

# Wellspring Capital Management LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Wellspring Capital Management LLC (“Wellspring”). If you have any questions about the contents of this brochure, please contact us at 212-318-9800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## Material Changes

In February 2012, Wellspring Capital Management LLC (“Wellspring”) filed its initial application to register as an investment adviser with the U.S. Securities and Exchange Commission (the “SEC”). Accordingly, pursuant to disclosure rules under the Investment Advisers Act of 1940, this is the first Brochure compiled by Wellspring. In the future, this section of the Brochure will identify and discuss the material changes that have been made to the content of this document.

## Table of Contents

Material Changes.....	2
Table of Contents .....	2
Advisory Business .....	2
Fees and Compensation .....	4
Performance Based Fees and Side-by-Side Management .....	5
Types of Clients.....	5
Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Disciplinary Information .....	9
Other Financial Industry Activities and Affiliations .....	9
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
Brokerage Practices .....	11
Review of Accounts .....	11
Client Referrals and Other Compensation.....	11
Custody .....	12
Investment Discretion.....	12
Voting Client Securities .....	12
Financial Information .....	12

## Advisory Business

Wellspring, through its subsidiaries, provides investment advisory services to the following privately offered funds (collectively, the “Registrant Clients”):

- Wellspring Capital Partners III, L.P. and Wellspring Capital Partners III (Parallel), L.P., its parallel fund (collectively and together with their related investment vehicles, “WCP III”);
- Wellspring Capital Partners IV, L.P. (together with its related investment vehicles, “WCP IV”);
- WCP IV Vistar COI, LLC (“Vistar COI”);
- Wellspring Capital Partners V, L.P. and Wellspring Capital Partners V (Parallel), L.P., its parallel fund (collectively and together with their related investment vehicles, “WCP V”); and
- Spring Capital, L.P. (“Spring Capital”).

WCP III, WCP IV and WCP V are private equity funds that focus on making investments primarily in private securities. Vistar COI is a co-investment vehicle formed to invest alongside WCP IV in a single portfolio company. Spring Capital is a credit fund that focuses on making investments in distressed assets and strategies. All of the Registrant Clients are closed to new capital commitments.

Wellspring provides investment advisory services to the Registrant Clients through the following wholly-owned subsidiaries:

- Wellspring Management Group LLC (“WMG”), which was formed in 1997 and provides investment advisory services to WCP III;
- Wellspring Capital Management IV LLC (“Wellspring Management IV”), which was formed in 2006 and provides investment advisory services to WCP IV;
- Wellspring Capital Management V LLC (“Wellspring Management V”), which was formed in 2009 and provides investment advisory services to WCP V; and
- Wellspring Credit Management LLC (“Wellspring Credit Management”), which was formed in 2008 and provides investment advisory services to Spring Capital.

The term “Registrant” used herein shall collectively refer to Wellspring, WMG, Wellspring Management IV, Wellspring Management V and Wellspring Credit Management.

Registrant provides investment advisory services for the Registrant Clients, each of which are privately offered funds which primarily focus on making private equity or distressed credit investments. The Registrant Clients may invest in non-U.S. companies and may hedge their currency risk by purchasing protection, which may take the form of put options, collars and/or forward contracts. Registrant provides investment advisory services in accordance with the constituent documents of each of the Registrant Clients.

Wellspring was legally organized in 2006, but had been doing business through its predecessor entities since 1995. Wellspring is owned by its Managing Partners, Greg S. Feldman, William F. Dawson, Jr. and Carl M. Stanton. WCP III, WCP IV, WCP V and Vistar COI had initial capital commitments of approximately \$2.9 billion, in the aggregate. Spring Capital had an initial capital commitment of \$35 million from WCP IV. As of December 31, 2011, the value of invested capital of all Registrant Clients, which excludes realizations on investments prior to such date, was approximately \$1.4 billion. Wellspring manages all assets on a discretionary basis.

In providing services to the Registrant Clients, Wellspring formulates each Registrant Client’s investment objective, directs and manages the investment and, when applicable, reinvestment of each Registrant Client’s assets, and provides periodic reports to the investors in each Registrant Client. Investment advice is provided directly to the Registrant Clients and not individually to the limited partners of the Registrant Clients. Wellspring manages the assets of each Registrant Client in accordance with the terms and conditions of each Registrant Client’s constituent documents, each of which contains certain restrictions on the types of assets in which the applicable Registrant Client may invest. Investors and prospective investors in a Registrant Client should refer to the applicable constituent documents for complete information on the specific terms,

including investment objectives and investment restrictions, applicable to the Registrant Client. There can be no assurance that any of the Registrant Clients' objectives will be achieved.

## **Fees and Compensation**

Each of WCP III, WCP IV and WCP V pay management fees to the Registrant; Vistar COI and Spring Capital do not pay management fees to the Registrant. Management fees are generally payable triannually in advance. Such fees are payable on a pro rata basis for any period that is less than a full four-month period. Fee arrangements vary for the Registrant Clients and are described in the constituent documents for each Registrant Client. Each of the investment advisory agreements or other constituent documents generally provide for a management fee of 1.0%-2.0% per annum of either the capital commitments or the actively invested capital of third-party investors in a Registrant Client during the expected life of the Registrant Client. All management fees were negotiated with the Registrant Clients' investors during the fund raising period of the applicable Registrant Client. Wellspring may elect to waive all or a portion of any future management fees payable by the Registrant Clients; any amounts so waived may be applied by the Registrant Clients against the capital commitments of the applicable general partner and other related persons of Wellspring to the Registrant Clients.

Each of WCP III, WCP IV, WCP V and Spring Capital is subject to a carried interest of 20% of profits on distributions derived from the disposition of investments or securities on an investment-by-investment basis (after taking into account expenses of the Registrant Client, including management fees). Investors in each such entity receive an 8% preferred return prior to the imposition of the carried interest, after which the carried interest "catches up" to 20% of total profits.

Any management fees or carried interest paid by Spring Capital is offset against the management fees or carried interest paid by WCP IV, so that investors in WCP IV do not bear management fees or carried interest at two levels. Vistar COI is not subject to a carried interest. Registrant may waive or reduce management fees and/or carried interest for Registrant's employees and a limited number of strategic partners and consultants who invest in certain of the Registrant Clients.

In connection with the investments of the Registrant Clients, portfolio companies of the Registrant Clients may pay to Wellspring various transaction fees and reimbursements of expenses incurred by Wellspring on behalf of the Registrant Clients and/or their portfolio companies. Such fees are retained in full by Wellspring; however, an amount equal to 75-100% of all transaction fees (net of expenses) reduce the management fees, if any, otherwise payable by the applicable Registrant Client. Transaction fees generally include all advisory fees, break-up fees, commitment fees, director's fees, investment banking fees, monitoring fees and similar fees, payments or compensation received by Wellspring in connection with an investment or potential investment. These transaction fees are not always based on an exit or sale of a Registrant Client investment. Accordingly, Wellspring may receive transaction fees when a Registrant Client does not ultimately profit from an investment.

All costs and expenses related to the acquisition, carrying or disposition of investments including, but not limited to private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, accounting, legal, investment banking, consulting,

information services, professional fees, custodial, trustee, record keeping, partnership reporting, taxes, insurance, telephone, travel (which may, on occasion, include the use of non-commercial planes) and other such expenses are either paid by or reimbursed to Registrant by the Registrant Clients or their portfolio companies. In addition, certain of such costs and expenses related to prospective investments that are not consummated may be either paid by or reimbursed to Registrant by the Registrant Clients or their portfolio companies.

Expenses incurred by members of the Advisory Board of the Registrant Clients in connection with attending Advisory Board meetings may be paid by (or reimbursed to Registrant by) the Registrant Clients. From time to time, Registrant may also retain consulting firms and advisors to conduct due diligence, provide industry analysis and consult on portfolio companies. The related consulting expenses are borne by the Registrant Clients or their portfolio companies. A detailed list of various other expenses paid by the Registrant Clients is set forth in the applicable constituent documents of the Registrant Clients. Information regarding Registrant's brokerage practices is included in this brochure under the heading Brokerage Practices.

## **Performance Based Fees and Side-by-Side Management**

As stated in the Fees and Compensation section above, affiliates of Wellspring charge performance based carried interest, which is based on a share of profits on distributions derived from the disposition of the client's assets.

Such carried interest based on investment profits may create an incentive for Wellspring to make investments on behalf of the Registrant Clients that are riskier or more speculative than would be the case in the absence of such amounts.

Registrant seeks to address these conflicts through careful vetting of investment opportunities by Registrant's investment professionals and the full disclosure of investments to limited partners by way of investment memoranda distributed to the limited partners in advance of each investment and quarterly reports to the limited partners. Additionally, investment vehicles owned by a number of Registrant's investment professionals invest in certain Registrant Clients in an effort to align Registrant's and the Registrant Clients' interests. In addition, the constituent documents of the Registrant Clients that provide for performance based carried interest have "claw back" provisions, which require Wellspring's affiliates to return to the Registrant Clients carried interest distributed to them if and to the extent that, on an aggregate basis, such Wellspring affiliates receive distributions of carried interest in excess of 20% of the total profits of third-party investors in such Registration Client.

## **Types of Clients**

Wellspring provides investment advisory services, directly and indirectly through WMG, Wellspring Management IV, Wellspring Management V and Wellspring Credit Management, to privately offered funds, that invest primarily in private equity or distressed credit investments. Investors in the privately offered funds managed by Wellspring may include high net worth individuals and a variety of institutional investors (e.g. trusts, employee benefit plans, endowments, foundations, corporations, governmental entities and other types of entities,

including private funds of funds). WCP IV, directly and indirectly through intermediary vehicles, is the sole investor in Spring Capital. All investors are required to be “accredited investors” (as defined in Regulation D promulgated under the Securities Act of 1933) or otherwise be permitted to invest under applicable securities laws.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Registrant provides investment advisory services for the Registrant Clients, all of which are privately offered funds that make investments primarily in private equity or distressed credit investments.

Typically in private equity transactions, the main source of information regarding prospective portfolio companies is due diligence performed on such companies, which involves, among other activities, inspecting the books and records of the company, interviewing management, and analyses of the company within its relevant industry. On certain occasions, an investment is made in a public company, in which case publicly filed corporate documents are also inspected by Registrant. In the course of undertaking transactions, Registrant consults with professional advisors, including lawyers and accountants.

Registrant pursues a value-oriented investment approach that emphasizes rigorous due diligence and disciplined pricing. Registrant’s investment strategy is to identify opportunities through non-traditional deal sourcing; perform rigorous due diligence; and develop business improvement through better management, margin enhancement, cost-cutting and selective add-on acquisitions.

Acquiring an interest in the Registrant Clients involves a number of risks. An investment in the Registrant Clients may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Registrant Clients, and are capable of bearing illiquidity for substantial periods of time. No guarantee or representation is made that the Registrant Clients will achieve their investment objectives or that investors will receive a return of their capital.

Investing in the Registrant Clients involves a risk of loss, and the investment strategy offered by Registrant could lose money over short or even long periods. The description below is a brief overview of different market risks related to Registrant’s investment strategy:

- *Equity and Equity Related Investments* – A substantial portion of the Registrant Clients’ investments are in securities which by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that Registrant will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Registrant Clients’ activities. As a result, the Registrant Clients’ performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

- *Leverage* – The Registrant Clients’ investments may involve leveraged acquisitions which, by their nature, require companies to undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Utilization of leverage is a speculative investment technique and involves risks to investors.
- *Turnaround or Underperforming Companies* – A portion of the Registrant Clients’ investments may involve turnaround or underperforming companies or companies identified by the Registrant Clients as being in need of additional capital. The financial condition of such companies may be weak or their balance sheets highly leveraged, and any investment in them may involve a high degree of risk.
- *Co-Investments* – The Registrant Clients may co-invest in companies with financial, strategic or other third-party investors. Such investments will involve additional risks not present in investments where a third party is not involved, including the possibility that the co-investor may have interests or objectives that are inconsistent with those of the Registrant Clients or may be in a position to take action contrary to the Registrant Clients’ investment objectives. In addition, the Registrant Clients may in certain circumstances be liable for actions of their third party co-ventures or partners.
- *Private Securities* – Much of the Registrant Clients’ investments are expected to involve private securities. In connection with an investment in private securities, the Registrant Clients may assume, or acquire, portfolio companies subject to contingent liabilities. These liabilities may be material and may include liabilities associated with pending litigation, regulatory investigations or environmental actions, among other things.
- *Foreign Investments* – Although the Registrant Clients invest primarily in domestic securities, the Registrant Clients may from time to time invest in securities of non-U.S. issuers. Investing outside the United States may involve substantially greater risks than investing in the United States. In particular, the value of the Registrant Clients’ investments in foreign securities may be significantly affected by changes in currency exchange rates, which may be volatile. Although Registrant may attempt to hedge against foreign currency exchange rate risks by utilizing spot and forward foreign exchange contracts, foreign currency options or other instruments, there can be no assurance that Registrant will be able to do so successfully or cost-effectively, and Registrant may decide not to hedge against such risks or to do so only incompletely. Additional risks of foreign investments include: (i) risks of economic dislocations in the host country; (ii) less publicly available information; (iii) less well developed regulatory institutions; and (iv) greater difficulty of enforcing legal rights in a foreign jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to United States companies. Additionally, in some foreign countries, there is the possibility of expropriation of value, including through confiscatory taxation, limitations on the repatriation or sale of securities, property or other assets of the Registrant Clients, political or social instability or diplomatic developments, each of which could have an adverse effect on the Registrant Clients’ investments in such foreign countries. While Registrant will take these factors into consideration in making investment decisions for the Registrant

Clients, no assurance can be given that Registrant will be able to evaluate these risks accurately.

- *Portfolio Concentration* – Although the constituent documents of the Registrant Clients include certain restrictions regarding the concentration of the Registrant Clients' investments, diversification is not an objective of the Registrant Clients. The Registrant Clients' portfolios may include a small number of large positions. While this portfolio concentration may enhance total returns to investors, if any large position has a material loss, then returns to the investors may be lower than if they had invested in a well diversified portfolio.
- *Difficulty of Locating Suitable Investments* – There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Registrant Clients to invest all of their committed capital in opportunities that satisfy the Registrant Clients' investment objectives, or that such investment opportunities will lead to completed investments by the Registrant Clients. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.
- *Competition for Investments*. The Registrant Clients compete for the acquisition of investments with many other investors, some of which have greater resources than the Registrant Clients. Such competitors may include other private investment funds as well as individuals, financial institutions, strategic investors and other institutional investors. Further, there can be no assurance that Registrant will correctly evaluate the nature and magnitude of the various factors that could affect the value of the Registrant Clients' investments. A variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Registrant Clients' activities and the value of the Registrant Clients' investments.
- *Dependence on Key Personnel* – The success of the Registrant Clients is highly dependent on the financial and managerial expertise of the key personnel of Registrant. The loss of one or more of these individuals could have a material adverse effect on the performance of the Registrant Clients. The key personnel are under no contractual obligation to remain with Registrant for all or any portion of the term of any Registrant Client. As a result, the ability of the Registrant Clients to carry on their activities successfully is dependent upon the skill and experience of Registrant. Although the key personnel will commit a significant amount of their business efforts to Registrant, the key personnel are not required to devote all of their time to the affairs of Registrant or the Registrant Clients.
- *Regulation and Enforcement Litigation* – The growth of the private equity industry, and the increasing size and reach of transactions, as well as the increased attention to private funds, has prompted additional governmental and public attention to the private equity industry and its practices. Regulation generally as well as regulation more specifically addressed to the private equity industry, including tax laws and regulation, whether in the United States or abroad, could increase the cost of acquiring, holding or divesting portfolio companies, the profitability of enterprises and the cost of operating the Registrant Clients. Additional regulation could also increase the risk of third-party litigation. The transactional nature of the business of the Registrant Clients exposes the Registrant Clients

and Registrant to the risks of third-party litigation. The Registrant Clients will generally be responsible for indemnifying Registrant and related parties for costs that they may incur with respect to such litigation not covered by insurance.

- *Allocation of Expenses* – The investment professionals of Registrant may from time to time incur expenses on behalf of the Registrant Clients and one or more existing or subsequent entities established by the investment professionals of Registrant. Although the investment professionals will attempt to allocate such expenses on a basis that they consider equitable, there can be no assurance that such expenses will in all cases be allocated appropriately.

## **Disciplinary Information**

Wellspring and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

Related persons of Registrant may serve as directors and officers of, and provide advice to, publicly traded companies and private companies. The Registrant Clients should be aware that receipt of material non-public information by Registrant's related persons regarding these companies could preclude Registrant from effecting transactions in the securities of such companies. All or a portion of the compensation for directorships with portfolio companies of the Registrant Clients is effectively transferred for the benefit of the relevant Registrant Client(s) as transaction fees described above under the heading "Fees and Compensation."

Certain of the related persons of Registrant may have personal investments in companies, limited partnerships or limited liability companies. To the extent that conflicts arise, they are reviewed by Registrant's Chief Compliance Officer.

On occasion, the Registrant Clients may form co-investment vehicles managed by the general partner of the Registrant Clients to invest alongside the Registrant Clients in portfolio companies where the Registrant Clients will make or have made an investment. Co-investment vehicles may be allocated a pro-rata share (relative to capital invested) of transaction fees, portfolio monitoring fees, management fees and similar payments from portfolio companies. With respect to certain co-investments, to the extent agreed upon by co-investors, Registrant or its Related Persons may retain relevant transaction fees or portfolio monitoring fees, earn carried interest and receive a management fee that will not reduce the compensation paid to Registrant by the Registrant Clients. Co-investment entities and co-investors may present conflicts of interest. At the discretion of Registrant, co-investment opportunities may be offered to third parties and/or limited partners of the Registrant Clients.

Expenses borne by the Registrant Clients are allocated among any parallel funds, co-investment vehicles, and other entities that comprise the Registrant Clients that shared in the activities generating such expenses.

It is possible that Registrant may occasionally utilize the services of entities that have, directly or indirectly, or whose affiliates have, investments in funds managed by Registrant. Such services will only be used on an arm's length basis and when they are in the best interest of the Registrant Clients.

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

Registrant has adopted a formal compliance code of ethics that includes a securities trading code of conduct, insider trading policies and procedures, and procedures to address "pay to play" rules and regulations. Among other things, the code of ethics requires that employees act with integrity, place the interests of clients above their own, discuss and clear actual and potential conflicts of interest with Wellspring's Chief Compliance Officer and comply with applicable provisions of all laws. The policies also require employees to pre-clear certain personal securities transactions, report personal securities transactions on at least a quarterly basis and provide Registrant with a detailed summary of certain holdings annually. Registrant regularly reviews its compliance systems and procedures with outside counsel and highly experienced compliance consultants.

A copy of Registrant's securities compliance policy will be provided to any investor or prospective investor upon request.

The investment professionals of Registrant do invest in the Registrant Clients both as members of limited partners of certain Registrant Clients and as partners of the general partners of the Registrant Clients. As indirect partners of the Registrant Clients, the investment professionals of Registrant invest in every transaction made by the Registrant Clients. While investments by related persons and investment professionals of Registrant are intended to align interests of Registrant and its related persons with those of the Registrant Clients, such investments may create conflicts (for example, in a diverse group of investors, including the investment professionals, with conflicting tax or other interests, decisions may be made that are more beneficial to one type of investor). To address such conflicts, the investment arrangements are described and agreed upon in the constituent documents of each Registrant Client. Generally, investments and disposals are made on the same economic terms for all limited partners of the Registrant Clients, including for Registrant's related persons, and each investment is made pro rata among the limited partners of each Registrant Client and Registrant's related persons who are indirect limited partners, so that Registrant's related persons may not receive favorable terms or greater exposure to certain investments.

To avoid any potential conflicts of interest involving personal trades, investment professionals are subject to the code of ethics, which includes a pre-clearance requirement for certain personal trades and reporting of certain holdings. Should potential conflicts of interest arise, Registrant's investment professionals have an ongoing responsibility to report such conflicts to the Chief Compliance Officer, who will address conflicts on a case-by-case basis.

Also, with respect to conflicts of any nature, Registrant may consult a Board of Advisors of limited partners of the Registrant Clients. Decisions of the Board of Advisors are binding on the limited partners.

## **Brokerage Practices**

Registrant's business is to focus on making investments in private securities. Accordingly, it does not typically trade in public securities. In the limited circumstances where Registrant purchases public securities as part of a private equity transaction or has such securities as a result of a portfolio company going public, it intends to follow applicable SEC guidelines and seeks to obtain best execution in executing such transactions.

In selecting brokers and negotiating commission rates, Registrant looks not just for lowest possible commission cost or dealer spread, but also for whether the transaction represents the best qualitative execution and therefore takes into account several factors, including, but not limited to, the financial stability and reputation of the broker, listed bids and asks, speed of execution, the quality of investment research, trading style and investment strategies and special execution capabilities, including the ability to minimize indirect cost factors such as market manipulation and trade settlement costs.

Registrant does not utilize soft dollar arrangements outside of routinely available research. Registrant does not direct trading activity in lieu of payments for research or other services.

Registrant selects brokers with best execution criteria in mind. It is possible that Registrant may occasionally effect transactions or otherwise utilize broker-dealers that have, or whose affiliates have, referred or recommended investors to it and broker-dealers or registered representatives of broker-dealers that personally or through related persons or family members have investments in funds managed by Registrant. Because Registrant selects brokers on the basis of best execution, Registrant does not believe this presents a conflict.

## **Review of Accounts**

As noted above, Registrant focuses on investments primarily in private equity. Prior to being made, all investments are carefully reviewed and approved by an Investment Committee comprised of senior investment professionals of Registrant. The progress of all portfolio companies is monitored on a regular basis and is subject to supervision and review by Registrant's senior professionals. Registrant's Valuation Committee reviews the valuation of Registrant's investments quarterly in accordance with its Valuation Policy.

Registrant generally provides quarterly and annual reports (including annual audited financial statements) to investors in the Registrant Clients in accordance with the terms of the applicable constituent documents of the Registrant Clients.

## **Client Referrals and Other Compensation**

In certain circumstances, Wellspring may, pursuant to a written agreement, pay cash consideration for solicitation activities to third parties. Wellspring intends to pay such consideration in compliance with applicable SEC rules and other laws and regulations that may be in effect from time to time.

## **Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks that serve as qualified custodians; however, Wellspring may be deemed to have access to client accounts since its affiliates serve as the general partners of the Registrant Clients. Investors of the Registrant Clients will not receive statements from the custodian. Instead, the Registrant Clients are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each of the Registrant Clients' respective investors. The audited financial statements are prepared in accordance with generally accepted accounting principals and distributed within 120 days of the Registrant Client's fiscal year end.

## **Investment Discretion**

Wellspring serves as the investment adviser and its affiliates have discretionary authority to implement investment decisions for each of the Registrant Clients. Wellspring's and its affiliates' investment decisions and advice with respect to the Registrant Clients are subject to each Registrant Client's limited partnership agreement, and any side letters that it executes with investors.

## **Voting Client Securities**

The Registrant Clients are primarily invested in private companies which typically do not issue proxies. On occasion, the Registrant Clients are invested in private companies which go public, in which case such companies will issue proxies. As part of the services provided by Registrant, Registrant has adopted proxy voting policies and procedures, which include voting of proxies by Registrant's investment professionals. These proxy voting policies and procedures are designed to ensure that Registrant votes the equity proxies of the Registrant Clients in their best overall interests. Registrant maintains a record of all proxy votes cast on behalf of Registrant Clients. The investors in the Registrant Clients may contact Registrant for a copy of the policy or information with respect to a specific proxy vote.

As is typical in private equity investing, Registrant generally approves one or more of its employees to act as representatives on the board of directors of portfolio companies on behalf of the Registrant Clients. As noted herein, a number of Registrant's investment professionals serve as board members of its client's public and private portfolio companies in such representative capacity. In situations where Registrant votes the proxy for a company in which an employee or employees of Registrant serve on the board of directors, Registrant has determined that this does not inherently present a conflict of interest as (a) the employee is on the board of directors as a representative of the Registrant Clients and (b) the sole purpose of this representation is to maximize the return on the Registrant Clients' investment in such company and to ensure that the Registrant Clients' interests are protected. Given these facts, the Registrant Clients and the representative's role are aligned with respect to proxy voting and otherwise.

## **Financial Information**

Wellspring has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.