investments will likely be exposed to the credit risk of the counterparties with which each Fund deals, including the risk that the counterparty in a transaction will be unable to honor its financial obligation to a Fund. If a Fund's counterparty to a transaction experiences a loss of capital, the risk that such counterparty will be unable to honor its obligations increases substantially. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under the contract with a Fund (or its affiliates), the Fund will potentially experience significant delays in obtaining any recovery under the contract in bankruptcy or other reorganization proceeding. In such circumstances it is possible a Fund will obtain only a limited recovery or obtain no recovery.

*Projections.* Projected operating results of an entity in which a Fund invests normally will be based primarily on financial projections prepared by each entity's management. In all cases, projections are only estimates of future results that are based upon information received from the company 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 can be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Follow On Investments.* The Funds are often called upon to provide follow on funding for their investments or have the opportunity to increase their investment therein. There can be no assurance that a Fund will wish to make follow on investments or that it will have sufficient funds to do so. Any decision by a Fund not to make follow on investments or its inability to make them could have a substantial negative impact on an investment in need of such capital or diminish a Fund's ability to influence an investment's future development.

*Investing Outside of the United States.* Non-U.S. entities are subject to varying accounting, auditing and financial reporting standards. The volume of trading, the volatility of prices and the liquidity of issuers generally vary in the markets of different countries. Hours of business, customs and access to these markets by outside investors can also vary. In addition, the level of government supervision and regulation of securities exchanges, securities dealers and listed and unlisted companies is different throughout the world. The laws of some countries can limit a Fund's ability to invest in securities of certain issuers located in those countries. In addition, it is possible there will be a lack of adequate legal recourse for the redress of disputes and in some countries the pursuit of such disputes can be subject to a highly prejudiced legal system. Different markets also have different clearance and settlement procedures. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities including risks relating to (i) currency exchange matters and (ii) differences between the U.S. and foreign securities markets, including the absence of uniform

accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation.

*Hedging Transactions.* The Firm, in its sole discretion and in appropriate circumstances is permitted to hedge a Fund's portfolios to seek to avoid or mitigate systemic currency, interest rate and other risks through the use of financial instruments including, but not limited to, futures and forward contracts, options, swaps, OTC derivatives and other financial instruments. Such hedging would likely take place on exchanges and OTC markets and through private placement transactions in U.S. and non-U.S. markets. To the extent that any hedging strategy involves the use of OTC derivatives transactions, such a strategy may be affected by implementation of the various regulations adopted pursuant to the Dodd-Frank Act.

Paceline is not required to attempt to hedge portfolio positions in the Funds and, for various reasons, can determine not to do so. Furthermore, there can be no guarantee that Paceline will be able to anticipate a particular risk so as to hedge against it. While the Funds generally enter into hedging transactions to seek to reduce risk, such transactions can potentially result in a poorer overall performance for a Fund than if it had not engaged in any such hedging transaction. For a variety of reasons, Paceline will not necessarily seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation can prevent a Fund from achieving the intended hedge or expose the Fund to risk of loss. The success of the hedging strategy of the Funds is subject to Paceline's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Fund's hedging strategy is also subject to Paceline's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. Moreover, it should be noted that the portfolio will always be exposed to certain risks that will not necessarily be hedged, such as credit risk (relating both to particular securities and counterparties), "liquidity risk" and "widening" risk.

*Risk of Investment Concentration in Certain Industries.* There is a risk that a significant portion of the portfolio companies will be concentrated in a limited number of industries. As a consequence, the aggregate return of a Fund can be adversely affected by the unfavorable performance of any single investment or industry.

*Risks from Growth Opportunities.* Investments in less developed businesses typically involve greater risks than generally are associated with investments in more established companies. Less established investments tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such investments also often have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. It is possible that new enterprises will not have significant or any operating revenues and any such investment should be considered highly speculative and can result in the loss of a Fund's entire investment therein.

*Conditions in the U.S. Residential Mortgage Market Can Adversely Affect the Performance of a Fund.* The Funds are authorized to invest in assets involving the U.S. residential mortgage market, including in subprime or non-qualified (under the Qualified Mortgage Rule) mortgage loans, securities backed directly or indirectly by subprime or non-qualified mortgage loans of subprime or non-qualified mortgage loans. The performance of residential mortgage loans and the performance of associated derivative securities (such as MBS) are influenced by a wide variety of economic, geographic, social and other factors, including general economic conditions, the level of prevailing interest rates, the availability of alternative financing and homeowner behavior.

Unfavorable economic conditions can increase the likelihood of delinquencies and defaults. A general unavailability of credit also affects the overall economy in ways that can result in increased delinquencies and defaults on residential mortgage loans.

*Servicing Advances.* Most RMBS transactions provide for the servicers to make certain monthly advances (of principal and interest) and servicing advances pursuant to the applicable servicing agreements. As indicated above, the costs of servicing an increasingly delinquent mortgage loan portfolio can increase without a corresponding increase in servicing compensation. Any regulatory oversight, proposed legislation and/or governmental intervention designed to protect consumers or otherwise can have an adverse impact on servicers and, as a result, have an adverse impact on mortgage loans and on RMBS. These factors, among others, can have the overall effect of increasing costs and expenses of servicers while at the same time decreasing servicing cash flow. Such financial difficulties can have a negative effect on the ability of servicers to pursue collections on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on the sale of underlying properties following foreclosure. Increased levels of delinquencies and defaults on subprime, Alt-A, other non-prime and prime mortgage loans also have resulted in increases in the amounts of advances by servicers of pooled mortgage loans. Many servicers are experiencing advance requirements that are significantly higher in total dollar amount than was anticipated and this can create liquidity or capacity pressures for these servicers. In addition, a servicer will generally stop advancing on a mortgage loan when, in the good faith exercise of its servicing judgment, it believes the proposed advance would not ultimately be recoverable from the related mortgagor, related liquidation proceeds or other recoveries in respect of the mortgage loan. There can be no assurance as to the current or continuing financial condition of any mortgage servicer or its ability to access markets for financing such advances.

*Risks Associated with Foreclosure and Bankruptcy.* When delinquent mortgage loans are resolved through foreclosure, the unpaid balance of such loans will generally cease to be a part of the aggregate unpaid principal balance. Also, delinquent mortgage loans resolved through foreclosure generally require more servicing advances over a longer time horizon prior to reimbursement as compared with servicing advances made with respect to delinquent mortgage loans that are resolved through repayment or permitted loan modifications. Accordingly, foreclosures could reduce the return to a Fund. In addition to the procedural delays and uncertainties generally incident to the mortgage foreclosure process in various jurisdictions, several courts and state and local governments and their

elected or appointed officials and consumer advocacy groups also have taken unprecedented steps to slow the foreclosure process or prevent foreclosures altogether. Several laws have been enacted for these purposes, including in California.

There can be no assurance that federal or state governments will not impose such slow down or prevention. Any of these types of laws, regulations, rules, moratoria or proceedings can result in substantial delays in, or prevention of, the foreclosure process, and can lead to reduced payments by borrowers, increased reimbursable servicing expenses, reduced proceeds from further depressed home prices, and additional defaults. In addition, the uncertainty regarding the validity of foreclosures can limit or reduce the potential number of buyers and/or the prices of property for sale after such property is acquired through foreclosure. Any of these consequences can lead to increased losses to a Fund.

In addition to the foregoing, the existing “right of redemption” in certain states can limit the ability of servicers to sell (or cause the sale of), or prevent a servicer from selling (or causing the sale of), lender-owned real estate at what would otherwise be an appropriate time for sale. In some states, after sale pursuant to a deed of trust or foreclosure of a mortgage, the borrower and foreclosed junior lienors are given a statutory period in which to redeem the property from the foreclosure sale. In other states, including California, this right of redemption applies only to sales following judicial foreclosure, and not to sales pursuant to a non-judicial power of sale. In most states where the right of redemption is available, statutory redemption can occur upon payment of the foreclosure purchase price, accrued interest and taxes. In other states, redemption can be authorized if the prior borrower pays only a portion of the sums due. The effect of a statutory right of redemption is to diminish the ability of the lender to sell the foreclosed property. The exercise of a right of redemption can defeat the title of any purchaser from the lender subsequent to foreclosure or sale under a deed of trust. Consequently, the practical effect of the redemption right is to force the lender to retain the property and pay the expenses of ownership until the redemption period has run.

Similar to foreclosure considerations, bankruptcy proceedings that involve a mortgage loan can impede the related servicer’s ability to take actions that are necessary or appropriate to preserve the value of the mortgage loan. Although mortgage cram-down legislation was not included in the Dodd-Frank Act, no assurance can be made that future efforts by members of Congress to enact such legislation will not succeed in the future.

*Risk of Future Legislative, Regulatory or Judicial Action.* There can be no assurance as to what actions might be taken by any federal, state or municipal legal authority that adversely affect investments held by the Funds. Such actions can include, by way of example, further restrictions on the ability of the holder of a mortgage loan to foreclose upon default by the borrower or delays in the foreclosure process, encouragement of modification of the terms of mortgage loans in ways that are adverse to the interests of the holder of the mortgage loans or of related securities, and judicial determinations as to whether particular types of mortgage loans are “unfair” under applicable law.

*Lack of Information Regarding Underwriting Standards; Higher Expected Delinquencies in Payment.* The Funds are permitted to acquire mortgage loans from unaffiliated institutions, finance companies and other sellers. When investing in such mortgage loans, the seller will not have information available to it as to the underwriting standards that were applied in originating the mortgage loans, and it is possible that such mortgage loans will have been originated in accordance with standards less strict than those of the agencies. Similarly, when acquiring loans through third-party origination, a Fund sometimes has limited information on the underwriting standards that were applied in originating such loan. As a result, certain mortgage loans owned by the Funds can experience higher than expected rates of delinquency and defaults, which can result in losses to a Fund. Changes in the values of mortgaged properties can have a greater effect on the delinquency, default and loss experience of the mortgage loans in a Fund than on mortgage loans that were originated under stricter guidelines.

*Re-Performing Mortgage Loans.* The Funds are permitted to invest in mortgage loans that have previously been in default or delinquent in payment and that, at the time such mortgage loans are acquired by a Fund, are in compliance with the terms of the related mortgage loan documents and are no longer delinquent. While these mortgage loans have, in some cases, been acquired at a price that reflects the fact that the mortgage loans are re-performing at the time of acquisition, there can be no assurance that such mortgage loans will continue to be current and/or in compliance with the terms of the related mortgage loan document during the time period in which a Fund owns such mortgage loans. It is therefore possible that re-performing loans will become non-performing loans and be subject to the same related risks.

*Troubled Origination.* It is possible that the investments chosen by the Funds have been originated by financial institutions or other entities that are insolvent, in serious financial difficulty or no longer in existence. As a result, the standards by which such investments were originated, the recourse to the selling institution, or the standards by which such investments are being serviced or operated can be adversely affected.

*Geographic Concentration of Mortgage Loans.* The mortgage loans and securities backed by mortgage loans in which the Funds are permitted to invest can be concentrated in a specific state or states. Weak economic conditions in these locations or any other location (which can affect real property values), can affect the ability of borrowers to repay their mortgage loans on time.

Properties in certain jurisdictions can be more susceptible than properties located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, floods, hurricanes, wildfires, mudslides and other natural disasters. Declines in the residential real estate market of a particular jurisdiction can reduce the values of properties located in that jurisdiction, which can result in an increase in the loan-to-value ratios. Any increase in the market value of properties located in a particular jurisdiction can reduce the loan-to-value ratios of the mortgage loans and can, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of or losses on the mortgage loans. Natural disasters, such as wildfires, severe storms, tornadoes, hurricanes and flooding affecting regions of the U.S. from time

to time can also result in prepayments of or losses on mortgage loans. These factors and others can adversely affect the value of mortgage properties in some geographic regions and affect the performance of a Fund.

*Credit Scores Will Not Necessarily Accurately Predict the Performance of the Mortgage Loans.* The Funds rely on credit scores as part of their due diligence process. Credit scores are obtained by many lenders in connection with mortgage loan applications to help them assess a borrower's creditworthiness. Credit scores are generated by models developed by a third party that analyze data on consumers in order to establish patterns that are believed to be indicative of the borrower's probability of default over a two-year period. The credit score is based on a borrower's historical credit data, including, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit and bankruptcy experience. Credit scores range from approximately 250 to approximately 900, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. However, a credit score purports only to be a measurement of the relative degree of risk a borrower represents to a lender (*i.e.*, a borrower with a higher score is statistically expected to be less likely to default in payment than a borrower with a lower score). Lenders have varying ways of analyzing credit scores and, as a result, the analysis of credit scores across the industry is not consistent. In addition, it should be noted that credit scores were developed to indicate a level of default probability over a two-year period, which does not correspond to the life of a mortgage loan. Furthermore, credit scores were not developed specifically for use in connection with mortgage loans, but for consumer loans in general, and assess only the borrower's past credit history. Therefore, a credit score does not take into consideration the effect of mortgage loan characteristics (which can differ from consumer loan characteristics) on the probability of repayment by the borrower. There can be no assurance that the credit scores of the mortgagors will be an accurate predictor of the likelihood of repayment of the related mortgage loans.

*Violation of Various Federal, State and Local Laws Can Result in Losses on the Mortgage Loans.* Violation of certain federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices can limit the ability of a Fund to collect all or part of the principal of or interest on the mortgage loans and, in addition, could subject a Fund to damages and administrative enforcement.

*Homeowner Association Super Priority Liens.* In some jurisdictions it is possible that the first lien of a mortgage can be extinguished by super priority liens of homeowners associations ("HOAs"), potentially resulting in a loss of the outstanding principal balance of the mortgage loan. In a number of states, HOA or condominium association assessment liens can take priority over first lien mortgages in certain circumstances. The number of these so called superlien jurisdictions has increased in the past few decades and it is possible that they will increase further. The laws of these superlien jurisdictions that provide for HOA superliens vary in terms of (a) the duration of the priority period (which in some cases can be unlimited), (b) the assessments secured by the HOA lien (charges can include not only unpaid HOA assessments but also late charges, collection costs, attorney fees, foreclosure costs, fines and interest), (c) whether the HOA must give lenders with liens encumbering

the mortgaged property notice of the failure by the homeowner to pay the assessment and (d) the statute of limitations on HOA foreclosure rights.

If an HOA, or a purchaser of an HOA superlien, completes a foreclosure in respect of an HOA superlien on a mortgaged property, the related mortgage loan would be extinguished. In those circumstances, a Fund could suffer a loss of the entire principal balance of such mortgage loan. The servicer might be able to attempt to recover, on an unsecured basis, by suing the related borrower personally for the balance, but recovery in these circumstances will be problematic if the related borrower has no meaningful assets against which to recover.

*Portfolio Company Leverage.* A Fund's investments are expected to include companies whose capital structures have leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. Although Paceline will seek to use leverage in a prudent manner, the leveraged capital structure of investments will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy and deterioration in the conditions of the portfolio companies or their industries.

In addition, such indebtedness can have significant consequences on the Funds' investments in such companies, including: (i) a substantial portion of a company's cash flow from operations can be used to pay principal of and interest on its indebtedness and would thus not be available for other purposes; (ii) a company's ability to obtain financing in the future for working capital needs, capital expenditures, acquisitions, investments, general corporate purposes or other purposes can be materially limited or impaired; and (iii) a company's level of indebtedness can reduce its flexibility to respond to changing business and economic conditions. Also, increased interest rates generally increase portfolio company interest expenses.

Further, a Fund's portfolio companies can enter into loan agreements that generally impose a number of operating and financial restrictions on such companies. Such restrictions can generally affect, among other things, the ability of a company to incur additional indebtedness, pay dividends, issue stock, repay indebtedness prior to stated maturity, create liens, sell assets or engage in mergers or acquisitions, make certain capital expenditures and make investments in operating subsidiaries. Such loan agreements can require, among other things, that a Fund pledge its shares of stock in a portfolio company and that such company pledge its assets and shares of stock in its operating subsidiaries, in each case as security for the lender. In the event of a default under such loan agreements, the lenders likely have the option to foreclose on those shares and assets so pledged. These restrictions could (i) limit the ability of these companies to affect future financings or (ii) otherwise limit corporate activities. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, the Funds can suffer a partial or total loss of capital invested in the portfolio company.

Any downturn in U.S. or global credit markets can make it difficult for the Funds to obtain favorable financing for their portfolio companies, for such portfolio companies to refinance on favorable terms, or for prospective acquirers to obtain financing to purchase portfolio companies from a Fund.

Accordingly, any such downturn has the potential to adversely affect a Fund's ability to generate attractive investment returns.

*Environmental Risks.* The operations of investments are subject to numerous statutes, rules and regulations relating to environmental protection. There is the possibility of existing or future environmental contamination, including soil and groundwater contamination, as a result of the spillage of hazardous materials or other pollutants. Under various environmental statutes, rules and regulations of the appropriate jurisdiction, it is possible that a current or previous owner or operator of real property will be held liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous materials. The presence of these hazardous materials on a property can also result in personal injury, property damage or similar claims by private parties. Persons who arrange for the disposal or treatment of hazardous materials can also be liable for the costs of removal or remediation of those materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by that person. Any liability of investments resulting from non-compliance or other claims relating to environmental matters can have a material adverse effect on the value of such investments.

*Unforeseen Events Risk.* Investments in real assets are sometimes affected by a variety of events outside a Fund's control, including serious traffic accidents, natural disasters (such as fire, floods, earthquakes and typhoons), man-made disasters (including terrorism), defective design and construction, slope failure, bridge and tunnel collapse, road subsidence, fuel prices, environmental legislation or regulation, general economic conditions, labor disputes and other unforeseen circumstances and incidents. There can be no assurance that such investments' insurance would cover liabilities resulting from claims relating to real assets.

*Contingent Liabilities on Dispositions.* In connection with the disposition of an investment, a Fund can be required to make representations about the business and financial affairs of the investment typical of those made in connection with the sale of any business. A Fund can, in certain circumstances, be required to indemnify the purchasers of such investment with respect to certain matters, including the accuracy of such representations. These arrangements can result in contingent liabilities, for which a Fund will, in appropriate situations, establish reserves or other arrangements, which might ultimately have to be funded by the investors. The Governing Documents contain provisions to the effect that if there is any such claim in respect of an investment, it will be funded by the investors to the extent that they have received distributions from a Fund, subject to certain limitations.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. There is a risk that losses on unsuccessful investments will be realized before gains on successful investments. While it is possible for a portfolio company to be sold at any time, it is generally expected that such a sale will not occur until a number of years after a Fund's initial investment in such portfolio company, and such Fund generally will not

be able to realize a profit on an investment in a portfolio company until its sale. Before such time, there is no guarantee that there will be any current return on such investment, and the expenses of operating a Fund (including the Management Fee) can exceed such Fund's income, thereby requiring that the difference be paid from the Fund's capital (including the aggregate unfunded Fund commitments).

A Fund's ability to dispose of investments can be limited for several reasons, including the absence of an established market for such investments, as well as contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms upon which a disposition could be made. Any possibility of a disposition in the public markets will depend upon favorable market conditions, including receptiveness to initial or secondary public offerings for the companies in which a Fund invests and an active mergers and acquisitions (or recapitalizations and reorganizations) market, among other factors.

*Investments Longer than Term.* There can be no assurance that the Funds will invest in investments that will necessarily be advantageously disposed of prior to the date that the relevant Fund will be dissolved, either by expiration of a Fund's term or otherwise. Although the Firm expects that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

### Other Risks

*Outbreaks of Communicable Infections or Diseases, or Other Public Health Pandemics.* Outbreaks of communicable infections or diseases, or other public health pandemics, such as the outbreak of the novel COVID-19 ("COVID-19") can have a material adverse effect on the Funds. Disease outbreaks and other public health conditions in markets in which the Funds make investments can have a significant negative impact on the Funds' investments.

International financial markets have reflected the uncertainty associated with the slowdown in the economy and the impact of businesses, workers, customers and others being prevented or restricted from conducting business activities due to quarantines, business closures and other restrictions imposed by businesses or governmental authorities in response to the COVID-19 or similar outbreaks. Any such actions can result in an economic downturn and cause market disruptions that negatively impact the Funds' investments and potential investments.

Moreover, the imposition of international travel restrictions and potential disruptions to Paceline's business due to quarantine or other restrictions in respect of the Firm's employees or service providers, or due to any of such persons contracting COVID-19 or similar infections, or otherwise being unable to work due to restrictions related to an outbreak can negatively impact the Firm's business, and can have a material adverse effect on Paceline's ability to manage the Funds' assets.

*Force Majeure and Expropriation Risk.* Portfolio companies can potentially be affected by force majeure events (*i.e.*, events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes). Natural disasters, epidemics and other acts of God, which are beyond the control of Paceline, has the potential to negatively affect the economy, infrastructure and livelihood of people throughout the world. For example, southeast Asia and many countries in Asia, including China, Japan, Indonesia and Australia have been affected by earthquakes, floods, typhoons, drought, heat waves or forest fires. Disease outbreaks have occurred in Asia in the past (including severe acute respiratory syndrome, or SARS, avian flu, H1N1/09 flu and COVID-19) and are occurring globally at present, and any prolonged occurrence of infectious disease, or other adverse public health developments or natural disasters in any country related to the Funds' investments can have a negative effect on the Funds. Resulting catastrophic losses will, on occasion, either be uninsurable or insurable at such high rates as to make such coverage impracticable. If such a major uninsured loss were to occur with respect to any of the Funds' investments, the Funds could lose both invested capital and anticipated profits.

Some force majeure events will adversely affect the ability of a party (including a portfolio company or a counterparty to a Fund or a portfolio company) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a portfolio company or the Funds of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds are permitted to invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, can potentially result in a loss to the Funds, including if their investment in such portfolio company is canceled, unwound or acquired (which could be without what the Funds consider to be adequate compensation). Any of the foregoing can therefore adversely affect the performance of the Funds and their investments.

*Cybersecurity Risk.* With the increased use of technologies such as the internet to conduct business, Paceline, the Funds and portfolio companies are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (*e.g.*, through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks also can be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (*i.e.*, efforts to make network services unavailable to intended users). Cyber incidents affecting the Firm and its respective service providers (including, but not limited to, the Funds' third party administrator, accountants, custodians, transfer agents and financial intermediaries) can cause disruptions and impact business operations, potentially resulting in financial losses, interference with such person's abilities to value securities or other investments, impediments to trading, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or

other compensation costs, or additional compliance costs. Similar adverse consequences can result from cyber incidents affecting issuers of securities in which the Funds invest, counterparties with which the Funds engage in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for investors) and other parties. In addition, substantial costs can be incurred in order to prevent any cyber incidents in the future. While the Funds' service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Furthermore, the Funds cannot control the cyber security plans and systems put in place by their service providers or any other third parties whose operations affect the Funds or their investors. The Funds and their investors can be negatively impacted as a result.

*Risk Management; Operational Controls.* The operational controls and risk management techniques used by Paceline will involve third parties over whom the Firm does not exercise control, including outsourced providers of fund administration, information technology management and custody services. The proper operation of a Fund and safekeeping of its assets depends on the performance and financial wherewithal of these third parties. The operational controls and risk management techniques used by the Firm will necessarily include subjective elements, making the judgment and discretion of Paceline's investment professionals and other personnel fundamental to the risk management process. The greater the importance of subjective factors, the more challenging it can become for the Firm to control for risk, which in turn increases the likelihood of unpredictable results with respect to a portfolio company and a Fund's overall performance.

Additional operational risks arise from such factors as processing errors, human errors, inadequate or failed internal or external process, failures in systems and technology, changes in personnel and errors caused by third parties. While the Firm seeks to minimize these events through controls and oversight, there can still be failures that can cause losses to a Fund.

*Russia-Ukraine Conflict.* There is currently an ongoing military conflict between Russia and the Ukraine which 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 will potentially have a significant adverse impact and result in significant losses to the Funds. This impact can include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It can 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) will,

at times, 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 the Funds intends to pursue, all of which could adversely affect the Funds' ability to fulfill its investment objectives.

*Climate Change.* Climate change and related regulation sometimes result in significantly increased operating and capital costs and can sometimes reduce demand for the products and service of certain portfolio companies. The Funds are permitted to acquire portfolio companies that are located in areas that are subject to climate change and, as such, will, in certain circumstances, be significant physical effects of climate change that have the potential to have a material effect on the Funds' business and operations. Physical impacts of climate change can include: increased storm intensity and severity of weather (e.g., floods or hurricanes); wildfires; sea level rise; and extreme temperatures. These climate-related changes have the potential to damage portfolio companies' physical infrastructure, especially operations located in low-lying areas near coasts and riverbanks, and facilities situated in hurricane-prone and rain-susceptible regions.

As a result of these physical impacts from climate-related events, the Funds can sometimes be vulnerable to the following: risks of damage to the Funds' investments; indirect financial and operational impacts from disruptions to the operations of the Funds' portfolio companies due to severe weather or other unforeseen climate-related events; increased insurance premiums and deductibles or a decrease in the availability of coverage for portfolio companies in areas subject to severe weather; increased insurance claims and liabilities; increase in energy cost impacting operational returns; changes in the availability or quality of water or other natural resources on which the portfolio company's business depends; decreased consumer demand for portfolio company products or services resulting from physical changes associated with climate change; incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic disturbances arising from the foregoing.

*Legal, Tax and Regulatory Risks.* The regulatory considerations affecting the ability of a Fund to achieve its investment objectives are complicated and subject to change. In addition, other legal, tax and regulatory changes can occur during the terms of the Funds that can adversely affect the Funds. As noted above, there can be no assurance that the structure of the Funds or of any investment will be tax-efficient to any particular investor. Prospective investors are urged to consult their own tax advisors with reference to their specific tax situations, including any applicable U.S. state or local or non-U.S. taxes and, in the case of U.S. tax exempt and non-U.S. investors, with reference to any special issues that investment in the Funds can raise for such investors.

*Enhanced Scrutiny and Regulation of Private Investment Funds.* The Funds' ability to achieve their investment objectives and conduct their operations are both dependent upon laws and regulations that are subject to change through legislative, judicial or administrative action. As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act and regulations promulgated pursuant thereto, there has been an increase in governmental scrutiny and regulation of the private equity industry and it is possible that such scrutiny or regulation will adversely impact a Fund's ability to achieve its objectives

or operate its business. A combination of scrutiny of the companies operating in the asset management space and their investments by politicians, regulators and commentators along with a public perception that this industry contributed to the most recent downturn in the U.S. and global financial market can complicate the Funds' efforts to consummate investments. In such situations, the Funds will invest in fewer transactions or incur greater expenses or delays in completion of investments than would otherwise be the case. Additionally, any further increases in the regulations applicable to private investment funds generally and/or registered investment advisers in particular can result in increased expenses associated with the Funds' activities or require additional resources of the Firm to be directed to such regulatory reporting and compliance-related obligations, which can adversely impact a Fund's ability to achieve its investment objectives. 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. Any such changes are expected to materially impact Paceline, the Funds and/or the investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations.

*Financial Institution Risk; Distress Events.* An investment in a Fund is subject to the risk that one of the Fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Paceline, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. 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 ("FDIC"), in the case of banks, or the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk 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 Paceline to manage the Funds and their investments, and on the ability of Paceline, any Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Fund to pay fees and expenses in the event the Fund is not able 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 investors to make capital contributions or otherwise), as well the inability of a Fund to acquire or dispose of investments at prices that the relevant General Partner believes reflect the fair value of such

investments and/or the inability of Paceline and/or the portfolio companies to make payroll, fulfill obligations and maintain operations. Although Paceline expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. In addition, in the event Paceline determines to change Financial Institutions, there is a risk that the transfer of cash or other assets, especially if done in an expedited manner, will result in a technical violation of Advisers Act Rule 206(4)-2 (the “Custody Rule”), even if performed in the Firm’s best judgment of its efforts to fulfill its obligations and maintain operations, including its ability to close transactions, make payroll or otherwise.

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

*Environmental, Social and Governance Matters.* As stated in Paceline’s Environmental, Social and Governance Policy (adopted January 5, 2022), Paceline is committed to integrating environmental, social and governance (“ESG”) principles into its investment management and oversight process. Therefore, the Firm will consider material ESG issues in connection with its investment decision process (including the decision to buy, sell or hold an investment) and will, in appropriate circumstances, incorporate similar considerations into the Firm’s ongoing asset management decisions with respect to certain portfolio companies (all as further set out in the Firm’s ESG Policy). Such considerations can, in the discretion of the Firm, include (but are not limited to) those described by the United Nations Principles for Responsible Investment (“UN PRI”) and the Firm has announced its intention to become a UN PRI signatory during calendar year 2023. Notwithstanding the foregoing, ESG is only one of the many factors Paceline will consider in making investment decisions, and unless otherwise required pursuant to a Fund’s Governing Documents, the weight placed on any such ESG considerations will be in Paceline’s sole and absolute discretion. Further, applying ESG standards to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Paceline or any judgment exercised by Paceline will reflect the beliefs or values of any particular investor or group of investors. Finally, an assessment of ESG factors is not necessarily determinative and Paceline’s investment decisions will always be subject to being made in a manner that is consistent with the Firm’s fiduciary duty to act in the best interests of the Fund’s investors.

In evaluating an investment and executing its ownership strategy, Paceline expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause Paceline to incorrectly assess a company’s ESG practices and/or related risks and opportunities.

To the extent that Paceline engages with companies on ESG-related practices and potential enhancements thereto, there can be no guarantee that (i) such engagements will achieve either or both of the desired financial and social impact or results and/or (ii) the market or other stakeholders (community members, portfolio company employees, customers, etc.) will view any such changes as desirable (either socially or to a Fund's financial health).

There is a risk that the Funds will underperform other funds that do not take ESG-related factors into account or conversely, could underperform specialized funds that are largely or exclusively focused on sustainable investing principles.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Paceline's adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. Paceline's current ESG policy and current ESG practices—which include issuing an annual ESG report to investors and other stakeholders—could become subject to additional regulation in the future, and the Firm cannot guarantee that its current approach will meet future regulatory requirements or predict the manner in which any such future requirements (including any enforcement with respect thereto) could affect a Fund or its investments, including with respect to future administrative burdens and costs.

#### Potential Conflicts of Interests

Actual, potential or apparent conflicts of interest can arise as a result of the relationships between the Firm and its affiliates, on the one hand, and the Funds and the investors, on the other. Paceline and its affiliates will potentially engage in further activities that can result in additional conflicts of interest not addressed below. There can be no assurance that Paceline 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. In particular, Paceline expects in the future to identify additional conflicts of interest that currently are not apparent to the Firm or to the broader alternative investments industry, as well as conflicts of interest that arise or increase in materiality as the Firm develops new investment platforms or business lines and otherwise adapts to dynamic markets and an evolving regulatory environment.

Investors should note that the Governing Documents contain provisions that (i) subject to applicable law, reduce or modify the duties, including fiduciary and other duties, to the Funds and the investors to which Paceline and its affiliates would otherwise be subject, (ii) waive or consent to conduct on the part of Paceline and its affiliates that might not otherwise be permitted pursuant to such duties and (iii) limit the remedies of investors with respect to breaches of such duties. If any matter arises that the Firm and its affiliates determine in their good faith judgment constitutes an actual or potential conflict of interest, the Firm and its affiliates will (subject to the terms of the relevant Governing Documents) take such actions as they determine in good faith are necessary or appropriate to ameliorate such conflict, and upon taking such actions Paceline and its affiliates will be relieved of any liability for such conflict to the fullest extent permitted by law and shall be deemed to have satisfied

its fiduciary duties related thereto to the fullest extent permitted by law. The Firm can choose, but is not necessarily required, to present conflicts of interest to the LP Advisory Committee as provided for in the applicable Governing Documents or to investors more generally. Additionally, a Fund's Governing Documents generally contain exculpation and indemnification provisions that, subject to the specific exceptions enumerated therein (generally for intentional, wrongful acts), provide that the relevant General Partners, the Firm and their affiliates will be held harmless and indemnified, respectively, for matters relating to the operation of the Funds, including matters that involve one or more potential or actual conflicts of interest. By acquiring an interest in a Fund, each investor will be deemed to have acknowledged and consented to the existence or resolution of any such actual, apparent or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest. The following discussion enumerates certain potential conflicts of interest that should be carefully evaluated before making an investment in a Fund, but is not intended to be an exclusive list of all such conflicts.

*Valuation of Assets.* The Firm will generally determine in its discretion, subject to the terms of the Governing Documents, the fair value of the Funds' assets. While the Firm will follow rigorous valuation methodologies and procedures that are designed to ensure that its fair value determinations are the product of the application of U.S. generally accepted accounting principles (in particular, Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures), the Firm has incentives to arrive at higher valuations. First, when the Firm determines that the fair value of an investment by the Funds is less than the capital contributions made with respect to it due to a permanent impairment in value (or as otherwise set forth under the Governing Documents), the Firm may be obligated to write down the asset. Depending on the extent of the write-down, to the extent required under the Governing Documents, the Fund would need to receive proceeds in the amount of the write down, among other amounts, before the Firm could begin to receive Carried Interest. A decision not to write down an investment would avoid this negative impact on the amount of Carried Interest due to the General Partners. Second, the rate of Carried Interest allocated to a General Partner depends on whether the Fund achieve a certain multiple-of-money or rate of return. Higher valuations could (for example, in the case of a distribution in kind as permitted under the Governing Documents) facilitate a Fund's achievement of a multiple-of-money or rate of return that would result in the receipt by the General Partners of a greater amount of Carried Interest than if the valuations were lower. Third, the Firm will report to investors, prospective investors and the investor community more generally metrics of the performance of Paceline's managed funds, such as rates of return and multiples-of-money, whose calculation depends on the value of the investments of such managed funds, including unrealized investments. These reports are an indication of the overall performance of Paceline's Funds and are important to the Firm's efforts to attract investors to the Funds and other investment vehicles. An objective of the Firm's valuation methodologies and procedures will be to eliminate any influence these incentives have on its fair value determinations. Generally, there will be no retroactive adjustment in the valuation of any investment, the offering price at which interests in a Fund were purchased by investors or by a Fund, as applicable, or the fees and/or performance-based

compensation paid to the Firm to the extent any valuation proves to not accurately reflect the realizable value of an investment.

The Firm's valuations will be based to a large extent on its estimates, comparisons and qualitative evaluations of private information, which can be incomplete or inaccurate. Third parties therefore would not necessarily be able to (i) replicate the Firm's methodology or (ii) value accurately the Funds' investments. The amount of judgment and discretion inherent in valuing assets renders valuations uncertain and susceptible to material fluctuations over possibly short periods of time; substantial write-downs and earnings volatility are possible. The Firm's determination of an investment's fair value can differ materially from the value determined if a ready market for the securities had existed and the valuations the managers of other funds or other third parties ascribe to the same investment. Its valuation of an investment at a measurement date can also differ materially from the value that is obtained upon the investment's exit.

*Activities of Key Investment Professionals.* During the investment period, it is anticipated that the founders and certain other key investment professionals of the Firm will devote a majority of their business time and attention to the affairs of the Funds and the business of the Firm and its affiliates, subject to certain limitations set forth in the Governing Documents. However, it is possible that such person(s) will have other business interests, including serving as directors of other public or private companies. The possibility exists that such companies will engage in transactions that are suitable for the Funds, but in which the Funds are not offered the opportunity to invest. Although the founders are committed to the success of the Funds, there can be no assurance that the affairs of the Funds will receive the undivided attention of the founders and other key investment professionals at all times.

*LP Advisory Committee.* The Firm will appoint several investor representatives to the LP Advisory Committee, which has the ability to review and waive compliance with certain provisions of the Governing Documents, including resolving potential conflicts of interest situations, and whose approval is required or requested in certain circumstances under the Governing Documents, including certain approvals or consents required by the Advisers Act. Pursuant to the terms of the Governing Documents, all investors are bound by the determinations of the LP Advisory Committee, regardless of whether an investor is represented by a member of the LP Advisory Committee. The Governing Documents will provide that, to the maximum extent permitted by applicable law, none of the LP Advisory Committee members shall owe any fiduciary duties to the Funds or any other investor. There is a risk that an LP Advisory Committee member will consider the interests of the investor it represents over the interests of the investors as a whole when voting or consenting to any matter submitted to the LP Advisory Committee. Members of the LP Advisory Committee can have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the LP Advisory Committee for consideration or review. In addition, members of the LP Advisory Committee generally have various business and other relationships with the Firm and its members, partners, managers, directors, officers, employees and affiliates, which relationships can influence their decisions as members of the LP Advisory Committee. To the extent that an investor is not

represented by a member of the LP Advisory Committee, such investor will have no influence over matters submitted to the LP Advisory Committee for review or approval.

*Portfolio Company Board Participation.* It is expected that investment professionals of the Firm will, in appropriate circumstances, act as directors or observers of certain of the Funds' portfolio companies. Although such positions in certain circumstances can be important to the Funds' investment strategy and will likely enhance the Firm's ability to manage investments, they can also have the effect of impairing the Funds' ability to sell the related securities when, and upon the terms, it would otherwise desire. Furthermore, in addition to any fiduciary duties that such persons owe to the Funds, as directors of a portfolio company such persons will owe fiduciary duties to the shareholders of such portfolio company. Accordingly, such positions can subject the Firm and the Funds to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Funds will indemnify the General Partners, the Firm, and other members of the Funds' management teams from such claims.

*Portfolio Company Board Appointees.* In respect of certain portfolio investments, the Funds are expected to make certain of their investments as controlling investments. As a result of these controlling interests, the Funds typically will have the right to appoint members to the board of directors of the applicable company (including current or former employees or executives of the Firm or persons serving at their request), or to influence their appointment, and to determine, or influence the determination of, their compensation. Specifically, from time to time, portfolio company board members approve compensation and other amounts payable to Paceline in connection with services provided by the Firm 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. Paceline's authority to appoint or influence the appointment of portfolio company board members who will potentially be involved in approving compensation payable to the Firm subjects Paceline and any such portfolio company board appointees to potential conflicts of interest. Serving in such capacity can give rise to conflicts to the extent that an employee's fiduciary duties to a portfolio company as a director conflicts with the interests of a Fund in general; however, as the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned. Paceline's authority to appoint or influence the appointment of portfolio company board members who will be involved in approving any such compensation or other amounts subjects the Firm and portfolio company board appointees to potential conflicts of interest.

*Reimbursements.* A portfolio company typically will reimburse the Firm (or an affiliate thereof) or service providers retained at the Firm's discretion for expenses (including travel expenses) incurred by them in connection with the performance of services for the portfolio company. This subjects the Firm (or such affiliate) to potential conflicts of interest because the Funds generally do not have an interest or share in such reimbursements (which will not offset or reduce the Management Fee), and the amount of such reimbursements over time can be substantial. Subject to the applicable Governing

Documents and their internal reimbursement policies and practices, the Firm (or such affiliate) will determine the amount of such reimbursements in its own discretion.

*Other Benefits from Portfolio Companies.* The Firm and its respective affiliates and their respective personnel receive certain benefits, rebates and/or discounts and/or perquisites arising or resulting from their activities on behalf of the Funds that will not offset or reduce the Management Fee or otherwise be shared with the investors and/or portfolio companies. For example, airline travel or hotel stays incurred as expenses of the Funds typically result in “miles” or “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to the Firm and/or its respective affiliates and/or their respective personnel (and not the Funds and/or portfolio companies) even though the cost of the underlying service is borne by the Funds and/or their portfolio companies. The Firm, its personnel and other related persons also receive discounts on products and services provided by portfolio companies and/or customers or suppliers of such portfolio companies. Such other benefits or fees can give rise to conflicts of interest in connection with the Funds’ investment activities, and while the Firm will seek to resolve any such conflicts in a fair and equitable manner, there is no assurance that any such conflicts will be resolved in favor of the Funds.

*Conflicts with Portfolio Companies.* Certain officers or directors of the Firm will serve as directors of certain portfolio companies and in that capacity will be required to make decisions that consider the best interests of the portfolio company. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that can be in the best interest of that portfolio company are not necessarily in the best interests of the Funds, and vice versa. Accordingly, in these situations, there will be conflicts of interests between the relevant individual’s duties as an officer or employee of the Firm or its affiliates and such individual’s duties as a director of a portfolio company.

In certain cases, one Fund’s portfolio company will potentially compete with another Fund’s portfolio company. A conflict of interest can arise in these instances because advice and recommendations provided by Paceline to a portfolio company can have adverse consequences to a competitor portfolio company owned by another Fund. When providing advice to any such portfolio company that is a competitor of another Fund portfolio company, Paceline can consider the interests of one portfolio company and is not obligated to, and need not, consider the interests of, or potential consequences to, such competitor portfolio company.

In connection with its services to the Paceline Funds and their investments, Paceline, its affiliates and Paceline personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Paceline’s operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Paceline and Paceline personnel expect to receive and benefit from information, “know-how,” experience, analysis and data relating to the Funds or portfolio company operations, terms, trends, market demands, customers, vendors and other metrics (collectively, “Paceline Information”). In many cases, Paceline Information will

include tools, procedures and resources developed by Paceline to organize or systematize Paceline Information for ongoing or future use. Although Paceline expects the Funds and their portfolio companies generally to benefit from Paceline's possession of Paceline Information, it is possible that any benefits will be experienced solely by another Paceline Fund or portfolio companies. Paceline Information will be the sole intellectual property of Paceline and solely for the use of Paceline. Paceline reserves the right to use, share, license, sell or monetize Paceline Information, without offset to Management Fees, and the Funds or relevant 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 their 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 the investors; no such rewards will offset Management Fees.

Paceline has incentives to use or to recommend products or services of one portfolio company to another, which will, at times involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as Paceline has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended will not necessarily be the best or lowest-cost option. In most cases, the relevant Paceline Funds will not consent, participate in the negotiations or be directly involved in such arrangements. From time to time, Paceline, its affiliates and Paceline personnel and persons selected by them expect to receive the benefit of "friends and family" and similar discounts from portfolio companies owned by the Paceline client under which such portfolio companies make their goods and/or services available at reduced rates. Because its portfolio companies offer such discounts to customers other than Paceline and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, Paceline believes that the potential for conflicts of interest relating to such discounts is mitigated. Discounted prices or better terms offered by a portfolio company to Paceline, any other portfolio company or third parties have the potential to affect the returns of the portfolio company.

*Principal Transactions.* Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. The Advisers Act generally requires that, when an investment adviser or its affiliate proposes to purchase a security from, or sell a security to, an advisory client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent.

In connection with its management of the Funds, the Firm or the Funds will, in certain limited circumstances, engage in principal transactions, as described below. In particular, prior to the initial closing of Fund I, the two Firm founders purchased securities or assets (for these purposes,

“warehoused investments”) for the purpose of transferring such warehoused investments into the Fund for cost (or cost plus interest) or in exchange for a percentage ownership in the Fund. The Firm reviewed such transaction with outside counsel in an effort to ensure that it complied with the requirements of Section 206(3) of the Advisers Act in respect of principal transactions, including that the requisite disclosures be made to the Fund’s prospective investors prior to the initial closing and that proper consent was obtained under applicable law and under the Governing Documents relating to such warehoused investments.

In respect of any future potential principal transactions relating to the Funds, the Firm generally expects to similarly review such transactions with outside counsel in an effort to ensure that it complies with the requirements of Section 206(3) of the Advisers Act in respect of principal transactions. In particular, the Firm’s policies and procedures are reasonably designed to comply with the requirements of the Advisers Act as they relate to principal transactions, including that the requisite disclosures be made regarding any proposed principal transaction, and that prior consent to the transaction be received in each case as required and to the extent permitted under the Governing Documents, as well as the Advisers Act or applicable law.

*Below-the-Fund Platforms.* The Funds are permitted to establish or invest in platform companies or similar platform investments that seek to acquire interest in other companies and/or assets. While the Funds will typically be involved in the strategy and oversight of any platform investment, a platform investment typically will retain its own management team to operate, administer and manage the platform on a daily basis. The Funds generally will directly or indirectly bear the expenses related to developing and operating the platform investment, including overhead expenses, investment sourcing and diligence expenses, transaction fees and other related expenses. These expenses generally will not offset any Management Fee paid by the Funds.

These platform investments create potential conflicts of interest because Paceline and not the Funds generally pays the salaries of its employees, Paceline has an incentive to cause a platform investment to retain its own management team instead of relying on Paceline personnel to provide managerial services, or to deploy existing Paceline personnel as members of such platform investment’s management team. In addition, Paceline generally will have the ability to significantly influence the form and amount of compensation paid to such management teams. Members of platform investment management teams also can render services exclusively to the platform or provide the same or similar services to other Paceline clients and/or portfolio companies.

*Co-Investments.* Co-investment opportunities can be offered to one or more investors and/or other persons, in each case in accordance with Paceline’s co-investment policies and guidelines on the allocation of investment opportunities. To the extent that Paceline has discretion to allocate co-investment opportunities, conflicts of interest can arise in respect of any exercise of such discretion, and any allocation resulting therefrom would not necessarily be in the best interests of the Funds or any individual investor. In exercising such discretion to allocate co-investment opportunities with respect to a particular investment to and among potential co-investors and to determine the terms

thereof, Paceline will generally consider a wide range of factors (some or all of which benefit the Firm and its affiliates), including: (i) the ability of a potential co-investor to react promptly to a co-investment opportunity; (ii) any strategic advantages that are expected to result from a potential co-investor's participation in a co-investment opportunity; (iii) the amount of a potential co-investor's commitment to the Funds; (iv) a potential co-investor's expression of interest in co-investment opportunities and/or willingness to pay compensation (including Management Fees and/or Carried Interest) in connection with a co-investment; (v) the expertise of a potential co-investor in the industry to which the investment opportunity relates; (vi) perceived ease of process in coordinating or completing the investment with a potential co-investor or co-investors similar thereto; (vii) any expressed interest of a Fund investor in co-investment opportunities, as memorialized in a side letter, together with any other rights granted to such investor relating to co-investments opportunities; (viii) whether the co-investor brought the investment opportunity to Paceline; (ix) any prior experience of the Paceline team with the co-investor, including as an investor in prior co-investment deals with the team at their prior institutions of employment, as well as the co-investor's general reputation and experience as a co-investor; (x) the degree to which the co-investor has been committed to and supportive of the Paceline team in prior investments or otherwise at their prior institutions of employment, and Paceline's expectations regarding the co-investor's participation in and support of future Paceline managed funds; and/or (xi) tax, regulatory, securities laws and/or other legal considerations. Furthermore, decisions regarding whether and to whom to offer co-investment opportunities can be made by Paceline in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities can be offered to some and not to other investors. Allocations of co-investment opportunities made in Paceline's discretion generally will not result in allocations that are proportional to the amounts committed, if any, by the relevant potential co-investors to the Funds, or any other co-investment vehicle, and such allocations can be more or less advantageous to some persons than to others.

Co-investments with any co-investor through partnerships, joint ventures or other entities or arrangements can involve risks and conflicts of interests that would not otherwise be present, including the possibility that any other co-investor will at any time have economic or business interests or goals that are inconsistent with those of the Funds, have financial difficulties (which can increase the possibility of default), or be in a position to take or block action in a manner that is contrary to the Funds' investment objectives. Other than as potentially follows from Paceline's guidelines on the allocation of investment opportunities, there can be no assurance that a Fund's return from a transaction involving a co-investment will be equal to and not less than the return of any co-investor in such transaction.

The commitment of co-investors to a portfolio investment can be substantial and such investments potentially involve conflicts not present in investments where such co-investors are not involved. The Firm can, in its sole discretion, charge a Management Fee and/or obtain a Carried Interest in respect of any co-investment, subject to the Funds' guidelines on the allocation of investment opportunities. Transaction fees, monitoring fees or other compensation paid by any portfolio company to the Firm or its affiliates that relate to the portion of an investment so allocated to co-investors will not be

allocated to the Funds and will not offset the Management Fee. Consequently, the Firm will be subject to potential conflicts of interests in determining which portion of an investment in the relevant portfolio company should be borne by co-investors.

Expenses related to the structuring, formation and operation of any co-investment holding vehicle generally will be allocated pro rata (typically, based on the size of the investment made through such co-investment holding vehicle) among the Funds and each co-investor participating through such co-investment holding vehicle, or in such other manner as is determined to be appropriate and practicable by Paceline in its sole discretion (*e.g.*, in certain instances, expenses will be directly and solely attributable to such co-investment vehicle). In the event that a transaction in which a co-investment with a third party was to be sought ultimately is not consummated, there is a risk that all obligations, liabilities and out-of-pocket fees (including any break-up fees), costs and expenses relating to such unconsummated transaction (*i.e.*, broken deal expenses) will be borne by the relevant Funds, and not by any other potential or expected co-investors, subject to any restrictions set forth in the applicable Governing Documents.

*Cross-Fund Investments.* The Funds are permitted to make a “cross-fund investment.” A cross-fund investment means an investment in a portfolio company in which another Fund already has an investment or will be making an investment at the same time. Historically, cross-fund investing has occurred very rarely. Cross-fund investments can occur when the vehicle with the existing investment does not have sufficient capital to make a follow-on investment or is at or approaching the end of its commitment period or term, or where a Fund and a predecessor and/or successor Fund are investing at the same time, and the Firm must allocate the investment opportunity across both vehicles.

Cross-fund investing raises conflicts of interest for a variety of reasons. Often, the security that will be purchased by the later-investing investment vehicle can have more attractive terms and conditions than the securities issued to the earlier investment vehicle and can be higher in the capital structure than those held by the earlier vehicle. For example, the earlier vehicle holds equity securities of a company and the later vehicle purchases convertible debt securities of such company. In such a situation, the interests of the Funds may not always be aligned, which can give rise to actual or potential conflicts of interest or the appearance of such conflicts of interest. For example, questions can arise as to whether payment obligations and covenants at the portfolio company level should be enforced, modified or waived, or whether debt should be refinanced or restructured. The fact that one investment vehicle’s interests sit higher in a company’s waterfall, or the stage of maturity of each investment vehicle (*i.e.*, how close to the end of the vehicle’s life it may be) also could impact decision-making regarding potential sales processes, including what valuation to target and whether an exit should be pursued. Questions can arise about what action should be taken when a company is in financial distress, including whether to enforce claims and whether to initiate restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring can raise conflicts of interest, particularly with respect to investment vehicles that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, investment vehicles can potentially

provide such additional capital and, if provided, each investment vehicle generally will supply such additional capital in such amounts, if any, as determined by the Firm in its sole discretion.

Conflicts also can arise when one Fund makes investments 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. To the extent a Fund has insufficient unfunded capital available to support its investment, then the Fund can potentially suffer dilution, while the other Fund can continue investing. The Funds also have the potential to, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This can result in differences in price, terms, leverage and associated costs. 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. Further, there can be no assurance that one Fund and the other Fund with which it co-invests will exit such investment at the same time or on the same terms. The Firm has the potential to express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Fund participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both the Funds. In that regard, actions can be taken for one Fund can adversely another Fund.

Cross-fund investing also raises the risk of using the assets of one Fund to support the portfolio of other Funds, which action might be motivated by a desire by Paceline to attempt to reduce the potential clawback liability of a General Partner (and therefore the guarantor liability of the ensuing carry recipients). In determining whether to make a cross-fund investment and upon what terms, Paceline will follow the procedures set forth in the Funds Governing Documents and will act in accordance with its allocation policies and procedures.

*Continuation Vehicles.* The Firm is permitted to establish one or more funds, vehicles, accounts or other arrangements for purposes of acting as a continuation vehicle with respect to a Fund and holding investments for longer than the then-current term of the Fund, among other purposes. In such situations, the Firm typically expects to seek to raise capital from third parties as well as Fund investors who directly or indirectly acquire interests in one or more portfolio companies from such Fund, including through the creation of a new investment fund or similar continuation vehicle which would be advised by Paceline, in which Paceline invests, and from which Paceline would receive fees and/or Carried Interest. The Firm is permitted, but will not be obligated, to offer investors an opportunity to invest in the relevant continuation vehicle by "rolling" their interest in the Fund and/or the underlying portfolio companies (although there can be no guarantee that such an opportunity will be made available). The Firm reserves the right to seek to require the new investors (including existing

investors) to make commitments to the continuation vehicle or a successor fund advised by Paceline, which generally reduces the purchase price new investors are willing to pay for the Fund's assets.

Certain risks that are generally associated with an investment in a private equity fund can potentially be heightened and magnified. For instance, portfolio investments that are held for a longer period of time can be more likely to experience employee and/or management turnover during the holding period with respect thereto as compared to many other private equity funds. Paceline has the potential to be more incentivized to make portfolio investments with the view of holding such investment for a longer period of time and accordingly, can make investments that it believes will not meet the target returns of a Fund if it did not have the flexibility to hold such portfolio investments for a longer period of time. While investors will likely have the option to elect to have their interests in such investments disposed of by the Firm, the value of such investments at the time of disposition can be materially less than if Paceline had not made and/or held such investment with the view of such investment having a longer holding period. Additionally, investors that elect to continue to hold a direct or indirect interest in such portfolio investments will have their interest attributable thereto 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), thereby diluting their interests in such portfolio investments. Such investors that elect to continue to hold an interest in such investments can also be subject to Management Fees and Carried Interest for a longer period and/or in a greater aggregate amount than if such investments were not held for such longer period of time.

In addition, although the valuation of any such investment has the potential to be based on a third-party valuation, valuations are inherently subjective in certain respects and rely on a variety of assumptions. Furthermore, valuations are based in large part on information as of the applicable period, and market conditions can change materially after that date. Accurate valuations are more difficult to obtain in times of low transaction volume because there are fewer market transactions that can be considered in the context of the appraisal. In addition, the process of valuing portfolio investments for which reliable market quotations are not available is based on inherent uncertainties and the resulting values will, on occasion, differ from values that would have been determined had an active market existed for such portfolio investments and at times will differ from the prices at which such portfolio investments ultimately can be sold. As such, the carrying value of an investment will not necessarily reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. Accordingly, such values will, at times, not accurately reflect the actual market values of the investment, and, thus, investors can make decisions as to whether to continue to hold an interest in an investment without complete and accurate valuation information. As a result, the valuation of such an investment and the distributions to each of a Fund's investors, including the Fund's General Partner, will not necessarily accurately reflect the fair value of the interests.

Paceline or its affiliates also have the ability to invest in any such continuation vehicle, including, but not limited to, through a rollover of its existing ownership interest and/or Carried Interest entitlement, including on a tax-free basis. Paceline is expected to face conflicts of interest in such transactions

because it or its affiliates will have the opportunity to earn additional Management Fees and/or receive additional Carried Interest (in addition to any Carried Interest earned as a result of the sale of one or more portfolio companies by a Fund to such new continuation vehicle) and other economic benefits in respect of such transactions, and because new investors potentially will make investments in other Funds. In addition, the terms of any continuation vehicle typically vary from those of the Funds, and any investors that “roll” their existing Fund interests will generally be subject to such new terms, which potentially will be less favorable. Paceline is also expected to face potential conflicts in determining to pursue such transaction as opposed to other liquidity alternatives, and in determining the terms and eligible participants in connection with such transaction. Such transactions will likely present other additional inherent conflicts of interest.

*Fee Income; Fees from Portfolio Companies.* Paceline or its affiliates is authorized pursuant to the relevant Fund Governing Documents to receive fees from portfolio companies or third parties as compensation for advisory, financial, restructuring, consulting, monitoring, commitment, origination, breakup, servicing, management consulting and other similar operational and finance matters, group purchasing, organizational, operational, loan servicing, financing, divestment and other services. Additionally, the Firm or its affiliates are permitted to receive fees in connection with the deployment of capital by the Funds or from unconsummated transactions (*e.g.*, directors’ consulting, management, closing, break-up and other similar fees). In addition, in certain instances, the Firm and/or persons affiliated with the Firm are permitted to receive fees (including fees from portfolio companies), including incentive fees or similar compensation, paid and/or borne by third parties in connection with the Funds’ investment activities. The investors will not receive the benefit of any fees relating to the Funds’ investments or as described above, other than as specifically set forth in the Governing Documents. Any such fees that result in an offset to the Management Fee only apply to the extent it is made as part of the Funds’ investment in such company; any such fees that relate to the portion of an investment made by a person other than the Funds (such as, for example, an investment by a co-investor or third-party investor) will not so offset the Management Fee. In the case of directors’ fees, the Management Fee will not be reduced or offset to the extent any Firm employee or professional receives directors’ fees relating to continued director service after a Fund has exited the portfolio company and/or following the termination of such employee’s employment with the Firm. In addition, the Management Fee provisions and the arrangements relating to the allocation of any such fees and certain fee offsets among the Firm and the Funds can also create an incentive to seek out investments which would provide the opportunity to earn such fees and to make investments earlier during the terms of the Funds than would be the case in the absence of such arrangements. Further, the Firm or its affiliates can be incentivized to hold on to investments in order to receive ongoing Management Fees and/or any such other fees in the interim.

*Allocation of Expenses.* The Firm and its respective affiliates will from time to time, and in their discretion, incur fees, costs and expenses, including in connection with consummated and unconsummated transactions, on behalf of the Funds and/or one or more other investment vehicles managed by the Firm. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment will be charged to the applicable investing entity. To the

extent such fees, costs and expenses are incurred for the account or for the benefit of the Funds and one or more other Paceline-managed investment vehicles (but not including any co-investment vehicles), the Funds and such other Paceline-managed investment vehicles will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of the investment made or proposed to be made by each in respect of the entity to which the expense relates or in such other manner as the Firm considers fair and equitable under the circumstances. Although the Firm will endeavor to allocate such fees, costs and expenses on a fair and equitable basis over time, there can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately, including in circumstances in which a pro rata allocation based on relative investment size would be more or less advantageous to certain vehicles than a pro rata allocation by number of participating vehicles. Any such determinations typically involve inherent matters of discretion and conflicts of interest.

There are occasions when one Fund (the “Payor Fund”) pays an expense common to multiple Funds (the “Allocated Funds”). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. There are also occasions where the Firm or a Payor Fund pays an expense on behalf of a portfolio company. On such occasions, the portfolio company will reimburse the Firm or Payor Fund for the expense, without interest, and such reimbursement will not be subject to the Management Fee offset provision. Further, as noted in Item 5 above, portfolio companies reimburse Paceline for various fees and expenses.

Some expenses are incurred on behalf of one Fund which have the potential to benefit other Funds. For example, information Paceline obtains in connection with a Fund’s research, due diligence and investment activities is expected to be valuable to other Funds. Additionally, tools and resources developed at Paceline’s expense will be the intellectual property of Paceline and not the Fund.

A conflict of interest could arise in Paceline’s determination of whether certain costs or expenses that are incurred in connection with the operation of the Funds meet the definition of Fund operational expenses for which the Funds are responsible, whether such expenses should be borne by Paceline or the manner in which Paceline allocates expenses. The Funds will be reliant on the determinations of Paceline in this regard. Because the allocation process can be subjective, from time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures will be undertaken to correct such circumstance, which might include a reversal of the original expense allocation, if possible, or such other equitable adjustment believed by Paceline to be the most appropriate corrective measure to ensure allocations are equitable on an overall basis in Paceline’s good faith judgment.

*Industry Relationships.* The Firm and its respective affiliates have many relationships with third parties which have the potential to raise conflicts of interest. Such third parties include investment bankers, lenders, consultants, finders (including portfolio company finders), professional advisors (such as attorneys and accountants), investors, co-investors, current and former directors, officers and

employees of various companies and former employees and executives of the Firm or its respective affiliates as well as family members or close contacts of such persons. Certain of these third parties can: (i) introduce investment opportunities to Paceline; (ii) arrange for, or facilitate the financing of, the purchase or recapitalization of current and potential portfolio companies; (iii) introduce portfolio companies to potential acquisition or merger candidates; (iv) facilitate the disposition of portfolio companies; or (v) provide investment banking, consulting, legal or advisory services to the Firm, Funds or portfolio companies (or engages in any of the activities described in clauses (ii) through (v) above in respect of other Paceline-managed investment vehicles or their respective portfolio companies). Such third parties can also provide goods or services to or have business, personal, familial, financial or other relationships with Paceline or its direct or indirect owners, the Firm or its owners or employees or any affiliates of the Firm. In other instances, such third parties provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Paceline's entities) to Firm personnel and their estate planning vehicles. In addition, such third parties can invest in one or more of the Funds and/or other Paceline-managed investment vehicles; co-invest in one or more portfolio companies of the Funds and/or other Paceline-managed investment vehicles; or provide other significant business or investment services to the Firm and/or the portfolio companies of the Funds and/or other Paceline-managed investment vehicles. Such third parties can be entitled to receive a portion of a Fund's proceeds in connection with the sale of a particular portfolio company. Such third parties can also on occasion receive discretionary bonuses, transaction-based fees and/or directors' fees from, participation and/or profits or equity interests in a portfolio company or holding company in exchange for providing their services and such discretionary bonuses, fees, participation and/or profits or equity interests are not subject to the Management Fee offsets described in Item 5 above. These relationships can influence the Firm in deciding whether to select or recommend any such third party to perform services for the Funds or a portfolio company. Compensation in the form of profits or equity interests in a portfolio company or immediate holding company will generally have a dilutive impact on a Fund's investment. The cost of any services provided by such third parties will generally be borne directly or indirectly by the Funds or the portfolio companies, as applicable.

Paceline will from time to time enter into arrangements with service providers that provide fee discounts for services rendered to Paceline and its affiliates. While such arrangements provide numerous benefits and efficiencies to the Firm and the Funds, all cost savings to the Firm from such arrangements will not necessarily accrue to the Funds.

*Use of Credit Facilities.* The Funds have established a credit facility to borrow funds pursuant to a revolving credit facility or other debt facility, including a facility based on the aggregate Fund commitments available to be called. A Fund's use of such facilities will be determined by Paceline, and the performance of the Fund can be impacted by how Paceline causes each Fund to utilize such facilities. Utilizing the credit facility to borrow funds in advance or in lieu of calling capital affords the Firm flexibility to manage cash flows to and from a Fund's investors and ease the investors' burden of responding to multiple capital calls. A Fund's use of such facilities will be determined by Paceline, and the performance of a Fund can be impacted by how Paceline causes a Fund to utilize such

facilities. Although the use of such a facility can increase a Fund's ability to swiftly invest capital, it also will cause the Fund to incur interest expense.

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

Conflicts of interest can arise in that the use of such facilities likely would delay the need for investors to make certain contributions to a Fund, which can enhance a Fund's performance (including its IRR) and thereby benefit the Firm.

*Allocation of Investment Opportunities.* The Firm and their respective affiliates, members, managing members, officers or employees provide investment management advice and services to multiple entities and clients, including, without limitation, other managed accounts, collective investment vehicles and/or affiliated investment funds (the "Other Accounts"), which (subject to the terms of the Governing Documents) generally also follow investment programs substantially similar to those of the Funds. Such Other Accounts (subject to the terms of the relevant Governing Documents) often pursue, within a specific business or geographic sector, an investment program that invests in financial instruments of a type acquired by the Funds. The Firm and/or its affiliates can also provide (i) investment management services to Other Accounts that follow investment programs that differ from the Funds and (ii) specific advice and recommend financial instruments to Other Accounts that can differ from advice given to, or financial instruments recommended or bought for, the Funds, even though their investment objectives are the same or similar. Other present and future activities of the Firm and/or its affiliates can give rise to additional conflicts of interest. In the event that a conflict of interest arises, Paceline will attempt to resolve such conflicts in a fair and equitable manner over time.

While there will be limitations in the relevant Governing Documents on the Firm's ability to form or sponsor such Other Accounts, the formation and management of such Other Accounts can create a conflict of interest in that the time and effort of the officers and employees of the Firm will not be devoted exclusively to the business of the Funds, but will be allocated between the business of the Funds and the management of any such Other Accounts. In addition to the above, to the extent permitted under the applicable Governing Documents, the Firm is generally permitted to engage in other investment and business activities, including the establishment of Other Accounts that have one or more overlapping investment strategies with those of the Funds. Such activities can raise conflicts of interest for which there can be no guarantee that the resolution will be currently determinable.

*Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements.* The Governing Documents of each Fund and related documents are detailed agreements that establish complex arrangements among Paceline, the investors, the Fund, the General Partner and other entities and individuals. Questions can arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, can be broad, general, ambiguous or conflicting, and permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While Paceline will construe the relevant agreements in good faith and in a manner consistent with its legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations Paceline adopts will not necessarily be, and need not be, the interpretations that are the most favorable to the Funds or their investors.

*Employee Investors.* It is expected that certain of Paceline's employees and personnel will invest in a Fund directly or as part of a General Partner's commitment to a Fund. Subject to applicable law, the terms of an investment by an employee differ from, and are more favorable than, those of an investment by an external Fund investor. For example, employee investors generally will not be subject to a Management Fee and/or Carried Interest with respect to their investment, receive information regarding investments at different times than other investors and may benefit from different credit facility arrangements than a Fund.

## **Item 9 – Disciplinary Information**

Like other registered investment advisers, Paceline is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of Paceline or the integrity of Paceline's management. Paceline and its management persons have not been subject to any material legal or disciplinary events applicable to this Item.

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

Neither Paceline nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer, futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated

person of the foregoing. Paceline does not have arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading adviser, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory business or to its Funds or its investors. Paceline has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, investment banking, tax preparation, insurance brokerage, information technology, compliance and other services. Some of these professionals provide services to the principals, the Funds or their portfolio companies. Additionally, some of these professionals are investors in Paceline Funds, either personally or through their company.

As described above in Item 4, Paceline is affiliated with the Funds' General Partners which are deemed registered with the SEC under the Advisers Act pursuant to Paceline's registration. These General Partners together with Paceline operate as a single advisory business and serve as the General Partner, affiliate or managing members of private investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants, or persons occupying similar positions. These General Partners do not have employees of their own.

From time to time, Paceline receives training, information, promotional materials, meals, entertainment, gifts or other perquisites from vendors and others with whom it does business or to whom it makes referrals. However, at no time will Paceline accept any benefits, gifts, entertainment or other arrangements that are conditioned on directing individual Fund transactions to a specific investment, product or provider. Similarly, Paceline employees have in the past, and expect in the future, to speak at and attend conferences and programs for potential investors interested in investing in private funds and other industry events that are sponsored by various investment bankers, broker-dealers or others. Through such capital introduction and other events, prospective investors have the opportunity to meet with Paceline. Neither Paceline nor any Fund compensates these investment bankers, broker-dealers or others for investments ultimately made by prospective investors attending such events other than registration, sponsorship, membership or other similar fees paid to attend such events.

Paceline does not recommend or select other investment advisers for the Funds.

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

### **Code of Ethics and Personal Trading**

Pursuant to Rule 204A-1 of the Advisers Act, Paceline has adopted a written code of ethics ("Code of Ethics") that sets forth standards of conduct expected of supervised persons and addresses personal trading and reporting of personal securities transactions, gifts and entertainment and outside business

activities, among other topics. The Code of Ethics requires all supervised persons to place Fund interests ahead of the Firm's interests and to maintain full compliance with the federal securities laws. With respect to third parties that are not subject to the trading restrictions under Paceline's Code of Ethics and that may otherwise obtain sensitive and nonpublic information relating to a Fund deal (e.g., co-investors, legal, financial, diligence, public relations and other similar service providers), such persons typically are subject to contractual provisions in confidentiality agreements or professional obligations that prohibit the misuse of any such information.

Supervised persons are required to certify their compliance with the Code of Ethics upon hire and on an annual basis. Supervised persons who violate the Code of Ethics will be subject to remedial actions, including, but not limited to, censure, suspension or dismissal. Supervised persons are also required to promptly report any violations of the Code of Ethics of which they become aware.

The personal trading policy for Paceline supervised persons is set forth in Paceline's Code of Ethics and is acknowledged as received and understood by each supervised person. Paceline's personal trading policies are designed to ensure that no Fund is disadvantaged by the transactions executed by a supervised person and that supervised persons do not misappropriate any benefit properly belonging to a Fund.

Because Paceline's business focuses primarily on private market investments, Paceline expects that instances of supervised persons having access to material non-public information regarding publicly-traded securities will be relatively infrequent. Paceline's supervised persons and their covered family members are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding publicly traded securities or communicating material non-public information about such securities to others. The Code of Ethics establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. Paceline maintains a restricted list of issuers about which it has or may have material non-public information. Supervised persons are permitted to make securities transactions in their personal accounts, subject to certain limitations. Pre-clearance is required by supervised persons and their covered family members for certain personal securities transactions, including trading in restricted list securities, initial public offerings and limited offerings. In addition, supervised persons are required to file certain reports and submit their brokerage account statements to the Chief Compliance Officer for review.

The principals and employees of Paceline will occasionally carry on investment activities for their own account and for family members or others, and in connection therewith, can potentially give advice and recommend securities which differs from advice given to, or securities recommended or bought for, the Funds. In addition, principals and employees are permitted to buy securities in transactions offered to, but rejected by, the Funds or that are outside the investment mandate of the Funds. For one such transaction, Paceline manages the investment on behalf of the principals. All such employee private investments are subject to pre-approval and/or review by the Chief Compliance Officer.

Investors can request a copy of the Firm's Code of Ethics by contacting its Chief Compliance Officer, Chief Compliance Officer, Kyle Volluz, at (469) 405-0908 or [info@pacelineequity.com](mailto:info@pacelineequity.com).

### **Participation in Client Transactions**

Certain Paceline employees and their family members have invested in the Funds either through the General Partner and/or as Fund investors. As mentioned in Item 5 and Item 6 above, Paceline generally reduces the Management Fee and Carried Interest related to investments held by such persons. Paceline does not believe this arrangement presents any material conflict of interest since the General Partners' interests are aligned with the interests of investors in such Funds.

Section 206(3) of the Advisers Act generally prohibits investment advisers from engaging in principal, cross and agency cross transactions without the appropriate disclosure and consent. Paceline will only enter into a principal or agency cross transaction with the appropriate disclosure and consent. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, knowingly buys from or sells a security to an advisory client. This also applies to any affiliates or controlling persons of the adviser (*i.e.*, an owner, employee or affiliate of the adviser, such as a Fund General Partner). Cross trades between funds can also be deemed to be principal transactions if the adviser (and/or its affiliates, owners, or controlling persons) own, in the aggregate, 25% or more of either fund. In the context of Paceline's business, a principal transaction would most likely refer to the practice of warehousing an investment for the formation of a future fund or Paceline or a Fund General Partner purchasing the interest of an existing investor. Cross transactions occur when an adviser or an affiliate arranges a transaction (*i.e.*, acts as broker) between two or more funds or accounts that are managed by that same adviser or an affiliate. An adviser is not "acting as a broker" if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the assets) for effecting the transaction and therefore is not considered to be conducting a transaction under Section 206(3) of the Advisers Act. In the context of Paceline's business, a cross transaction would occur when selling a portfolio company, investment or other asset from one Fund to another. Agency cross transactions occur where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, which is not applicable to Paceline.

In the event Paceline were to recommend a principal transaction or cross transaction, it would only be after: (i) the Firm has determined the transaction to be in the best interest of participating clients; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the relevant General Partner, LP Advisory Committee or investors, as appropriate; (iv) consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction.

### **Conflicts of Interest**

The Governing Documents of each Fund include a description of what Paceline believes to be the most significant conflicts of interest associated with an investment in that Fund. Some of these conflicts are summarized in Item 8 above.

## **Item 12 – Brokerage Practices**

While Paceline generally focuses on securities transactions in private companies and purchases and sells such companies through privately negotiated transactions, the Funds are permitted to engage broker-dealers and investment bankers to perform various services for the Funds and portfolio companies, such as assisting in the purchase or sale of a private portfolio company, assisting in the purchase or sale of shares of securities of a public portfolio company or purchasing or selling publicly traded securities. Paceline has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker-dealer or investment banker, if any, to be used to effect transactions for the Funds. In executing transactions, Paceline will seek best execution for the transaction. Best execution is a qualitative assessment that takes into account the full range and quality of a broker-dealer or investment banker's services and is satisfied by obtaining the most advantageous overall terms for the Fund(s) when weighing all factors relevant to the transaction. Best execution is therefore not necessarily determined by lowest possible commission rates.

Whether for private or public securities transactions, Paceline selects a broker-dealer or investment banker based on Paceline's judgment regarding a variety of factors, including but not limited to: Paceline's prior experience in working with the broker-dealer or investment banker; the broker-dealer or investment banker's execution capability, financial responsibility, reputation and expertise within the industry; the broker-dealer or investment banker's responsiveness to the Firm; the broker-dealer or investment banker's expertise in dealing with investments that are restrictive or illiquid in nature; the type and size of the transaction involved; the value of any research services providers; and the commission rates, among other factors.

Although Paceline generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent, especially in private securities transactions that rely heavily on the specialty services or experience of a broker-dealer or investment banker that operate outside of a competitive bidding environment. Transactions that involve such specialized services on the part of the broker-dealer or investment banker can thereby entail higher commissions, or their equivalents, than would be the case with other transactions requiring more routine services. However, Paceline believes the commissions or mark-ups charged are competitive with those that other broker-dealers or investment bankers charge.

Paceline does not receive research or other soft dollar benefits in connection with securities transactions for the Funds, does not receive investor referrals in connection with selecting or recommending broker-dealers for the Funds and does not engage in directed brokerage. In the event Paceline were to aggregate the purchase or sale of securities for client accounts, it would do so on a pro rata basis.

## **Item 13 – Review of Accounts**

The investment portfolios of each Fund are generally private, illiquid and long-term in nature and accordingly Paceline's review of them is not directed toward a short-term decision to dispose of

securities. Decisions as to when to purchase or sell a portfolio investment are made by the investment committee. Investment professionals closely monitor the portfolio investments and maintain an ongoing oversight position in each investment.

Paceline provides to investors on behalf of its Funds the following written reports: (i) annual audited financial statements prepared in accordance with United States generally accepted accounting principles (“GAAP”) as promulgated by the Financial Accounting Standards Board (“FASB”), accompanied by the report of the independent certified public accountant within 120 days of fiscal year end (or earlier as agreed to in the relevant Fund Governing Documents); (ii) unaudited financial statements for the first three quarters of each fiscal year; (iii) annual tax information necessary for the completion of tax returns (K-1); and (iv) annually a statement of the determination of the value of each investment as of the end of the preceding calendar year. Investors in Co-Investment Funds receive different or less detailed reports, as agreed upon with investors in each Co-Investment Fund. The Firm also has contact with investors (*e.g.*, personal visits, video conference, telephone and email) throughout the year as requested and as conditions warrant.

In the course of conducting due diligence, investors periodically request information pertaining to Paceline’s investments. Paceline responds to these requests, and in answering such requests, provides information that is not always made available to other investors who have not requested such information. Additionally, as it pertains to existing investors, upon request or pursuant to contractual obligations (such as agreed to in a side letter), certain investors receive additional information and reporting that other investors do not receive. The fact that Paceline provides such information upon request to one or more investors does not obligate Paceline to affirmatively provide such information to all investors. As a result, certain investors will have more information about a Fund than other investors, and Paceline has no duty, and does not intend, to ensure that all investors seek, obtain or possess the same information regarding a Fund and its investments and/or portfolio companies.

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

As described in Item 5 above, Paceline receives Fee Income and reimbursements from the portfolio companies held by the Funds. These fees are paid pursuant to separate agreements entered into with the portfolio companies to provide certain consulting services that Paceline believes will ultimately enhance the value of the companies and benefit the Funds and their investors.

These types of fee arrangements present potential conflicts of interest and provide Paceline with an incentive to recommend investments based on compensation received rather than the best interests of the Funds. To help mitigate this potential conflict of interest, an allocable portion of such Fee Income received by Paceline or its employees in connection with services rendered to portfolio companies or transactions of the Funds are offset against Management Fees payable by the Funds, to the extent described above in Item 5 and as detailed in each Fund’s Governing Documents.

From time to time, Paceline enters into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an investor in a Fund. Fees

payable to such placement agents generally will be borne by Paceline indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s) as part of the organizational expenses of such Fund.

### **Item 15 – Custody**

Paceline is deemed to have custody of the Funds' assets because the General Partners are not operationally independent from Periscope: each Fund's General Partner generally has full discretion and control over Fund investments and cash, including the ability to deduct fees from Fund accounts. To comply with Advisers Act Rule 206(4)-2 (the "Custody Rule"), Paceline has elected to undergo an annual GAAP financial statement audit by an independent public accountant registered with and subject to examination by the Public Company Accounting Oversight Board for each of the Funds over which it is deemed to have custody, copies of which are (or will be, for newly closed Funds) delivered to the Funds and their respective investors within 120 days of fiscal year end (or earlier as agreed to in the relevant Fund Governing Documents). In addition, upon the final liquidation of a Fund, Paceline will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all underlying investors promptly upon completion of the audit. Investors are encouraged to carefully review such financial statements.

Paceline does not accept physical custody of Fund assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly deposited or wired into the relevant Fund's bank account maintained with a qualified custodian and any publicly traded securities will be held with broker-dealers or transfer agents who act as custodians for such securities. Paceline receives monthly statements from each of its qualified custodians on behalf of the Funds. For more information about the Funds' qualified custodians, please see Form ADV Part 1, Schedule D, Section 7.B.(1).

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

Paceline generally receives and exercises complete discretionary authority to manage investments on behalf of the Funds as per the Governing Documents of each Fund. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement (or similar agreement) with such Fund. Such documents generally contain a power of attorney that grants Paceline or the applicable Fund's General Partner certain powers related to the orderly administration of the affairs of the Funds. Once an investor executes these documents, with limited exceptions discussed elsewhere in this Brochure, Paceline is not required to contact such investor prior to transacting business in a Fund.

Generally, Paceline's only restrictions with respect to managing a Fund, such as, but not limited to, the type of securities in which a Fund invests, will be contained in the relevant Fund's Governing Documents. However, an investor can seek to impose limitations on Paceline's authority

through a side letter agreement, and the Firm and/or the relevant General Partner can choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed upon Paceline's investment authority with respect to an investor's investment must be presented to Paceline and the relevant Fund's General Partner in writing and agreed to by all applicable parties. There can be no assurance that the side letter rights granted to one or more investors will not in certain cases disadvantage others. Other investors meeting certain commitment thresholds are often provided with notification provisions regarding such side letter agreements but are not provided with consent rights over such agreements.

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

By virtue of the applicable Governing Documents, Paceline has the authority to vote proxy statements on behalf of the Funds. However, given the nature of Paceline's advisory business, the Funds seldom hold public securities; the majority of "proxies" received by Paceline are written shareholder consents or similar instruments for private companies owned by the Funds. Specifically, from time to time, portfolio companies request Paceline (usually through the General Partner of the applicable Fund) to consent to certain issues pertaining to the portfolio company's business and requiring equity owner approval. In these cases, Paceline considers factors that could affect the value of the investment and will act in the manner that it believes maximizes the value of its long-term investment in portfolio companies.

Paceline has adopted proxy voting policies and procedures pursuant to Advisers Act Rule 206(4)-6. Paceline's proxy voting policy seeks to ensure that it votes proxies in the best interest of the Funds with the goal towards maximizing overall value. Paceline generally believe its interests are aligned with those of the Funds' investors through the principals' beneficial ownership interests in the Funds. However, in the event that there is a conflict of interest in voting proxies, Paceline's proxy voting policy provides that the Firm can address the conflict using several alternatives, including by seeking the approval or concurrence of an LP Advisory Committee on the proposed proxy vote, or through other alternatives as set forth in Paceline's proxy voting policy. Investors in the Funds cannot direct how Paceline votes proxies or shareholder consents, nor is Paceline required to seek investor approval or direction from investors when voting proxies or when giving consent on any matter requiring the consent of shareholders.

Firm principals and affiliated or unaffiliated third parties appointed by Paceline often sit on the boards of portfolio companies to which Paceline provides operational, management and consulting services and, as such, exercise authority with respect to various issues faced by the portfolio companies. Paceline does not consider service on portfolio company boards by the aforementioned persons or their receipt of nominal board fees, if any, to create a material conflict of interest in voting proxies with respect to such companies.

Paceline will provide a copy of its proxy voting policy to any existing or prospective investor by contacting its Chief Compliance Officer, Kyle Volluz, at (469) 405-0908 or [info@pacelineequity.com](mailto:info@pacelineequity.com).

Investors can also obtain information from the Firm, free of charge, about how Paceline voted previous public proxies, if any.

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

Paceline does not require or solicit prepayment of more than \$1,200 in fees per Fund, six months or more in advance; has no financial condition reasonably likely to impair its ability to meet contractual commitments to Funds or investors; and has not been the subject of a bankruptcy proceeding.