

**ITEM 1 – COVER PAGE**

**BROCHURE  
Form ADV Part 2A**

**VMG PARTNERS II, LLC**

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**February 14, 2012**

This brochure provides information about the qualifications and business practices of VMG Partners II, LLC. If you have any questions about the contents of this brochure, please contact us at (415) 632-4200 and/or [kayser@vmgpartners.com](mailto:kayser@vmgpartners.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.

Additional information about VMG Partners II, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - MATERIAL CHANGES**

This brochure is a new document prepared in connection with the application of VMG Partners II, LLC for registration as an investor adviser with the SEC.

Following the registration of VMG Partners II, LLC with the SEC, this Item 2 will be used to provide a summary of material changes that are made to a brochure since its last annual update.

VMG Partners' status as an investment adviser registered with the SEC under the Advisers Act does not imply any level of skill or training.

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## ITEM 4 - ADVISORY BUSINESS

### A. Description of Advisory Firm

VMG Partners II, LLC, a Delaware limited liability company (“VMG Partners”), formed in 2011, together with its affiliate, VMG Partners, LLC, a Delaware limited liability company (the “Fund I Manager”), formed in 2005, is a San Francisco, California-based private equity investment advisory firm that was formed to provide investors with the opportunity to generate long-term capital appreciation through private equity and equity related investments in small-to-medium-sized companies that deal in branded consumer products in the United States and Canada. The members of VMG Partners control the Fund I Manager. VMG Partners currently provides investment advisory services to VMG Equity Partners, L.P., a Delaware limited partnership (together with its separate investment vehicles, “Fund I”), and VMG Partners II, L.P., a Delaware limited partnership, (together with any separate investment vehicles formed from time to time, “Fund II”). In addition, VMG Partners manages co-investment vehicles which invest alongside Fund I and Fund II. As used herein, “VMG Funds” refers to Fund I, Fund II and any co-investment vehicles formed from time to time, together with subsequently sponsored funds and their related vehicles and co-investment vehicles formed from time to time, and any similar pooled investment vehicles formed or managed by VMG Partners or its affiliates. The general partner of Fund I is VMG Equity Partners GP, L.P., a Delaware limited partnership (the “Fund I General Partner”), and the general partner of Fund II is VMG Partners II GP, L.P., a Delaware limited partnership (the “Fund II General Partner” and together with the Fund I General Partner, the “General Partners”). The General Partners and VMG Partners are affiliates. The General Partners have the power and authority to delegate the management of the VMG Funds to VMG Partners. The General Partners and each of Fund I and Fund II have entered into management agreements with VMG Partners to document the delegation of the management of each VMG Fund to VMG Partners. The owners of VMG Partners are Michael L. Mauzé, David G. Baram, Kara M. Roell.

### B. Types of Advisory Services Offered

VMG Partners provides advice to the VMG Funds in respect of their investment portfolios, as well as certain ancillary managerial and administrative services, including, without limitation, identifying and screening potential investments, recommending strategies for the management and disposition of investments, monitoring the performance of investments, and preparing reports necessary or appropriate for compliance with the governing agreements of the VMG Funds. Investments in VMG Funds are privately offered only to qualified investors, typically institutional investors (for example, public and private pension funds) and eligible high-net-worth individuals. See also Item 4.A. above.

### C. Services Tailored to Individual Needs of Clients

VMG Partners' advisory services are geared to the management of the VMG Funds, the investment objectives, parameters and restrictions of which are disclosed to investors in the applicable governing agreements before they invest. Investment restrictions applicable to specific VMG Funds are customarily imposed in the governing agreements for such VMG Funds, as agreed upon with investors.

VMG Partners or certain affiliates may also enter into side letters or other writings with specific investors in VMG Funds which have the effect of establishing rights under, or altering or supplementing, the terms of the governing agreements of the VMG Funds, in respect of the investor to whom such letter or writing is addressed. Any rights established, or any terms altered or supplemented, will govern only that investor and not a VMG Fund as a whole. Such side letters may impose restrictions on participation in certain investments or types of investments made by the VMG Funds, and may also provide benefits to certain investors in a VMG Fund not provided to investors in such VMG Fund generally (for example, adjustments to fees or other economics, access to information, ability to transfer interests in a VMG Fund or compliance with specified laws or regulations). Neither VMG Partners nor its affiliates will enter into a particular side letter if VMG Partners determines that the provisions contained in such side letter would be disruptive to the applicable VMG Fund or its investment program. Disclosure of applicable side letter practices is made to investors prior to their investment in the applicable VMG Fund.

### D. Wrap Fee Programs

Wrap fees are comprehensive fees charged to a client for providing a bundle of services, such as investment advice, investment research and brokerage services. VMG Partners does not participate in wrap fee programs.

### E. Client Assets

As of January 1, 2012, VMG Partners managed \$782,129,212 of client assets on a discretionary basis. As of January 1, 2012, VMG Partners did not manage any assets on a non-discretionary basis.

## **ITEM 5 - FEES AND COMPENSATION**

### A. Fees

The applicable fees for each VMG Fund are disclosed to investors in the private offering materials for the relevant private offering of each VMG Fund. VMG Partners receives or will receive a management fee and the General Partners receive or will receive a "carried interest" or performance fee, in each case, from the respective VMG Funds they manage. Performance fees

are typically measured as a percentage of the profits of a VMG Fund and are negotiated separately for each VMG Fund at a rate consistent with industry standards.

In addition, VMG Partners or its affiliates may receive directors' fees, transaction fees, topping and break-up fees, advisory fees or other fees in connection with portfolio investments or prospective portfolio investments of a VMG Fund. Typically, the management fees payable by each investor in a VMG Fund will be reduced by a percentage of its pro rata share of any transaction fees, topping and break-up fees, advisory fees or other fees received by VMG Partners or its affiliates in connection with portfolio investments or prospective portfolio investments of a VMG Fund.

#### B. How Fees are Charged

Management fees are payable or will be payable by each investor in a VMG Fund on a semi-annual basis. Management fees are collected no earlier than the second business day after the beginning of each semi-annual period. Management fees are paid by capital contributions from investors to each VMG Fund pursuant to capital call notices delivered by each VMG Fund's General Partner out of the total amount of capital an investor agrees to contribute to the applicable VMG Fund (*i.e.*, an investor's "capital commitment") or are paid out of cash that is otherwise distributable to the investors in the VMG Funds, including cash held by the VMG Fund after a portfolio investment of a VMG Fund is disposed of and before the proceeds are distributed to investors (*i.e.*, deducted from the assets of a VMG Fund). Management fees may also be paid out of cash reserves of the applicable VMG Fund.

"Carried interest" or performance fees are assessed periodically, typically after the receipt by the VMG Funds of proceeds from a portfolio investment, and are paid out of cash otherwise distributable to VMG Fund investors.

#### C. Other Fees and Expenses

VMG Funds are subject to customary expenses, including, but not limited to, fees, costs and expenses related to the purchase, holding and sale of investments, reporting to investors, tax preparations, meetings of limited partners and VMG Fund advisory committees, expenses of any administrators, advisors, custodians, brokers, consultants, counsel and accountants (including audit fees), any insurance, indemnity or litigation expenses, all debt service obligations, including principal, interest, premium, if any, fees, expenses and other amounts payable in respect of indebtedness of the VMG Fund, and any taxes, fees or other governmental charges levied against a VMG Fund investment vehicle, and expenses arising in connection with the formation, launch and closings of a VMG Fund (as described in, and subject to limits on such organizational expenses as set forth in, the applicable VMG Fund governing agreements). Each VMG Fund will also pay all expenses for transactions not completed, including amounts payable to third parties and all fees and expenses of lenders, investment banks and other financing sources in connection with arranging financing for transactions which are not consummated, and any deposits or down-payments which are forfeited in connection with unconsummated transactions.

Each VMG Fund will also pay any placement agent fees incurred in connection with the marketing and offering of limited partnership interests in the VMG Fund, however, the management fees payable by the investors in a VMG Fund will be reduced dollar-for-dollar by their share of the amount of placement agent fees paid by the VMG Fund, such that the investors in the VMG Fund will not bear the economic burden of any placement agent fees.

Given the nature of the VMG Funds' investment programs, VMG Partners does not usually transact through broker-dealers. Therefore, the VMG Funds do not generally incur brokerage costs. A discussion of VMG Partners' brokerage practices may be found at Item 12 of this brochure.

#### D. Refunds for Fees Charged in Advance

Investors in VMG Funds agree to commit a certain amount of capital to a VMG Fund in advance of any investment advisory functions performed by VMG Partners. Management fees assessed by the VMG Funds are paid from these amounts and are payable in advance for each period as described above in Item 5.B. VMG Partners' services may be terminated under very limited circumstances. Should VMG Partners' services be terminated before services are provided for the applicable period, fees that have been paid in advance will generally be pro-rated from the date of VMG Partners' termination to the end of the period to which the advance fee covered and will be returned to the investors that paid those fees in advance.

#### E. Compensation for Sales of Securities

Neither VMG Partners nor its supervised persons accepts compensation for the sale of securities or other investment products.

### **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

A VMG Fund may be assessed a "carried interest" or performance fees that are paid to the applicable General Partner. The "carried interest" is assessed periodically, typically after the receipt by the VMG Funds of proceeds from a portfolio investment, and is paid out of cash otherwise distributable to investors. "Carried interest" is typically measured as a percentage of the profits of a VMG Fund and is negotiated separately for each VMG Fund at a rate consistent with industry standards and in compliance with the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The amount of "carried interest" is distributed to the General Partners with respect to each receipt of net proceeds attributable to a portfolio investment of a VMG Fund only after the investors in the applicable VMG Fund receive the aggregate of (i) the capital contributions of such investor made in respect to such portfolio investment, (ii) the investor's proportionate share of capital contributions used to pay organizational and other



expenses described in Item 5 that have been allocated to such portfolio investment, and (iii) a preferred return on such capital contributions.

Generally, upon the termination of a VMG Fund, the applicable General Partner will be required to restore funds to the applicable VMG Fund to the extent that (i) the investors have not received their return of realized capital and costs and preferred return described above, or (ii) the applicable General Partner has received cumulative distributions in respect of its “carried interest” in excess of a certain percentage of the profits of a VMG Fund, in each case, applied on an aggregate basis covering all transactions of the applicable VMG Fund. In no event will the applicable General Partner be required to restore more than the cumulative distributions in respect of its “carried interest” received by such General Partner, less income taxes thereon and taxes attributable to property distributed in kind.

The existence of the General Partners’ “carried interest” or performance fee may create an incentive for the General Partners and VMG Partners to make riskier or more speculative investments on behalf of the VMG Funds than would be the case in the absence of these arrangements. These potential conflicts of interest are addressed in the manner described in Item 11.

VMG Partners does not manage accounts other than the VMG Funds.

## **ITEM 7 - TYPES OF CLIENTS**

VMG Partners provides investment advice only to the VMG Funds, which are its only clients. Interests in the VMG Funds are offered privately to a limited number of sophisticated investors, including institutional investors (for example, public and private pension funds) and individuals who qualify to invest in the VMG Funds because they have a sufficiently high income or net worth (for example, individuals with at least \$5 million in investment assets). VMG Partners typically imposes a minimum investment in connection with investing in a VMG Fund, often in the range of \$5 million to \$10 million, although such minimums may be waived in the discretion of VMG Partners. In addition, each General Partner will make a capital commitment to the applicable VMG Fund and its capital commitment will be funded through such General Partner by members and employees of VMG Partners and the applicable General Partner.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Methods of Analysis and Investment Strategies**

The VMG Funds primarily invest principally in marketing-driven, branded consumer product companies within the United States and Canadian lower-middle markets. In particular, VMG Funds focus on making investments in private companies in defined industries where VMG Partners believes its operating and marketing expertise and unique resources can accelerate value creation. These focused industries include food, beverage, personal care, pet products, lifestyle,

wellness, apparel and household products. VMG Partners' investment strategy for each industry is generally executed through independent research, which may include direct contact with companies and consultants. VMG Partners' methods of analysis include economic and industry analysis, fundamental research concerning specific companies and securities, technical analysis, and other methods that one or more of VMG Partners' investment personnel may deem appropriate from time to time.

Participation in any VMG Fund involves a risk of loss that investors should be prepared to bear, including up to the entire amount of their investment or commitment. For a discussion of material risks, see Items 8.B and 8.C immediately below. In addition, prospective investors in VMG Funds are provided with more detailed information about risks before they invest in any VMG Fund.

## B. Material Risks

The transactions in which the VMG Funds engage involve substantial risks and are suitable only for those investors who have the financial sophistication and expertise to understand and accept such risks. No assurance can be given that the investment objectives of the VMG Funds will be achieved or that investors will receive a return of or will realize a profit on their investments in the VMG Funds.

Prior to committing to any VMG Fund, potential investors are furnished with a confidential offering memorandum which sets forth in detail the material risks associated with such investment and cautions that returns may be unpredictable, that the possibility of a partial or total loss of capital will exist and that investors should not commit unless they can readily bear the consequences of such loss. All investors are required to represent in their subscription materials that they have carefully read the risk factor disclosure and understand all such risks. Prospective investors are also advised in the offering materials that the risk factors and other investment considerations described therein are not necessarily a complete list or explanation of all risks involved and are advised to consult their own counsel and other advisors.

Without limiting (i) the foregoing, (ii) the disclosure set forth in the VMG Funds' offering documents and governing agreements and (iii) the acknowledgements made by investors in their subscription agreements or otherwise, the discussion below summarizes certain of the material risks associated with investments in the VMG Funds:

**Nature of Investment:** An investment in a VMG Fund requires a long-term commitment, with no certainty of return. Portfolio investments of a VMG Fund may not generate current income. Therefore, the return of capital and the realization of gains, if any, from a portfolio investment generally will occur upon the partial or complete realization or disposition of such portfolio investment. While a portfolio investment may be realized or disposed of at any time, it is generally expected that the ultimate realization or disposition of most of a VMG Fund's portfolio investments will not occur for a number of years after such portfolio investments are made. A VMG Fund generally will not be able to sell portfolio company securities publicly unless the issuer has gone public and such sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases, a VMG

Fund may be prohibited or limited by contract from selling certain portfolio company securities for a period of time, and, as a result, may not be permitted to sell a portfolio investment at a time it might otherwise desire to do so.

**Restrictions on Transfer and Withdrawal; Lack of Liquidity:** The interests in VMG Funds are not registered under the Securities Act or any other applicable securities laws and there will be no public or private market for the interests in VMG Funds and none is expected to develop. In addition, the interests in VMG Funds are not transferable and may not be encumbered.

**Prior Investment Performance Not Indicative of Future Results:** The performance of prior investments made by a VMG Fund is not indicative of any VMG Fund's future results. On any given investment, total loss of the investment is possible.

**Dependence on Key Personnel:** The success of a VMG Fund depends in substantial part upon the skill and expertise of the investment professionals of VMG and the other individuals employed to assist them. There can be no assurance that the investment professionals will continue to be partners of or employed by the VMG. The loss of service to a VMG Fund of one or more the investment professionals could have a material adverse effect on the success of a VMG Fund.

**Risks In Effecting Operating Improvements:** In many cases, the success of a VMG Fund's investment strategy will depend, in part, on the ability of a VMG Fund to effect improvements in the operations of a portfolio company. The activity of identifying and implementing potential operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a VMG Fund will be able to successfully identify and implement such improvements.

**Limited Number of Investments:** A VMG Fund may participate in a limited number of investments and, as a consequence, the aggregate return of a VMG Fund may be substantially affected by the unfavorable performance of a single investment.

**Leverage:** A VMG Fund's investments are expected to include companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. Although VMG will seek to use leverage in a prudent manner, the leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the portfolio companies or their respective industry. Additionally, the securities acquired by a VMG Fund may be the most junior in what may be a complex capital structure and thus subject to the greatest risk of loss.

**Bridge Financing:** A VMG Fund may provide bridge financing or investments in connection with one or more of its equity investments. A VMG Fund will bear the risk of any changes in capital markets that may adversely affect the ability of a portfolio company to refinance any bridge investments. If the portfolio company were unable to complete a refinancing, a VMG Fund could have a long-term investment in a junior debt security or a junior debt security that is convertible into equity.

**Credit Facility:** The General Partner may establish one or more credit facilities for a VMG Fund with one or more financial institutions. Implementation and utilization of any credit facility may result in fees and expenses to a VMG Fund. Such costs will not be reimbursed by a VMG Fund.

**Competitive Marketplace:** A VMG Fund will be competing with a significant number of private equity funds, as well as institutional investors and strategic investors, for investments in prospective portfolio companies. As a result of this competition, there can be no assurance that a VMG Fund will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve its targeted rate of return or fully invest its committed capital.

**Risks Upon Dispositions of Investments:** In connection with the disposition of a portfolio investment, a VMG Fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. It may also be required to indemnify the purchasers of such investment to the extent that any such representation turns out to be inaccurate. These arrangements may result in contingent liabilities of a VMG Fund, which might ultimately have to be funded by the investors in a VMG Fund to the extent that such contingent liabilities exceed the reserves and other assets of a VMG Fund and the investors of a VMG Fund have received prior distributions from a VMG Fund.

**Reinvestment:** Under certain circumstances, proceeds distributable (or previously distributed) to the investors in a VMG Fund that constitute a return of capital contributions may be retained and reinvested (or recalled for reinvestment) by VMG or used (or recalled for use) by VMG for any other proper purpose. Accordingly, an investor may be required to fund for investments or expenses during the term of a VMG Fund an aggregate amount that significantly exceeds its capital commitment.

**Distributions in Kind:** Although, under normal circumstances, a VMG Fund intends to make distributions in cash or in publicly traded securities, it is possible that under certain circumstances (including the liquidation of a VMG Fund) distributions may be made in kind and could consist of securities for which there is no readily available public market.

**Recourse to a VMG Fund's Assets:** A VMG Fund's assets, including any investments made by a VMG Fund and any capital held by a VMG Fund, are available to satisfy all liabilities and other obligations of a VMG Fund. If a VMG Fund itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a VMG Fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

**Indemnification:** VMG and its respective members, partners, shareholders, directors, officers, employees, agents and affiliates, will be entitled to indemnification from a VMG Fund, except in certain circumstances. The assets of a VMG Fund will be available to satisfy these indemnification obligations, and investors in a VMG Fund may be required to return distributions to satisfy such obligations. Such obligations will survive the dissolution of a VMG Fund.

**Effects of Bankruptcy:** A VMG Fund may make investments in portfolio companies that are or may become the subject of voluntary or involuntary bankruptcy proceedings under applicable bankruptcy laws. Certain risks that are faced in bankruptcy cases that must be factored into the investment decision include, for example, the potential total loss of any such investment. Upon confirmation of a plan of reorganization under applicable bankruptcy laws, or as a result of a liquidation proceeding, a VMG Fund could suffer a loss of all or a part of the value of its investment in a portfolio company. A bankruptcy filing may adversely and permanently affect a portfolio company. The portfolio company could lose market position and key employees, and the liquidation value of the portfolio company may not equal the liquidation value that was believed to exist prior to the making of the initial investment.

**Hedging:** A VMG Fund may enter into swaps, forward contracts and other arrangements to seek to preserve a return on a particular investment or to seek to protect against currency fluctuations. Such transactions have special risks associated with them, including the possible default by the counterparty to the transaction and the illiquidity of the instrument acquired by a VMG Fund relating thereto. Although such transactions may reduce a VMG Fund's exposure to currency fluctuations or decreases in the value of investments, the costs associated with these arrangements may reduce the returns that a VMG Fund would have otherwise achieved if it had not entered into these transactions.

**Failure to Make Capital Contributions:** If any investor in a VMG Fund fails to fund its subscription obligation or make required capital contributions when due, a VMG Fund's ability to complete its investment program or otherwise continue operations may be impaired and the investor may be subject to significant consequences.

**Regulatory Concerns:** Each VMG Fund is not required to, and does not intend to, register as an investment company under the Investment Company Act. Accordingly, certain provisions of the Investment Company Act (which may provide certain regulatory safeguards to investors) will not be applicable.

**Limited Partners Will Not Participate in Management of a VMG Fund:** Limited Partners will not have the right to participate in the management of a VMG Fund or in decisions made by the General Partner on its behalf. As a result, Limited Partners will have almost no control over their investments in a VMG Fund or their prospects with respect thereto.

**Unspecified Use of Proceeds:** Investors in a VMG Fund do not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by a VMG Fund and, accordingly, will be dependent upon the judgment and ability of VMG in investing and managing the capital of a VMG Fund.

**Effect of Fees and Expenses on Returns:** A VMG Fund will pay fees and will bear all expenses related to its operations. Such fees are expected to reduce the actual returns to investors in a VMG Fund. Most of the fees and expenses will be paid regardless of whether a VMG Fund produces positive investment returns.

**General Economic Conditions; Market Dislocation:** U.S. and global market and economic conditions may decrease the demand for consumer products and may impact the VMG Funds'

ability to, among other things: (a) make and dispose of investments on favorable terms, (b) access credit markets on favorable terms (or at all), and (c) attract co-investors and other counterparties to do business with the VMG Funds. There can be no assurance as to the future direction of national and global market and economic conditions.

**Legal, Tax and Regulatory Risks:** During the term of a VMG Fund, legal, tax and regulatory changes could occur that may adversely affect a VMG Fund.

**Benefit Plan Investors:** VMG Funds are generally structured so that their underlying assets will not constitute assets of any plan subject to Title I of ERISA or Section 4975 of the United States Internal Revenue Code of 1986, as amended. This may restrict a VMG Fund's activities, preclude it from making certain investments, and require it to take actions that may expose the assets of the VMG Fund to claims or liabilities. Failure to structure a VMG Fund accordingly may also expose a VMG Fund to additional duties and liabilities under ERISA.

**General Tax Considerations:** VMG Funds are generally expected to be treated as pass-through vehicles for U.S. federal income tax purposes. Investments in VMG Funds give rise to a variety of complex U.S. federal income tax and other tax issues for both tax-exempt and non tax-exempt investors.

**Potential Conflicts of Interest:** There will be occasions when VMG and its affiliates may encounter potential conflicts of interest in connection with VMG Funds. Such conflicts may include, but are not limited to, the following:

- The existence of "carried interest," which is discussed further in Item 6 above.
- A VMG Fund's general partner may engage in transactions on behalf of a VMG Fund with VMG or its affiliates (for example, VMG or its affiliates may receive certain fees for services rendered to, or in connection with, a particular investment).
- The general partner of a VMG Fund may elect to co-invest the VMG Fund's capital with other investors who have preexisting investments with other VMG Funds or VMG affiliates on different terms.
- VMG personnel generally devote time to multiple VMG investment vehicles and activities of other VMG affiliates.
- VMG Funds may on occasion engage in certain affiliated or interested transactions, as further discussed in Item 11 below.
- As further discussed in Item 10.C below, VMG may be presented from time to time with investment opportunities that meet the investment objectives of one or more VMG Funds and/or other VMG-advised investment vehicles.

Conflicts of interest, and the methods VMG and its supervised persons utilize to address these conflicts, are generally disclosed to investors in each applicable VMG Fund's governing agreements before they invest.

To address conflicts of interest such as those described above, VMG investment professionals prepare an investment memorandum for each new investment opportunity or other transaction. VMG's Chief Compliance Officer (the "CCO") reviews these investment memoranda. If the

CCO identifies any actual or potential conflicts of interest, the CCO reviews the actual or potential conflicts with VMG's Managing Members and legal counsel, if deemed appropriate, in order to recommend courses of action to VMG's Managing Members.

In addition, the governing agreements for VMG Funds generally contain specified procedures to address certain conflicts of interests. These procedures may include (i) requiring a VMG Fund general partner take certain actions to mitigate the conflict of interest, or (ii) referring a conflict of interest transaction to a VMG Fund's investor advisory committee. A VMG Fund's investor advisory committee is typically comprised of representatives of investors in the applicable VMG Fund and is typically authorized to grant consents on behalf of the VMG Fund.

#### C. Recommendations of Particular Securities

VMG Funds have and will continue to seek to invest in portfolio companies involved in marketing-driven, branded consumer product companies within the United States and Canada. These companies may be subject to regulatory oversight. Changes in laws or regulations relating to consumer products companies could have an adverse effect on the portfolio companies of the VMG Funds. Please see Items 8.A and 8.B for additional risks associated with investments in the VMG Funds. In addition, prospective investors in VMG Funds are provided with more detailed information about risks before they invest in any VMG Fund.

### **ITEM 9 - DISCIPLINARY INFORMATION**

VMG Partners is not aware, after having conducted due diligence on the firm and its management persons, of any legal or disciplinary events that would be material to a client's or prospective client's evaluation of VMG Partners' advisory business or the integrity of its management.

### **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### A. Broker-Dealers

Neither VMG Partners 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.

#### B. Futures and Commodity Trading

Neither VMG Partners nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### C. Material Relationships

VMG Partners and its affiliates form VMG Funds to make investments in portfolio companies involved in marketing-driven, branded consumer product companies within the United States and Canada. VMG Partners provides investment management services to such VMG Funds. These relationships and related management or other fees are disclosed in the private offering materials in connection with the launch of such VMG Funds.

VMG Partners seeks to allocate investment opportunities among the VMG Funds in a fair and equitable manner, bearing in mind, among other things, the size, investment objectives, risk tolerance, return targets, permissible and preferred asset classes and liquidity needs of each VMG Fund. In addition, certain VMG Fund governing agreements prescribe additional requirements for the allocation of investment opportunities, which will be disclosed to investors prior to their investment in such VMG Fund. Under no circumstances may VMG Partners or any affiliate allocate investment opportunities based on anticipated compensation or profits to VMG Partners, any affiliates or their employees. Each VMG Fund has its own investment guidelines, charter and organizational documents that are taken into account when making investment allocation determinations.

Each of the General Partners of the VMG Funds are related persons to VMG Partners. The General Partners are controlled by individuals who are also principals of VMG Partners. As previously described, because the General Partners may receive a “carried interest” or performance fee, there may be an incentive for the General Partner and VMG Partners to make riskier or more speculative investments on behalf of the VMG Funds than would be the case in the absence of these arrangements.

### D. Recommendation or Selection of Other Investment Advisers

VMG Partners does not recommend or select other investment advisers for its clients, nor does it receive compensation directly or indirectly from any such advisers.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### A. Code of Ethics

VMG Partners is a fiduciary to its clients, currently the VMG Funds. This means that VMG Partners and its employees must put the interests of the VMG Funds first. To that end, VMG Partners employees are required to:

- Place the interests of the VMG Funds above any personal interests;
- Seek to identify conflicts of interest and observe established resolution procedures as described in VMG Partners’ Code of Ethics and Compliance Manual;



- Avoid misleading or inaccurate statements that may be attributed to VMG Partners;
- Conduct personal securities transactions in a manner consistent with VMG Partners' Code of Ethics (including pre-clearance (if applicable) and reporting of transactions);
- Report any violations of VMG Partners' Code of Ethics, or VMG Partners' Compliance Manual generally, to its Chief Compliance Officer; and
- Comply with VMG Partners' Code of Ethics, its Compliance Manual, and applicable provisions of the federal securities laws as well as any other laws applicable to VMG Partners.

See Items 11.C and 11.D below for further details regarding VMG Partners' Code of Ethics.

Copies of VMG Partners' Code of Ethics are available to any client or prospective client upon request.

VMG Partners' policies and procedures for addressing conflicts of interest generally are also described in more detail at Item 8 above.

#### B. Participation or Interest in Client Transactions

VMG Partners provides ongoing portfolio management services for the VMG Funds. VMG Partners' managing members are responsible for monitoring and managing each respective VMG Fund's investment portfolio in accordance with the particular VMG Fund's investment objectives, limitations, and guidelines, and as set forth in the VMG Fund's governing agreements.

VMG Partners is subject to restrictions disclosed to investors in the applicable VMG Fund offering materials and governing agreements relating to principal transactions, cross trades and other affiliated transactions, in which VMG Partners or its employees may have interests that are adverse to, or in any event potentially not aligned with, the interests of one or more of the VMG Funds.

A "principal transaction" occurs when VMG Partners, or one of its affiliates, acquires investments from, or sells investments to a VMG Fund, subject to certain exceptions as set forth in the applicable governing agreements. Principal transactions are only permitted if made in accordance with the applicable governing agreements which generally require, subject to certain limited exceptions, that VMG Partners obtains the prior consent to such principal transaction of either the advisory committee of the applicable VMG Fund or a majority in interest of the Investors of the applicable VMG Fund. To the extent that an affiliate of VMG Partners may control one or more VMG Funds (*i.e.*, if the General Partner of a VMG Fund has a 25% interest in a VMG Fund that is entering into a transaction for the purchase or sale of a portfolio company

investment from or to another VMG Fund, in which case, the transaction would be a principal transaction as discussed above), it faces conflicts of interest in seeking to establish fair terms for such a transaction.

VMG Partners will not ordinarily enter into principal transactions. However, if the managing members of VMG Partners deem it to be in a VMG Fund's best interest to be party to a principal transaction, VMG Partners may enter into a principal transaction if the transaction complies with the governing agreement of the particular VMG Fund (which agreement will include provisions that comply with the Advisers Act) and consults with the Chief Compliance Officer prior to entering into the transaction.

A "cross trade", *e.g.*, a sale of a portfolio company investment from one VMG Fund to another, also presents a risk that the terms of the transaction favor one VMG Fund (and its underlying investors) at the expense of the other VMG Fund. Absent special circumstances approved by the Chief Compliance Officer or compliance with the procedures and limitations set forth in the applicable governing agreements of the VMG Funds, the consent of both VMG Funds is required for a "cross trade."

An "affiliated transaction" includes "principal transactions," "cross trades" and any other transaction in which VMG Partners, its affiliates or its employees has any other interest in the transaction. The governing agreement of each VMG Fund will generally prohibit affiliated transactions with certain limited exceptions without the prior approval of either the advisory committee of the applicable VMG Fund or a majority in interest of the investors of the applicable VMG Fund. A VMG Fund may enter into an affiliated transaction if the transaction complies with the governing agreement of the particular VMG Fund and if the VMG Fund consults with the Chief Compliance Officer (and, if appropriate, legal counsel) prior to entering into such transaction.

To address the conflicts of interest described above, VMG Partners investment professionals prepare an investment memorandum for each new investment opportunity or other transaction. The Chief Compliance Officer reviews these investment memoranda. If the Chief Compliance Officer identifies any actual or potential conflicts of interest, the Chief Compliance Officer reviews the actual or potential conflicts with the managing members of VMG Partners and/or legal counsel, if deemed appropriate, in order to recommend courses of action to the managing members of VMG Partners. The managing members of VMG Partners determine the specific actions to be taken.

### C. Personal Trading

Conflicts of interest may arise between a VMG Fund and VMG Partners when VMG Partners or a related person invests in the same securities that it recommends to VMG Funds, or has another interest in a transaction that is, or may be, in conflict with the interest of any of the VMG Funds.

VMG Partners employees may have personal conflicts of interest, such as (i) a material interest in a transaction to be entered into with or for a VMG Fund, (ii) a relationship that gives or may

give rise to a conflict of interest in relation to a transaction or (iii) another interest in a transaction that is, or may be, in conflict with the interest of any VMG Funds.

To address these conflicts, VMG Partners' Code of Ethics (discussed in Item 11.A above) requires, among other items, that each VMG Partners employee submit to the Chief Compliance Officer a report of his or her current holdings of covered securities, including securities holdings of any account which such employee manages or exercises (or shares) investment discretion, as well as holdings of his or her immediate family members. The employee must update this report annually.

VMG Partners' Code of Ethics also requires that all VMG Partners employees and their immediate family members obtain the approval of the Chief Compliance Officer before directly or indirectly acquiring beneficial ownership in any security in an initial public offering or a private transaction (*e.g.*, private placements and limited offerings). The Chief Compliance Officer may place additional restrictions on an employee's personal trading activities. The Chief Compliance Officer monitors employees' personal securities trading for unusual or excessive trading patterns.

#### D. Personal Trading Contemporaneous with Client Transactions

Conflicts of interest may arise when VMG Partners (or a related person) or its employees buy or sell securities for client accounts at or about the same time as it buys or sells the same securities for its own account. In these situations, VMG Partners addresses actual or potential conflicts of interest in the manner outlined in Items 11.B and 11.C above.

In addition to the report of current holdings described in Item 11.C above, VMG Partners' Code of Ethics requires that employees submit a quarterly transaction report giving information on the employee's personal trading activities. All VMG Partners employees and their immediate family members must also obtain the approval of the Chief Compliance Officer before directly or indirectly acquiring beneficial ownership in any security in an initial public offering or a private transaction (*e.g.*, private placements and limited offerings). The Chief Compliance Officer may place additional restrictions on an employee's personal trading activities. The Chief Compliance Officer monitors employees' personal securities trading for unusual or excessive trading patterns.

Employees are generally not permitted to buy or sell any security (or cause another person to do so) if the employee is in possession of "material" non-public information relating to the issuer or the transaction. Employees also may not disclose this information to a third party to use in securities transactions. In general, "material" information means information that would reasonably affect, or have a significant impact on, an investor's decision to buy or sell a security, or information that would have been viewed by a reasonable investor as having significantly altered the "total mix" of information available.

## **ITEM 12 - BROKERAGE PRACTICES**

### **A. Selection of Broker-Dealers**

Given the nature of the VMG Funds' investment program, VMG Partners does not usually transact through broker-dealers. However, in situations where VMG Partners may need to select a broker-dealer, VMG Partners will consider the broker's execution capabilities, including block positioning, research, financial stability, ability to maintain confidentiality, delivery and ability to obtain best execution for all client securities transactions. VMG Partners does not have any agreements in place that require that VMG Partners give any specified amount of brokerage to any broker-dealer.

#### **1. Research and Other Soft Dollar Benefits**

In practice, the investment program of the VMG Funds managed by VMG Partners typically does not include substantial investments in publicly traded securities. As a result, it is VMG Partners' policy not to enter into soft dollar arrangements or to accept soft dollars.

#### **2. Brokerage for Client Referrals**

VMG Partners does not consider whether it or a related person receives client referrals from a broker-dealer or a third party when selecting or recommending broker-dealers.

#### **3. Directed Brokerage**

Directed brokerage occurs when a client directs an adviser to execute transactions through a specified broker-dealer. This practice may cause clients to pay more money because the adviser cannot aggregate purchases or sales of securities with a broker-dealer and obtain a more favorable rate. Directed brokerage also occurs when an adviser routinely recommends, requests or requires clients to execute transactions through a specified broker-dealer. Not all investment advisers require their clients to direct brokerage in this manner. As a result of this practice, an adviser may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money. Given that VMG Partners or its affiliates generally maintain investment discretion on behalf of the VMG Funds, VMG Partners can generally require the VMG Funds to use a specified broker-dealer.

### **B. Aggregation of Orders of Securities for Client Accounts**

Although the investments of the VMG Funds do not generally require the services of a broker-dealer, VMG Partners may seek to aggregate orders of securities for the accounts of the VMG Funds where practicable.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **A. Periodic Review of Client Accounts**

The portfolio investments of VMG Funds are continuously reviewed by VMG Partners investment professionals. These professionals monitor operations, overall performance, financial performance and strategic direction of each portfolio investment owned by the VMG Funds. VMG Partners' investment professionals perform periodic comprehensive reviews. In addition, the Managing Members of VMG Partners meet on a regular basis regarding the VMG Funds. In connection with their regular meetings, the Managing Members will, among other things, (i) review market events and their effect on investments; (ii) discuss investment ideas, economic developments, current events, investment strategies and issues related to portfolio companies; (iii) review the operations, financial condition and other matters regarding the portfolio companies; (iv) consider any departures from applicable investment guidelines; and (v) assess any proposed investments or divestments, in whole or in part, of any portfolio companies. The offering materials for each VMG Fund contain additional specific descriptions of the oversight and monitoring of the portfolio investments of such VMG Fund.

### **B. Factors that Trigger a Review of Client Accounts**

VMG Partners investment professionals review the portfolio investments of VMG Funds on a periodic basis as described above. There are no specific triggers to launch a portfolio review.

### **C. Reports to Clients Regarding Their Accounts**

VMG Partners delivers written financial reports to the investors in VMG Funds on a quarterly basis. These reports include information relevant to the VMG Fund's investments (and each investor's investment in such VMG Fund). In general, the investors in VMG Funds receive written audited annual financial statements (including a balance sheet and a statement of income or loss) and a summary of the portfolio investments of the applicable VMG Fund.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Client Referrals**

VMG Partners does not accept economic benefits from a person who is not a client for providing investment advice or other advisory services to the VMG Funds. VMG Partners or its affiliates may receive directors' fees, transaction fees, topping and break-up fees, advisory fees or other fees in connection with portfolio investments or prospective portfolio investments of a VMG Fund or prospective portfolio investments of a VMG Fund. Typically, the management fees payable by each investor in a VMG Fund will be reduced by a certain percentage of its pro rata share of any transaction fees, topping and break-up fees, advisory fees or other fees received by VMG Partners or its affiliates in with portfolio investments or prospective portfolio investments of a VMG Fund.

## B. Compensation for Client Referrals

VMG Partners or its affiliates may, from time to time, enter into arrangements in which persons who are not supervised persons (such as placement agents or financial advisors) assist in the capital-raising efforts of a VMG Fund in exchange for a fee. The fee paid, if any, to such persons may be calculated as a percentage of funds raised by such persons, as specifically negotiated between VMG Partners and each such person or a flat fee. These relationships could affect the independence of such person in connection with their recommendations of a particular VMG Fund. Neither VMG Partners nor its affiliates engage any placement agent or finder that is not duly registered with FINRA (or, if applicable, corresponding non-U.S. authorities) or duly registered with the SEC as an investment adviser. These types of arrangements are disclosed in the relevant VMG Fund offering materials.

## ITEM 15 - CUSTODY

As required by SEC rules, VMG Partners maintains any client assets with “qualified custodians.”

For those clients for which VMG Partners is deemed to have custody of client assets within the meaning of the Advisers Act, such clients are audited and receive audited financial statements within 120 days of the end of each fiscal year (as do investors therein). Consequently, such clients (as well as investors therein) will not receive reports directly from VMG Partners’ “qualified custodian.”

## ITEM 16 - INVESTMENT DISCRETION

VMG Partners has discretionary authority to manage the investment portfolios of each of the VMG Funds. This authority is limited by each VMG Fund’s governing agreements and investment guidelines, as specifically negotiated between VMG Partners and VMG Fund investors. For additional discussion of limitations clients may impose on investing in certain investments or types of investments, see Item 4.C above.

## ITEM 17 - VOTING CLIENT SECURITIES

### A. Authority to Vote Client Securities

VMG Partners has policies and procedures that VMG Partners believes are reasonably designed to ensure that proxies are voted in the best interests of VMG Funds and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. The general policy of VMG Partners is to vote proxy proposals, amendments, consents or resolutions (collectively, “proxies”) relating to VMG Funds in a manner that serves the best interest of the VMG Fund, as determined by VMG Partners in its discretion, taking into account relevant factors, such as (but

not limited to) the impact on the value of the returns of the relevant VMG Fund and industry and business practice.

If VMG Partners determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, VMG Partners will take action in accordance with the governing agreements of the applicable VMG Fund or as otherwise determined by VMG Partners to be in the best interest of the VMG Fund in voting such proxy.

The Chief Compliance Officer is responsible for identifying any potential conflict of interest for each proxy, and reporting this information to the managing members of VMG Partners. The managing members of VMG Partners are responsible for determining how to vote such proxies and whether to confer with the advisory committee of an applicable VMG Fund before voting.

The Chief Compliance Officer is responsible for monitoring compliance with VMG Partners' proxy voting policies and procedures. The Chief Compliance Officer will also maintain, or have available, written or electronic copies of each proxy statement received and of each executed proxy, as well as all applicable records relating to each proxy.

Because VMG Partners has authority to vote client securities, Item 17.B of Form ADV Part 2A (addressing considerations if an adviser does not have authority to vote client securities) has been omitted.

## **ITEM 18 - FINANCIAL INFORMATION**

### **A. Balance Sheet**

Not applicable.

### **B. Financial Conditions Likely to Impair Contractual Commitments**

VMG Partners is unaware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its clients.

### **C. Bankruptcy Petitions**

VMG Partners has not been the subject of a bankruptcy petition at any time during the past ten years.