

Materiality is defined as:

With respect to an individual, any amount (including any related debt or guarantee) equal to or greater than 5% of the net worth of the affected individual, together with that of his or her Immediate Family.

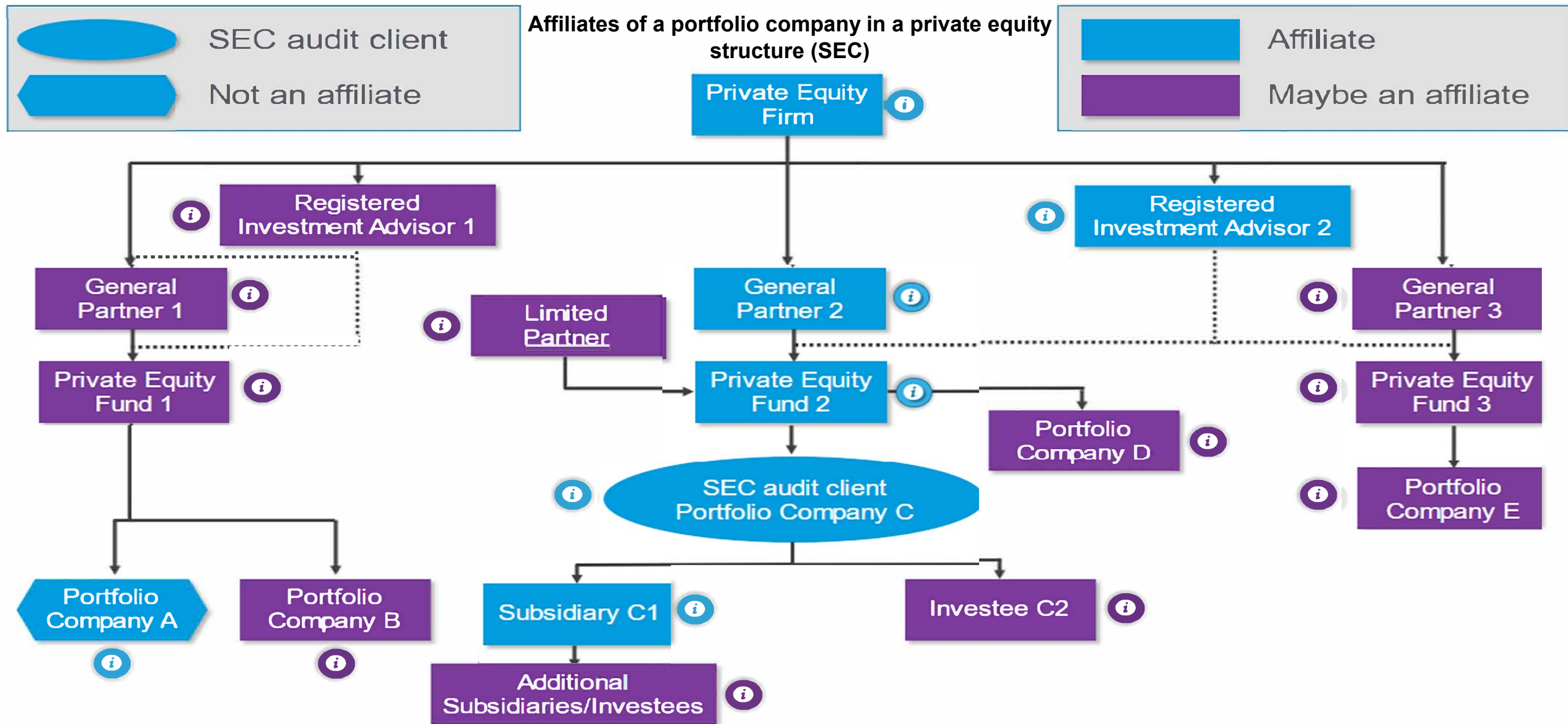
With respect to measuring materiality of an entity to an owner or investor in that entity, any amount equal to or greater than 5% of either the investor entity’s net assets or income from continuing operations before income taxes (increase in net assets for entities applying fair value accounting). For non-investor entities such as investment advisers, amounts equal to or greater than 5% of assets under management or management fee revenue are presumed material.

The below table provides an overview of how to calculate materiality:

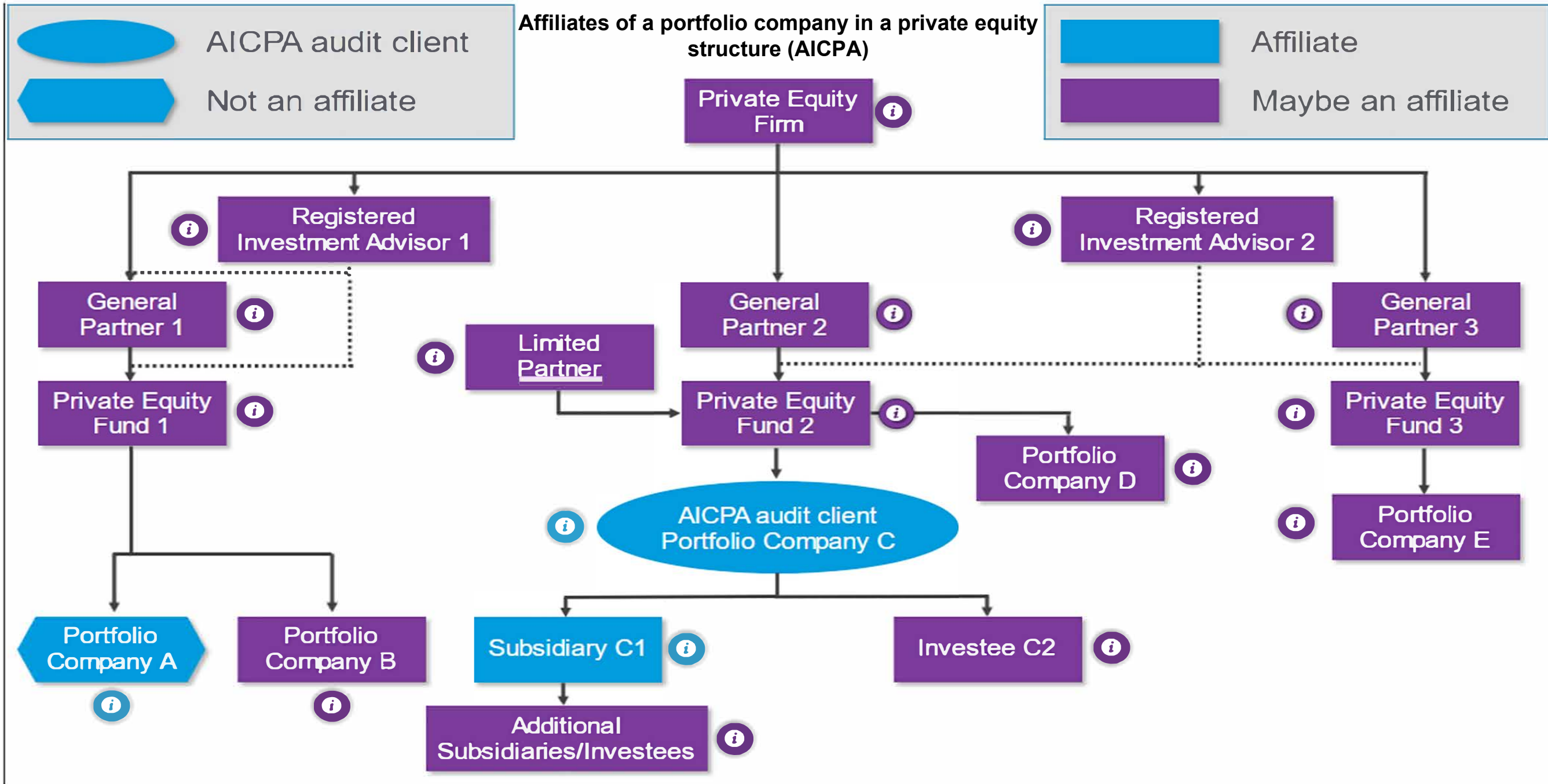
#	Investee	Investor	Accounting	Asset test	Income Test
1	Operating Entity	Operating Entity	Consolidation/Equity Method	Share Investee Equity ÷ Investor Total Equity (including Investee Equity)	Share in investee income from continuing operations before taxes ÷ investor income from continuing operations before taxes
2	Fund	Advisor	Fair value	Gross assets ÷ RAUM	If management fees from fund are known/determined to be inconsistent with the asset test results, then consider management fees from fund ÷ total management fees earned.
3	Fund	General partner	Fair value	Fund gross assets ÷ Gross assets of all Funds of the General Partner	
4	Fund	Ultimate parent (PEG Parent)	Fair value	Fund gross assets ÷ RAUM of the PEG	
5	Portfolio Company	Fund	Fair value	Fair value of the investment in the PC ÷ Gross Assets of the Fund (including uncalled capital)	
6	Portfolio Company	Investment Advisor	Fair value	Fair value of the investment in the PC ÷ RAUM of the Advisor	
7	Portfolio Company	Ultimate Parent (PEG Parent)	Fair value	Fair value of the investment in the PC ÷ RAUM of the PEG	
8	Fund	Individual	Fair value	Fair value of the investment in the fund ÷ net worth	
9	Portfolio Company	Individual	Fair value	Fair value of the investment in the PC ÷ net worth	

Regulatory Assets Under Management (“RAUM”): Calculated as the total value of all securities/investments, including uncalled commitments, managed by an adviser before indebtedness.

Gross Assets: Same methodology as RAUM, including uncalled commitments, but applied at the fund level.



Affiliates of a portfolio company in a private equity structure (SEC)			
Entity	Relationship	Affiliate Status	Information
Private Equity Firm	Ultimate Parent	Affiliate	Entities that directly or indirectly control Portfolio Company C (entity under audit) are always affiliates.
Registered Investment Advisor 1	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Registered Investment Advisor 1 are material to Private Equity Firm.
Registered Investment Advisor 2	Controlled	Affiliate	Affiliate - The SEC believes Registered Investment Advisors control the Investment companies they advise and the Portfolio Companies controlled by them.
General Partner 1	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and General Partner 1 are material to Private Equity Firm.
General Partner 2	Controlled	Affiliate	Entitles that directly or indirectly control Portfolio Company C (entity under audit) are always affiliates.
General Partner 3	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and General Partner 3 are material to Registered Investment Advisor 2.
Limited Partner		Maybe an affiliate	Affiliate if Limited partner has special rights which allows: 1. Limited Partner Investor to control Private Equity Fund 2. 2. Limited Partner Investor to exert significant influence over Private Equity Fund 2 and Portfolio Company C (entity under audit) is material to Limited Partner Investor.
Private Equity Fund 1	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Private Equity Fund 1 are material to Private Equity Firm.
Private Equity Fund 2	Controlled / Advised	Affiliate	Entitles that directly or indirectly control Portfolio Company C (entity under audit) always affiliates.
Private Equity Fund 3	Controlled / Advised	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Private Equity Fund 3 are material to Registered Investment Advisor 2.
Portfolio Company A	Significant Influence	Not an affiliate	Not affiliated - Portfolio Company A is not controlled and therefore not under common control with Portfolio Company C (entity under audit).
Portfolio Company B	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Portfolio Company B are material to Private Equity Firm.
Portfolio Company C	Controlled	SEC audit client	If the entity under audit is not material to Private Equity Fund 2, materiality assessments are generally not required for the sister entities (e.g. Portfolio Company D).
Portfolio Company D	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Portfolio Company D are material to Private Equity Fund 2.
Portfolio Company E	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit)and Portfolio Company E are material to Registered Investment Advisor 2.
Subsidiary C1	Controlled	Affiliate	Entities controlled by Portfolio Company C (entity under audit) are always affiliates.
Investee C2	Significant Influence	Maybe an affiliate	Affiliate if Investee C2 is material to Portfolio Company C (entity under audit).
Additional Subsidiaries / Investees		Maybe an affiliate	1. Affiliate if the additional subsidiaries/investees are controlled 2. Affiliate if the additional subsidiaries/investees are held via significant influence and material to Portfolio Company C (entity under audit).

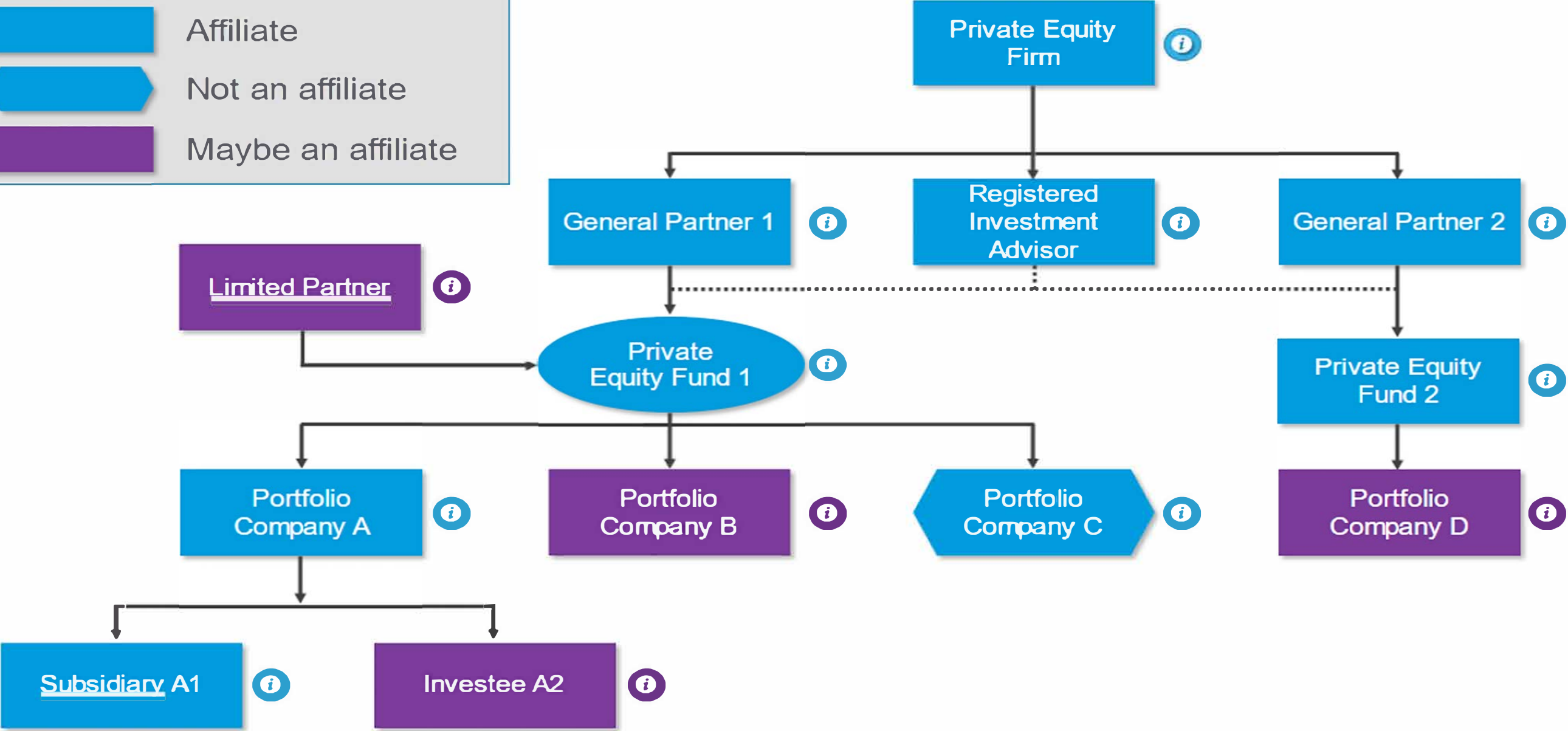


Affiliates of a portfolio company in a private equity structure (AICPA)

Entity	Relationship	Affiliate Status	Information
Private Equity Firm	Ultimate Parent	Maybe an affiliate	Affiliate if Portfolio Company C (entity under audit) is material to Private Equity Firm.
Registered Investment Advisor 1	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Registered Investment Advisor 1 are material to Private Equity Firm.
Registered Investment Advisor 2	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Registered Investment Advisor 2 are material to Private Equity Firm.
General Partner 1	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and General Partner 1 are material to Private Equity Firm.
General Partner 2	Controlled	Maybe an affiliate	Affiliate if Portfolio Company C (entity under audit) is material to General Partner 2.
General Partner 3	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and General Partner 3 are material to Private Equity Firm.
Limited Partner		Maybe an affiliate	Limited Partner Investors can exert control or significant influence via special rights. Affiliate if Limited Partner Investor controls or holds significant influence over Private Equity Fund 2 and Portfolio Company C (entity under audit) is material to Limited Partner Investor.
Private Equity Fund 1	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Private Equity Fund 1 are material to Private Equity Firm.
Private Equity Fund 2	Controlled / Advised	Maybe an affiliate	Affiliate if Portfolio Company C (entity under audit) is material to Private Equity Fund 2.
Private Equity Fund 3	Controlled / Advised	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Private Equity Fund 3 are material to Private Equity Firm.
Portfolio Company A	Significant Influence	Not an affiliate	Not affiliated - Portfolio Company A is not controlled and therefore not under common control with Portfolio Company C (entity under audit).
Portfolio Company B	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Portfolio Company B are material to Private Equity Firm.
Portfolio Company C	Controlled	AICPA audit client	If Portfolio Company C (entity under audit) is not material to Private Equity Fund 2, materiality assessments are generally not required for the siter entities (e.g. Portfolio Company D).
Portfolio Company D	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Portfolio Company D are material to Private Equity Fund 2.
Portfolio Company E	Controlled	Maybe an affiliate	Affiliate if both Portfolio Company C (entity under audit) and Portfolio Company E are material to Private Equity Firm.
Subsidiary C1	Controlled	Affiliate	Entities controlled by Portfolio Company C (entity under audit) are always affiliates.
Investee C2	Significant Influence	Maybe an affiliate	Affiliate if Investee C2 is material to Portfolio Company C (entity under audit).
Additional Subsidiaries / Investees		Maybe an affiliate	1) Affiliate if the additional subsidiaries/investees are controlled. 2) Affiliate if the additional subsidiaries/investees are held via significant influence and material to Portfolio Company C (entity under audit).

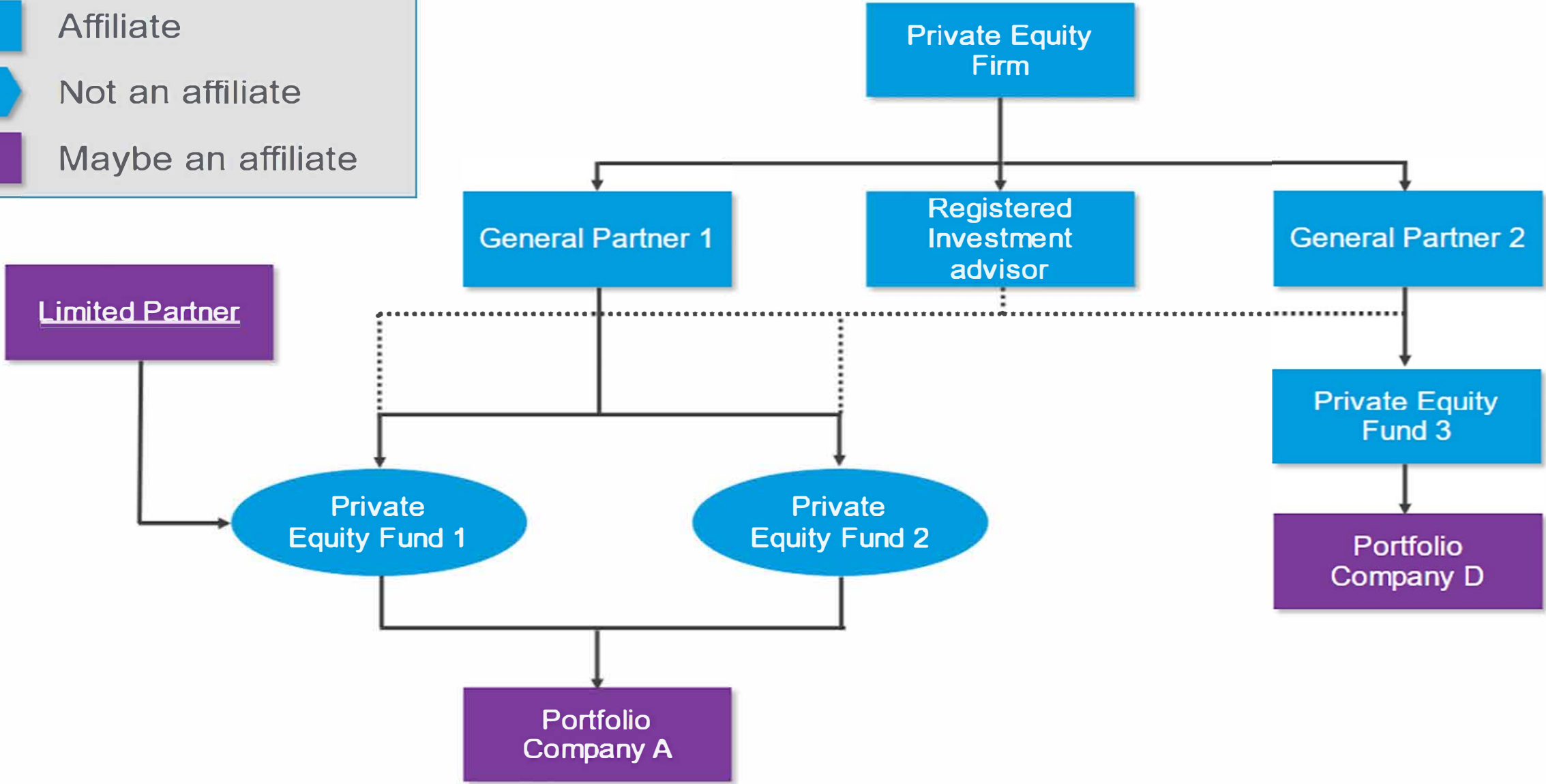


Affiliates of Fund Audits in an Investment Company Complex



Affiliates of Fund Audits in an Investment Company Complex			
Entity	Relationship	Affiliate Status	Information
Private Equity Firm	Ultimate Parent	Affiliate	Entities that directly or indirectly control Private Equity Fund 1 (entity under audit) are always affiliates.
Registered Investment Advisor	Controlled. Registered Investment Advisor for PE Fund 1 & 2	Affiliate	The Investment Advisor is always an affiliate of the Investment Company under audit (Private Equity Fund 1).
General Partner 1	Controlled. Provides administrative services to PE Fund 1 & RIA	Affiliate	Affiliate - General Partner 1 controls Private Equity Fund 1 (entity under audit), is commonly controlled by Private Equity Firm, and provides administrative services to Registered Investment Advisor & Private Equity Fund 1 (entity under audit).
General Partener 2	Controlled. Provides administrative services to PE Fund 2 & RIA	Affiliate	Affiliate - General Partner 2 is commonly controlled by Private Equity Firm and provides administrative services to Registered Investment Advisor & Private Equity Fund 2.
Limited Partner		Maybe an affiliate	Affiliate if Limited partner has special rights which allows: 1. Limited Partner Investor to control Private Equity Fund 1 (entity under audit). 2. Limited Partner Investor to exert significant influence over Private Equity Fund 1 (entity under audit) and Private Equity Fund 1 is material to Limited Partner Investor..
Private Equity Fund 1	Controlled / Advised	SEC audit client	When the entity under audit is an Investment Company, the entire Investment Company Complex must be evaluated to determine its affiliates.
Private Equity Fund 2	Controlled / Advised	Affiliate	When the Registered Investment Advisor or sponsor is determined to be an affiliate, all investment companies advised by such Advisor or sponsor are affiliates.
Portfolio Company A	Controlled	Affiliate	Entities controlled by Private Equity Fund 1 (entity under audit) are always affiliates.
Portfolio Company B	Significant Influence	Affiliate	Affiliate if material to Private Equity Fund 1 (entity under audit).
Portfolio Company C	Significant Influence - Not Material	Not an affiliate	Not affiliated - Portfolio Company C is not material to Private Equity fund 1 (entity under audit).
Portfolio Company D	Controlled	Maybe an affiliate	Affiliate if both Private Equity Fund 1 (entity under audit) and Portfolio Company D are material to Registered Investment Advisor.
Subsidiary A1	Controlled	Affiliate	Entities controlled by Private Equity Fund 1 (entity under audit) are always affiliates.
Investee A2	Significant Influence	Maybe an affiliate	Affiliate if Investee A2 is material to Private Equity Fund 1 (entity under audit).

Affiliates of Fund Audits in an Investment Company Complex



Affiliates of Fund Audits in an Investment Company Complex			
Entity	Relationship	Affiliate Status	Information
Private Equity Fund 1	Controlled / Advised	SEC audit client	
Private Equity Fund 2	Controlled / Advised	SEC audit client	
Portfolio Company A		Maybe an affiliate	In situations where multiple commonly controlled fund audit clients hold an investment in a portfolio company, the affiliate evaluation must be completed at the individual fund level and in aggregate. Portfolio Company A is an affiliate if it is: 1. Controlled in aggregate or by any one fund. 2. Significant influence & material by any one fund or in aggregate.