# <u>TSG Capital Advisors Risk Factors Disclosure Page</u>

## *Risk Factors*

TSG Capital Advisors LLC (a d/b/a of BrightChoice Financial LLC) ("TSGCA") is an affiliate of TSG Invest and a broker-dealer registered with the Securities and Exchange Commission, as well as a FINRA/SIPC member firm. Investing in private placements involves risks not associated with other investment alternatives. These placements can be through ownership in a pooled investment vehicle ("Private Fund") or direct shares in a private company. Potential investors should carefully consider the risks described herein, among other factors. However, these risk factors are not exhaustive and do not represent all potential risks associated with private placement investments through TSGCA. There is no assurance that investment objectives will be achieved or that there will be any return of capital. These investments are suitable only for sophisticated investors capable of assuming the associated risks, including the potential loss of all invested capital. The risk factors mentioned here are not a complete enumeration or explanation of the risks involved in investing through TSG Capital Advisors. Prospective investors should consult with their own advisers before making any decision to invest in any private placement offered by TSGCA.

TSGCA offers three types of private placements: unaffiliated private funds, direct shares of private companies, and affiliated private funds managed by a TSG Invest affiliate ("TSG Invest Private Funds"). These investments carry general risks associated with securities and additional risks specific to non-marketable securities and non-public companies. TSG Invest Private Funds face multiple challenges. The securities or interests acquired often have resale restrictions and may lack marketability even without such restrictions. The funds' profitability heavily depends on their investments' ability to generate income or appreciate in value. However, numerous factors can impede this process, including insufficient capital, unfavorable competitive developments, adverse legislation at various governmental levels, inadequate management or loss of key personnel, technology obsolescence, and lack of market acceptance. Investments may experience significant capital shortfalls for various reasons. Resource development might prove costlier or more time-consuming than anticipated, and revenue growth may be slower than expected. Any of these occurrences could lead to investment failure and losses for the investment vehicle. The success of TSG Invest Private Funds is thus subject to a complex interplay of market forces, management decisions, and external factors, all of which contribute to the high-risk, potentially high-reward nature of these investments. TSG Invest private funds generally invest in shares of common or preferred stock of private issuers, or in other pooled investment vehicles. These pooled investment vehicles may either directly own common or preferred stock of private issuers, or they may own interests in additional pooled investment vehicles that hold common or preferred stock of private issuers.

TSG Invest private fund investments are typically concentrated in a relatively small number of investments, lacking broad diversification. As such, these investments should not be considered a complete investment program. This concentration of risk may expose an TSG Invest private fund to losses disproportionate to those experienced by the broader market. If one or more of the underlying issuers in a TSG Invest private fund's portfolio is negatively affected, the fund's overall returns may be impacted more severely than if its investments were more widely spread. Given their investment objectives, TSG Invest private funds often make long-term investments. Therefore, these funds are most appropriate for investors with extended investment horizons and the capacity to absorb potential loss of some or all of their investment. It's important to note that there's no guarantee that a private issuer held in a TSG Invest private fund will ever experience a liquidity event, meaning it could remain private indefinitely. The concentrated nature of these investments, combined with their long-term outlook and the uncertainty of liquidity events, underscores the high-risk, high-potential-reward profile of TSG Invest private funds. Investors should carefully consider these factors in the context of their overall investment strategy and risk tolerance before committing to such investments.

Private issuers are not obligated to make periodic public filings, which means certain operational information about these companies is not readily available to TSG Invest private funds prior to investment. This includes historical and projected financial results, customer and sales data, strategic plans, and management's discussion of operations. Consequently, TSG Invest private funds often make investment decisions based on publicly available information, which may be incomplete, inaccurate, or unconfirmed by the private issuer. Furthermore, the revenues and operating results of private issuers can fluctuate significantly from quarter to quarter and year to year due to various factors, many of which are beyond the control of both the private issuers and the TSG Invest private fund. As a result, the operational performance of a private issuer known prior to an investment by a TSG Invest private fund may vary considerably following the investment. This variability could lead to a decline in the value of an investment in a TSG Invest private fund, potentially resulting in a complete loss of the investment. In addition to company-specific risks, general economic fluctuations can affect the value of investments held by a TSG Invest private fund. Such economic shifts may severely impede the fund's ability to achieve favorable returns on its investments. The combination of limited information, operational variability, and economic uncertainty underscores the high-risk nature of investments in TSG Invest private funds. Investors should be aware that these factors can significantly impact the performance and value of their investments, and should carefully consider their risk tolerance before participating in such funds.

Certain preferred securities issued by private issuers may include participation rights, allowing holders to share pro rata with common stockholders in addition to receiving their liquidation preference during a Liquidity Event. These participation rights can potentially reduce the residual value available to holders of other securities, including those held by TSG Invest private funds, potentially negatively impacting the overall returns of these funds. Some private issuer securities may contain anti-dilution provisions. If a private issuer goes public below a predetermined price, these provisions trigger a downward conversion price adjustment, resulting in additional securities being issued to the holders. As TSG Invest private funds may invest directly or indirectly in common or preferred stock of private issuers, the dilution caused by such additional share issuances could negatively affect the fund's overall returns. Furthermore, certain securities issued by private issuers may carry cumulative dividend rights. These rights allow holders to accumulate unpaid dividends at a predetermined rate, which accrue to the liquidation preference of those securities over time. As this dividend preference may increase the liquidation preference of securities senior to those held by TSG Invest private funds, it can potentially erode the overall returns of these funds over time. These complex features of private issuer securities - participation rights, anti-dilution provisions, and cumulative dividend rights - illustrate the intricate and potentially unfavorable dynamics that can affect TSG Invest private fund investments. The interplay of these factors can significantly impact the value and returns of fund investments, underscoring the importance of thorough understanding and careful consideration by potential investors.

When a company transitions to public status, it must adhere to specific procedural steps and legal requirements. In response to this event, we typically aim to dissolve the TSG Invest private fund in which you've invested. Our goal is to transfer a number of shares to your designated brokerage account, proportional to your ownership stake in the TSG Invest private fund. However, the shares held by the TSG Invest private fund are generally subject to an IPO lock-up period, which prohibits share transfers for 180 days following the IPO. These shares are also classified as Restricted Securities under securities laws. Post-IPO, a transfer agent usually maintains custody of the pre-IPO shares. Once the company completes its IPO, the shares acquired by the TSG Invest private fund will remain with this transfer agent. After all applicable transfer restrictions have been satisfied, we will initiate the process of removing restrictive legends from the shares. We'll then request the transfer agent to move a number of shares, equivalent to your pro rata ownership in the TSG Invest private fund, to your specified brokerage account. This process ensures compliance with regulatory requirements while facilitating the transition of your investment from a private fund structure to directly held public shares.