
Stockbridge Investors

Form ADV
Part 2A: Firm Brochure
March 2013

Stockbridge Partners LLC
200 Clarendon Street, Boston, MA 02116
Tel (617) 227-0050

www.stockbridgeinvestors.com

This brochure provides information about the qualifications and business practices of Stockbridge Partners LLC. If you have any questions about the contents of this brochure, please contact us at (617) 227-0050 or ComplianceOfficer@berkshirepartners.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Stockbridge Partners LLC also is available on the SEC's website at www.adviserinfo.sec.gov. An investment adviser's registration with the SEC does not imply a certain level of skill or training.

Stockbridge Investors

Item 2.

Stockbridge Partners LLC is pleased to provide its clients with this Brochure, which is the firm's Form ADV Part 2A. This Brochure contains important information about the business practices of the Adviser (as defined below), as well as a description of potential conflicts of interest relating to the firm's advisory business that could affect a client's account with the Adviser. The Adviser has experienced no material changes since its last Form ADV submission.

Item 3. Table of Contents

	<u>Page</u>
Advisory Business	1
Fees and Compensation.....	2
Performance-Based Fees and Side-By-Side Management.....	4
Types of Clients	5
Methods of Analysis, Investment Strategies and Risk of Loss	5
Disciplinary Information	14
Other Financial Industry Activities and Affiliations.....	14
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Brokerage Practices.....	25
Review of Accounts.....	27
Client Referrals and Other Compensation.....	27
Custody.....	28
Investment Discretion.....	28
Voting Client Securities.....	28
Financial Information.....	29
Requirements for State-Registered Advisers.....	30

Item 4. Advisory Business

For purposes of this brochure, the “Adviser” means Stockbridge Partners LLC, a Delaware limited liability company, together (where the context permits) with its affiliates that provide advisory services to and/or receive advisory fees from Clients (as defined below). Such affiliates may or may not be under common control with Stockbridge Partners LLC but possess a substantial similarity of personnel and/or equity owners with Stockbridge Partners LLC. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds (as defined below) or may serve as general partners of the Funds. The Adviser is wholly owned by Berkshire Partners LLC, which is in turn wholly owned by Berkshire Partners Holdings LLC. Berkshire Partners LLC is an investment adviser and affiliate of Stockbridge Partners LLC and has prepared a separate brochure and Form ADV. For the avoidance of doubt, the term “Adviser” as used herein does not include Berkshire Partners LLC (together with its affiliates, including general partner entities, that provide advisory services to and/or receive fees from pooled investment vehicles advised by Berkshire Partners LLC, “Berkshire”).

The Adviser currently serves as the investment manager to certain funds organized in a side-by-side structure. In addition, the Adviser has organized and may also in the future organize and serve as general partner (or in an analogous capacity) to certain “feeder” vehicles (each such vehicle, a “Feeder Vehicle”) organized to invest exclusively in certain funds actually engaging in investment activity (any such funds, “Main Funds”). The Adviser also advises separate accounts (each, an “Account,” and the clients for whom such Accounts are maintained, “Separate Account Clients”). The Main Funds and Feeder Vehicles, together with any other funds that the Adviser may from time to time advise, are collectively referred to as the “Funds” and, together with Separate Account Clients, the “Clients.”

The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and their securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Adviser’s services consist of identifying investment opportunities for Clients, and managing, monitoring and disposing of such investments. The Adviser seeks to invest Client assets primarily in companies that exhibit earnings sustainability and growth due to the characteristics of the industries in which they compete, their positions within those industries, and the capabilities of their management teams to execute their business plans. The Adviser focuses on investments with the potential for long-term capital appreciation, with a primary geographic focus in the U.S. Although the Adviser primarily makes relatively long-term investments in publicly traded equities, the Adviser’s strategy allows for strategic short sales to hedge certain risks or to capitalize on market misunderstandings of fundamentals.

Investment advice is provided directly to a Client, and not individually to investors in the Funds (in accordance with separate investment advisory, investment management or portfolio management agreements, as applicable (each, an “Advisory Agreement”), the limited partnership agreement (or analogous organizational document) of a Fund (each, an “Organizational Document”) and/or side letters with limited partners of a Fund (“Side

Letters,” and together with the Advisory Agreements and the Organizational Documents, the “Governing Documents”). A Client (or underlying investors in a Fund) may generally negotiate to impose investment restrictions in the Governing Documents or offering documents of the applicable Fund or Account with respect thereto at the time the Fund or Account is established.

The Adviser has been in business since 2006. As of December 31, 2012, the Adviser manages a total of \$1,084,452,000 of Client assets, all of which is managed on a discretionary basis.

The Adviser does not participate in wrap fee programs.

Item 5. Fees and Compensation

As provided in the Governing Documents with respect to the Funds or Accounts, the Adviser and/or its designee will receive from a Client both a monthly management fee at a specified rate and an annual incentive allocation and/or fee based upon the performance of the Funds or Accounts, as described further below. Although the Adviser has entered into agreements with Clients providing for the below allocations or fees, the Adviser may negotiate alternative fees or allocations on a Client-by-Client basis with other funds or separate accounts that it manages in the future. Different Client facts and circumstances will be considered in determining such fees or allocations, including a Client’s investment strategy, assets under management, account composition, reporting requirements, economies of scale, if any, and any other factors the Adviser deems relevant.

Management Fee

Generally, on the first day of each month, the Adviser deducts from the account (the “Capital Account”) corresponding to each investor in the Main Fund a management fee (the “Management Fee”), calculated as a percentage of the net asset value of such investor’s Capital Account in the Funds.

Currently, Separate Account Clients also pay the Adviser a Management Fee (at a rate set forth in the Advisory Agreement with respect to the applicable Account) in advance on the first day of each month, for which the Adviser bills the applicable Separate Account Client.

In the case of an investor admitted to a Fund or in the case of an Account established after the first business day of the relevant calendar month, the Management Fee will be pro-rated based on the admission or establishment date. If Separate Account Clients contribute additional capital during the course of a month, the Management Fee is pro-rated based on the date of such contribution.

In the event an Advisory Agreement is terminated, the Management Fee will be pro-rated based on the ratio of the number of days in the period for which the Management Fee has been paid before and after the termination date.

Separate Account Clients generally negotiate the Management Fee at the time of establishing an Account, and each Fund negotiates the Management Fee at the time it enters into the

Stockbridge Investors

applicable Advisory Agreement. Once established, a Fund's or Account's Management Fee is generally not negotiable. As described in Item 11 below, the Adviser is authorized to enter from time to time into Side Letters with one or more investors in a Fund which provide such investors with additional and/or different rights (including, without limitation, with respect to the Management Fee) than provided in the Advisory Agreements of such Fund. Further, the Adviser may, in its sole discretion, reduce or waive the Management Fee with respect to certain Funds or certain investors in a particular Fund. For example, the Adviser may waive (and generally waives) the Management Fee for investments by employees and principals of the Adviser and the general partners, and their related persons, including estate planning vehicles of such persons.

Incentive Fee or Allocation

Except as provided below, for each fiscal year, the Adviser will be entitled to an incentive fee from the Accounts and an incentive allocation from the Funds (such fee or allocation, the "Incentive Allocation"), neither of which are negotiable after the establishment of the Fund or Account. As described in Item 11 below, the Adviser is authorized to enter from time to time into Side Letters with one or more investors in a Fund that provide such investors with additional and/or different rights (including, without limitation, with respect to Incentive Allocations) than provided in the Advisory Agreements of such Fund.

Subject to the applicable Advisory Agreements, the Incentive Allocation with respect to an Account or with respect to an investor in a Fund is based on the net performance of the Account or Fund for a fiscal year. The Adviser may, in its sole discretion, reduce or waive the Incentive Allocation with respect to any Fund or any investor in a Fund (or with respect to any Separate Account Client). For example, the Adviser may waive (and generally waives) the Incentive Allocation for investments by employees and principals of the Adviser and their related persons, including estate planning vehicles of such persons. The Incentive Allocation with respect to investors in Feeder Funds is generally allocated at the level of Main Funds.

The Adviser will bill Separate Account Clients for the Incentive Allocation and will allocate (or cause the appropriate Fund to allocate or pay) the Incentive Allocation with respect to investors of the Funds as of the close of each fiscal year (and as of each other date on which the Adviser determines it is appropriate or necessary to make a determination of the Incentive Allocation with respect to an investor, including a date on which an investor withdraws all or a portion of its investment).

Other Expenses

The Adviser will bear operating expenses in connection with performing investment management services under the Advisory Agreements (e.g., compensation of its investment personnel (other than Incentive Allocation), secretarial, clerical and other personnel, including benefits and related taxes, office space and utilities, and telephone and certain computer equipment).

All other expenses with respect to Clients are borne by such Clients, which generally include, without limitation but subject to any restrictions in the applicable Governing Document:

investment expenses (i.e., expenses related to the investment of the Fund's assets, including, without limitation, brokerage commissions and other transaction costs, expenses related to proxies, underwriting and private placements, custody fees, interest and commitment fees and other borrowing charges, borrowing charges on securities sold short, professional and legal expenses relating to investments or prospective investments and other fees and expenses (including travel expenses, which may include expenses for first class or chartered travel, lodging and other out-of-pocket costs) reasonably related to the investment decision and monitoring process, whether or not the investments to which they relate are consummated), expenses associated with activist investment activities (including public relations, tender offer, proxy solicitation expenses and private placement commitment fees), taxes, insurance premiums, legal expenses (including, without limitation, settlement costs and costs arising in connection with a litigation or regulatory investigation instituted against a Fund or its general partner in its capacity as such), governmental, regulatory, licensing, filing or registration fees and expenses, the costs of brokerage services and research (including, without limitation, portfolio risk analysis, quantitative analytics, portfolio optimization analysis, portfolio execution analysis, news, quotation, statistics and pricing services, hardware, software, data bases and other technical and telecommunications services and equipment used in the investment management process); accounting, bookkeeping, audit and tax preparation expenses; consulting and other professional expenses (including, without limitation, fees and expenses of valuation firms and administration fees and other expenses charged by or relating to the services of third-party providers of administration services); fees payable to sub-advisors; fees and expenses in connection with any advisory board or committee; bank service, custodial and similar fees; entity-level taxes; fees and expenses relating to the offer and sale of interests in a Fund (including, without limitation, organizational fees and expenses, filing fees, accounting fees, printing costs, travel expenses and legal fees); all costs and expenses related to investor meetings; all costs and expenses related to reporting and providing information to existing and prospective Fund investors; other expenses associated with the operation of a Fund and all extraordinary expenses. With respect to a Fund, expenses directly attributable to certain illiquid investment may be charged solely to the Capital Accounts corresponding to investors in such Fund participating in such illiquid investment.

Please also refer to the discussion of the Adviser's brokerage practices in Item 12 below.

In addition, on occasion, the Adviser and its employees may serve on, and may receive fees for serving on, boards of directors of companies in the investment portfolio of a Client. To the extent such company is also a company in which a fund advised by Berkshire is invested, a portion of certain of such fees, which are paid to the Adviser (or its affiliates) directly, may be credited against the fees payable to such Berkshire-advised funds, but the Adviser's Clients may not receive a similar benefit. For a discussion of material conflicts of interest created by the receipt of such fees, please see Item 11 below.

Item 6. Performance-Based Fees and Side-By-Side Management

As disclosed above under Item 5, Fees and Compensation, the Adviser (or its designee) receives an Incentive Allocation based on the performance of the Funds or Accounts, as

applicable. Clients pay Incentive Allocations calculated at different rates and subject to different terms, and there may also be waivers or reductions for certain investor accounts.

The payment of Incentive Allocations at varying rates may create an incentive for the Adviser to disproportionately allocate time, services or functions to a Client paying Incentive Allocations at a higher rate (or on terms more favorable to the Adviser), or allocate investment opportunities to such Client. Generally, and except as may be otherwise set forth in the Governing Documents of the Funds, this conflict is mitigated by policies and procedures of the Adviser, which set forth the specific discretionary allocation policies of investment opportunities that factor into the Adviser's consideration of allocations. Additionally, the Adviser periodically reviews the time and services being devoted to Clients to ensure that the necessary resources are being allocated to each Client. Please also see Item 12 below regarding trade aggregation, as well as Item 11 below for additional information relating to how the Adviser generally addresses conflicts of interest.

Item 7. Types of Clients

The Adviser currently provides investment advisory services to the Funds and Accounts. Investment advice is provided directly to Funds and to Separate Account Clients, but not individually to investors in a Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally "qualified purchasers" or "knowledgeable employees," each as defined in the 1940 Act (and rules promulgated thereunder), and may include, among others, university endowments, public and private pensions, foundations, financial and other institutions, insurance companies and high net worth individuals.

The minimum initial investment in each Main Fund is \$5 million and the minimum subsequent investment in each Main Fund is \$1 million, although the general partner or the board of directors, as applicable, of each Main Fund can waive these minimum requirements. The Adviser does not have a minimum size for any Fund.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

The Adviser seeks to invest Client assets primarily in companies that exhibit earnings sustainability and growth due to the characteristics of the industries in which they compete, their positions within those industries and the capabilities of their management teams to execute their business plans. The Adviser's analysis generally focuses on a company's potential performance over two to five years and on the opportunity for significant capital appreciation over that time period. Companies with strong fundamentals and growth opportunities typically trade at premium valuations, so the Adviser seeks to invest at those times when short-term uncertainty leads to attractive valuations.

Stockbridge Investors

The Adviser generally focuses on investments with the potential for long-term capital appreciation. As such, a two to five year investment holding period is typically expected to be the norm. In constructing and maintaining portfolios, the Adviser generally will not be focused on avoiding short-term volatility and will view price fluctuations more as opportunities than as risks.

The Adviser's pre-investment due diligence process and post-investment monitoring program require the commitment of substantial time and resources. Consequently, the Adviser expects its fully invested portfolio to be relatively concentrated. However, the Adviser seeks to manage this concentration to avoid multiple positions that are in the same industry or exposed to the same macro-economic variables. In addition, the Adviser has internal guidelines with respect to investing a certain percentage of a Client's assets in any single security. Notwithstanding the foregoing, there are no absolute limitations on the minimum or maximum number of positions held by a Client, and, as a result, a Client may be more concentrated or more diversified than described in this brochure. Additional investment restrictions may be imposed in the Adviser's discretion with respect to a Client by applicable Advisory Agreements.

Risks

Dependence on the Adviser.

There can be no assurance that a Client will achieve its investment objective. Although the Adviser's investment professionals have participated in the management of other investment funds and accounts, the past performance of such other investment funds and accounts cannot be relied upon as an indicator of a Client's own success. Investors must rely upon the ability of the Adviser and the Adviser's investment professionals in identifying and implementing investments consistent with each Client's investment objective and policies. A Client's investment performance depends largely on the skill of key personnel of the Adviser. If key personnel were to leave the Adviser, the Adviser might not be able to find equally desirable replacements and the performance of a Client could, as a result, be adversely affected. The Adviser's investment strategy is currently premised, in part, upon its working relationship with Berkshire. If this relationship were to deteriorate, it might have an adverse effect on a Client's ability to achieve its investment goals. Conflicts of interest between Berkshire and a Client may also exist and may have an adverse effect on the performance of such a Client.

Investment Risks

An investment in a Fund or Account involves a high degree of investment risk, including the risk that the entire amount invested may be lost. A Client will invest in securities using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives will be realized. There is no guarantee that a Client will be able to control investment risks or that the risks will not aggregate in a manner adverse to a Client. The risks associated with particular investments include, but are not limited to, the risks outlined in the following paragraphs.

Recent Financial Market Fluctuations. General fluctuations in the market prices of securities and economic conditions generally, particularly of the type experienced since 2008, may reduce the availability of attractive investment opportunities for a Client and may affect such Client's ability to make investments and the value of the investments held by such Client. Instability in the securities markets and economic conditions generally may also increase the risks inherent in a Client's investments. The public securities markets have seen increased volatility and the ability of companies to obtain financing for ongoing operations or expansions may be severely hampered by the tightening of the credit markets and the ongoing financial turmoil and uncertainty. It is unclear what the repercussions of this market turmoil may be. Moreover, it remains unknown whether governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) will have a positive or negative effect on market conditions. There can be no assurance that the market will, in the future, become more liquid than it is at present and it may well continue to be volatile for the foreseeable future. The ability to realize investments in an effective manner depends not only on companies in the investment portfolio of a Client and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. The trading market, if any, for the securities of any company in the investment portfolio of a Client may not be sufficiently liquid to enable a Client to sell these securities when the Adviser believes it is most advantageous to do so, or without adversely affecting the stock price. Continued or renewed volatility in the financial sector may have an adverse material effect on the ability of a Client to buy, sell and partially dispose of a company in its investment portfolio. A Client may be adversely affected to the extent that it seeks to dispose of any of its portfolio investments into an illiquid or volatile market, and a Client may find itself unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted. The ability of companies in the investment portfolio to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

Financial Market Fluctuations. General fluctuations in the market prices of securities may affect the value of the investments held by a Client. Instability in the securities markets may also increase the risks inherent in a Client's investments.

Equity Risk. The market price of securities owned by a Client may go up or down, sometimes rapidly or unpredictably. The Funds and Accounts are subject to the risk that the equity securities in each of their portfolios will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions, which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. Such values may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Adviser believes are fundamentally

undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, a Client may lose all or substantially all of its investment in any particular instance.

Lack of Liquidity in Markets. The markets for some securities may be thinly traded from time to time. This lack of liquidity and market depth could disadvantage a Client, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Also, securities exchanges and the SEC have authority to suspend trading in a particular security without notice.

Concentration of Investments. Subject to applicable limitations in the Advisory Agreements, the Adviser expects a Client's portfolio to be relatively concentrated. Any such lack of diversification would increase the risk of loss to a Client if there were a decline in the market value of any security or sector in which such Client had invested a large percentage of its assets. Investment in a "non-diversified" fund will generally entail greater risks than investments in a "diversified" fund.

Investment in Small Companies. There is generally no limitation on the size or operating experience of the companies in which a Client may invest. Some small companies in which a Client may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small actors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Investment in Illiquid Securities. A Client may invest in illiquid investments (including illiquid investments that the Adviser designates as such because of a transaction involving or other relationship between the issuer of such security or other instrument and Berkshire), which are securities that are not readily marketable, only thinly traded or which the Adviser otherwise determines to be illiquid or lacking a readily ascertainable market value. Illiquid investments may include privately placed securities that are not registered under the Securities Act and may have little or no trading market. In many cases the fair market value of such investments may be difficult to ascertain and there is a risk of mistaken valuations. In addition, a Client may not be able to readily dispose of such investments, and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. These limitations on liquidity of such investments could prevent a successful sale thereof, result in delay of any sale or reduce the amount of proceeds that might otherwise be realized.

Geographic Concentration. The Adviser expects that the primary geographic focus of a Client's investments will be in the U.S., although the Adviser may (subject to any limitations in the applicable Advisory Agreements) pursue international investments as the Adviser deems prudent. There is generally no limitation on the level of concentration of U.S. investments. Targeting a specific geographical area could hurt a Client's performance or cause such performance to be more volatile than a more geographically diversified Fund or Account.

Investment in Non-U.S. Securities. The Adviser may invest in non-U.S. securities. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments, or capital gains, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Adviser. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which a Fund or Account may invest have substantially less volume than those in the U.S., and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the U.S. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the U.S. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries, there are restrictions on investments or investors such that the only practicable way for a Client to invest in such markets is by entering into swaps or other derivative transactions with a prime broker or others. Such transactions involve counterparty risks that are not present in the case of direct investments and that the Adviser may not be able to control.

Market Disruption and Geopolitical Risk. A Client is subject to the risk that war, terrorism, and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Clients' investments. Those events, as well as other changes in U.S. and non-U.S. economic and political conditions, also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Fund's or Account's investments. At such times, a Client's exposure to a number of other risks described elsewhere in this section can increase.

Portfolio Turnover. There is no limit on the rate of portfolio turnover for any Client, and portfolio investments held by a Client may be sold without regard to the length of time they have been held when, in the opinion of the Adviser, investment considerations warrant such action. This may result in frequent trading. A high rate of portfolio turnover involves correspondingly greater expenses, leads to greater brokerage and other transaction costs, may reduce a Fund's or Account's investment gains, may create a loss for investors and may result in taxable costs for investors, depending on the tax provisions applicable to such investors.

Short Sales. Although the Adviser does not currently expect short sales to be a significant element of its investment strategy, the Adviser may strategically make short sales of investment securities on behalf of a Client to hedge certain risks or capitalize on market misunderstandings of fundamentals, such as flawed business models or poor company management. In a short sale, the seller sells a security that it does not own, typically a

security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, the Adviser typically engages in short sales only where it believes the value of the security will decline, or will underperform relative to another security or group of securities in its portfolio, between the date of the sale and the date a Client is required to return the borrowed security or for hedging purposes. Short selling exposes a Client to the risk of liability for the market value of the security that is sold, which in certain circumstances is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Adviser may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. Any of these factors could make the Adviser unable to execute a particular investment strategy.

In the past, the SEC has adopted interim rules requiring reporting of all short positions above a certain *de minimis* threshold and has adopted rules requiring monthly public disclosure. In addition, other jurisdictions in which the Adviser may trade have adopted reporting rules for short sales and short positions. If a Client’s short positions or its strategy become generally known, it could have a significant effect on the Adviser’s ability to implement its investment strategies for such Client. In particular, it would make it more likely that other investors could cause a “short squeeze” in the securities held short by a Client forcing a Client to cover its positions at a loss. In addition, if other investors engaged in copycat behavior by taking positions in the same issuers as a Client, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to such Client could decrease drastically. Such events could make the Adviser unable to execute its investment strategy. The SEC has recently adopted restrictions on the short sales of securities that fall more than ten percent in a given day (referred to as the “circuit breaker” or “modified uptick” rule). Such events and these and other restrictions on the Adviser’s ability to engage in short sales could make the Adviser unable to execute its investment strategy and cause losses to a Client.

The SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases, have adopted) bans on short sales of certain securities in response to recent market events. Bans on short selling may make it impossible for the Adviser to execute certain investment strategies on behalf of a Client and may have a material adverse effect on its ability to achieve its investment objective and generate returns.

Leverage. Although the Adviser does not currently expect leverage to be a significant element of its investment strategy, the Adviser has the power to cause a Client to borrow and may do so when it deems it necessary or advisable to provide efficient portfolio management or, in unusual circumstances, to take advantage of investment opportunities. The Adviser also may cause a Client to borrow when the Adviser deems it appropriate to meet withdrawal requests, which would otherwise result in the premature liquidation of investments. Leverage

increases returns if a Client earns a greater return on investments purchased with borrowed funds than such Client's cost of borrowing. However, the use of leverage exposes a Client to additional risks, including (i) greater losses from investments than would otherwise have been the case had such Client not borrowed to make the investments; (ii) margin calls or interim margin requirements that may force premature liquidations of investment positions; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds such Client's cost of borrowing. In the event of a sudden, precipitous drop in value of a Client's assets, such Client may not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by such Client.

Derivatives and Counterparty Risks. Although the Adviser does not currently expect derivative transactions to be a significant element of its investment strategy, the Adviser may utilize swaps and other derivative transactions to some degree where it believes it will further the objectives of a Client. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose a Client to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent a Client invests in repos, swaps, forwards, futures, options and other "synthetic" or derivative instruments, counterparty exposures can develop and such Client bears the risk of nonperformance by the other party to the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits. In addition, the U.S. government has enacted legislation that includes provisions for new regulation of the derivatives market, including new clearing, margin, reporting and registration requirements. Because the legislation leaves much to rule making (and many of the rules are not yet final), its ultimate impact remains unclear. In addition, the regulatory changes could, among other things, restrict the Adviser's ability to engage in derivatives transactions and/or increase the costs of such derivatives transactions (including through increased margin requirements), and a Client may be unable to execute its investment strategy as a result. Additionally, the new requirements may result in increased uncertainty about counterparty credit risk. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

A Client may only close out a swap or contract for differences with the consent of the particular counterparty, may only transfer a position with the consent of the particular counterparty, and following transfer of a position, may only close out the transaction with the new counterparty. Also, if the counterparty defaults, a Client will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the Client will succeed in enforcing its contractual remedies. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required to enforce its contractual rights may lead a

Client to decide not to pursue its claims against the counterparty. Such Client thus assumes the risk that it may be unable to obtain payments owed to it under swap contracts, over-the-counter options and other two-party contracts, or that those payments may be delayed or made only after a Client has incurred the costs of litigation.

Counterparty risk may be further complicated by recently enacted U.S. financial reform legislation which includes provisions for new clearing, margin and reporting requirements for derivatives transactions and new restrictions on the types of derivatives transactions that can be entered into by certain financial companies. The ultimate impact of these regulatory changes remains unclear because much is left to rule making by the CFTC and the SEC; however, these new requirements could mean that a Client will face less creditworthy counterparties on certain derivatives transactions. Also, the new legislation may limit the flexibility of a Client to protect its interests in the event of an insolvency of a derivatives counterparty, because of powers granted to clearinghouses and to the Federal Deposit Insurance Corporation to limit or delay close-out of derivatives positions of insolvent clearing members or financial companies and to transfer such positions to other entities.

Fixed-Income Securities. The Adviser expects to invest primarily in equity securities. However, subject to any applicable guidelines and/or restrictions in applicable Advisory Agreements, a Client may invest in bonds or other fixed-income securities, including, without limitation, commercial paper and “higher yielding” (and, therefore, higher risk) debt securities. Such securities may be below “investment grade” and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer’s inability to meet timely interest and principal payments. The market values of certain of these lower-rated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates; lower-rated debt securities also tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue lower-rated debt securities often are highly leveraged and may not have access to more traditional methods of financing. Trading in such securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could affect adversely the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

Options. The Adviser may cause a Client to invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer’s risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer’s loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows the Adviser greater flexibility to tailor an option to a Client's needs, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

Futures and Related Options. The Adviser has the ability, to the extent permitted by applicable law and any relevant Advisory Agreements, to buy and sell futures contracts and related options on behalf of a Client at any time. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity (including a securities index or an interest-bearing security) for a set price at a future date. A Client may also buy and sell call and put options on futures or on securities indexes in addition to or as an alternative to purchasing or selling futures contracts, or, to the extent permitted by applicable law, to earn additional income.

The use of futures and options involves certain special risks. Futures and options transactions involve costs and may result in losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies or other commodities or of the securities or currencies in a Client's portfolio that are the subject of the hedge (to the extent a Client uses futures and options for hedging purposes). The successful use of futures and options further depends on a Client's ability to forecast market or interest rate movements correctly. Other risks arise from a Client's potential inability to close out its futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. The use of futures and options for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit a Client's ability to engage in futures and options transactions.

Other Instruments and Future Developments. The Adviser may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions and certain other customized synthetic or derivative investments in the future. In addition, the Adviser may take advantage of opportunities with respect to certain other synthetic or derivative instruments that are not presently contemplated for use by a Client or that are currently not available, but which may be developed to the extent such opportunities are both consistent with such Client's investment objective and legally permissible. As a result of such practices, special risks may apply to a Client's investments in the future.

Cash and Other Investments. A Client may invest all or a portion of its assets in cash or cash items, in whole or in part, for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items are generally of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit and

short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Adviser. While these investments generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses.

Item 9. Disciplinary Information

Item 9 is not applicable to the Adviser.

Item 10. Other Financial Industry Activities and Affiliations

Related General Partner

An affiliate of the Adviser serves as a general partner of each of the Funds structured as a partnership. For a description of material conflicts of interest created by the relationship among the Adviser and the general partner, as well as a description of how such conflicts are addressed, please see Item 11 below.

Affiliated Advisers

The Adviser has one affiliated adviser that is material to its advisory business – Berkshire. Berkshire is separately registered as an investment adviser with the SEC and is the parent of the Adviser. Berkshire primarily invests in privately held securities and generally seeks to obtain governance rights in its investments. For a description of material conflicts of interest created by the relationship between the Adviser and its affiliated adviser, as well as a description of how such conflicts are addressed, please see Item 11 below.

Affiliated Pooled Investment Vehicles

The pooled investment vehicles advised by Berkshire are, by virtue of the Adviser's relationship with Berkshire, affiliated with the Adviser and the Clients advised by the Adviser. Although they have different investment objectives, a Client may from time to time participate in transactions alongside the pooled investment vehicles advised by Berkshire. For a description of material conflicts of interest created by the relationship between the Adviser and any such affiliated pooled investment vehicles, as well as a description of how such conflicts are addressed, please see Item 11 below.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The Adviser has adopted a written code of ethics (the "Code of Ethics") that is applicable to (i) all of its managing directors, principals, partners, officers (or any person performing similar functions) and employees; (ii) every natural person (whether or not an employee of the Adviser) that is subject to the Adviser's supervision and control that (a) has access to nonpublic information regarding a Fund's purchase or sale of securities, (b) is involved in making securities recommendations to a Fund, or (c) has access to nonpublic securities

recommendations to a Fund as well as officers and employees of Berkshire and certain independent contractors; and (iii) members of the household of any of the natural persons listed under (i) and (ii) (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. The Code of Ethics prohibits Adviser Personnel (other than certain Advisory Directors of Berkshire) from purchasing certain “covered securities” for their own accounts. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer (“CCO”) as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, unwinding of any applicable trade, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any Client or prospective Client upon written request to ComplianceOfficer@berkshirepartners.com.

Participation or Interest in Client Transactions

Certain employees of the Adviser and Berkshire may invest in and alongside the Funds, either through the general partners, as direct investors in the Funds or otherwise. A Fund or its general partner, as applicable, may reduce all or a portion of the Management Fee and Incentive Allocation related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “*Conflicts of Interest*” immediately below.

In addition, because the Feeder Funds invest in other Funds, they may be viewed as being solicited to invest in such Funds.

Although all investors in a Fund receive a standard set of offering materials for a Fund, including a private placement memorandum, applicable Governing Documents and such other due diligence information that the Adviser believes may be helpful in evaluating an investment in such Fund, potential clients and/or potential investors in a Fund (including purchasers of a limited partners’ interests in a secondary transaction) may ask different questions and request different information in addition to the information the Adviser provides to all prospective investors. In response to such requests, the Adviser may provide additional or more detailed information to one or more clients or investors (or prospective clients or investors) that it does not provide to all such clients or investors.

Conflicts of Interest

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the accounts of other investment funds,

and providing transaction-related, investment advisory, management and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Client may conflict with the interests of the Adviser, other Clients or their respective affiliates. Certain of these conflicts of interest, as well as a description of how the Adviser addresses such conflicts of interest, can be found below.

Resolution of Conflicts

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, but in its sole discretion. In resolving conflicts, the Adviser may consider various factors, including the interests of the applicable Clients with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- A Client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Client;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions set forth in a Client's Governing Documents and/or in the Adviser's Compliance Policies and Procedures Manual;
- Conflicts of interest related to the allocation of opportunities between the Adviser and Berkshire are mitigated because the Clients generally pursue different investment strategies from Berkshire;
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

Conflicts

The material conflicts of interest encountered by a Client include those discussed below, although the discussion below does not necessarily describe all of the potential conflicts that may be faced by a Client. Other conflicts may be disclosed throughout this brochure and in the offering documents of each Fund or Account and these materials should be read in their entirety.

Allocation of Investment Opportunities Among Clients

In connection with its investment activities, the Adviser and Berkshire may encounter situations in which it must determine how to allocate investment opportunities among various Clients and other persons, which may include, but are not limited to, the Main Funds, Separate Account Clients and funds and accounts advised by Berkshire (“Berkshire Funds”). In recognition of its fiduciary duties, the Adviser seeks to treat the Clients fairly and equitably in the allocation of investment opportunities and transactions more generally. The Adviser has adopted written policies and procedures relating to the allocation of investment opportunities and will make allocation determinations consistently therewith.

To the extent the investment allocation requirements of a Client do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among Clients, the Adviser takes into account such factors that it determines in its sole discretion to be relevant, consistent with the Adviser’s marketable securities model for Clients.

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to such Fund’s Governing Documents, the Adviser may consider the factors it deems relevant. Subject to any restrictions in the Governing Documents of the applicable Fund, the Adviser or its related persons may be asked to identify a limited number of adviser investors or third parties to potentially acquire the interest being transferred.

The appropriate allocation of expenses and fees generated in the course of evaluating potential investments that are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser in its good faith discretion, consistent with the Governing Documents of each Client. There may be occasions when one Fund (the “Payor Fund”) pays an expense common to multiple funds (the “Allocated Funds”) (e.g., legal expenses for a transaction in which all such funds participate). On such occasions, each Allocated Fund will generally reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund.

There can be no assurances that an investment opportunity that comes to the attention of the Adviser and Berkshire will not be allocated wholly or primarily to a certain Client or Clients, with any particular Client being unable to participate in such investment opportunity or participating only on a limited basis. If, in the discretion of the Adviser, a Client should not participate in a particular investment opportunity for tax or regulatory reasons, such investment opportunity will be allocated only to Clients not affected by such tax or regulatory reasons. To the extent an investment is not allocated pro-rata, a Client could incur a disproportionate amount of income or loss related to such investment relative to the other Clients.

In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among the Clients with differing fee, expense and compensation structures, the Adviser may have an incentive to allocate investment

opportunities to the Clients from which the Adviser or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit.

In addition, principal executive officers and other personnel of the Adviser invest indirectly in and may be permitted to invest directly in Funds and may therefore participate in investments made by the Funds in which they invest. Such interests will vary Fund by Fund. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

Conflicts Related to Purchases and Sales

Conflicts may arise when a Client makes investments in conjunction with an investment being made or sold by other Clients or Berkshire Funds or in a transaction in which another Client or Berkshire Fund has already made an investment. Investment opportunities may be appropriate for a Client and/or a Berkshire Fund at the same, different or overlapping levels of the capital structure of a company in the investment portfolio of a Client. Conflicts may arise in determining the terms of investments, particularly where these Clients may invest in different types of securities in a single company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in a Client that has invested in different securities within the same company. Certain Clients of the Adviser and Berkshire may invest in bank debt and securities of companies in which other Clients hold securities, including equity securities. In the event that such investments are made by a Client, the interests of such Client may be in conflict with the interest of such other Client or Berkshire Fund, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Clients or Berkshire Funds may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, a Client may or may not provide such additional capital, and, if provided, each Client will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Client or a company in the investment portfolio of a Client or portfolio investment of another Client or Berkshire Fund. Investments by more than one fund or account of the Adviser or of Berkshire in the same company may also raise the risk of using assets of a fund or account of the Adviser or of Berkshire to support positions taken by other funds or accounts of the Adviser or of Berkshire. Employees and related persons of the Adviser and Berkshire made or may make capital investments in or alongside certain Clients or Berkshire Funds, and, therefore, may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A Client (or the Adviser on a Client's behalf) may invest in opportunities that other Clients or Berkshire Funds have declined, and likewise, a Client (or the Adviser on a Client's behalf) may decline to invest in opportunities in which other Clients or Berkshire Funds have invested.

A Client could be disadvantaged because of activities conducted by the Adviser or Berkshire in respect of another Client or Berkshire Fund as a result of, among other things: (i) legal restrictions on the combined size of positions which may be taken for all accounts managed by the Adviser or Berkshire, thereby limiting the size of a Client's position, (ii) the difficulty of liquidating an investment for more than one Fund or Account where the market cannot absorb the sale of the combined positions, and (iii) the regulatory filing obligations that could be imposed on the Adviser or Berkshire as a result of the Adviser's affiliation with Berkshire (for example, due to Berkshire and the Adviser (and their affiliates) being treated as members of a "group," resulting in aggregation of their holdings for purposes of their regulatory filing obligations). Furthermore, in the case of certain acquisitions and dispositions of securities, a Client (or the Adviser, Berkshire or a Berkshire Fund) could be required to make regulatory filings and could become subject to short-swing profit disgorgement rules with respect to such acquisitions and dispositions, due to its affiliation with Berkshire and Berkshire Funds (and being treated as members of a "group" with Berkshire and such funds and accounts), where such Client and the Adviser would not have been subject to such filing obligations and short-swing profit rules in the absence of their affiliation with Berkshire. These filing obligations and short-swing profit rules may cause the Adviser to make investment decisions different from the decisions it would have made in the absence of affiliation with Berkshire.

A Client could be disadvantaged because of the possession by the Adviser of any material non-public information as a result of its relationship with Berkshire, which may, amongst other things, restrict such Client's ability to buy or sell securities at times when the Adviser would otherwise wish for such Client to do so.

Cross-Transactions

In certain cases, the Adviser may cause a Client to purchase investments from another Client or Berkshire Fund, or it may cause a Client to sell investments to another Client or Berkshire Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, Berkshire and/or their professionals (i) may have significant investments, or intentions to invest, in a Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and Berkshire may receive management or other fees in connection with their management of the relevant Client involved in such a transaction and may also be entitled to share in the investment profits of the relevant Client. To address these conflicts of interest, the Adviser's CCO will be responsible for confirming that the Adviser (i) considers its respective duties to

each Client, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party, and (iii) obtains any required approvals of the transaction's terms and conditions. The Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and the Adviser will not effect any such transaction for any Fund where the Adviser may be deemed to own more than 25% of the Fund, unless such transaction complies with the requirements of the Adviser's principal transactions policy, as described below.

Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent prior to the settlement of any principal transaction. In connection with the Adviser's management of the Funds and Accounts, the Adviser and Berkshire may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the offering documents or Governing Documents of a Client may contain additional restrictions on the ability of such Client or the Adviser to engage in principal transactions.

A Client may enter into "rebalancing" transactions with one or more other Clients that have the same investment objectives as such Client when contributions or withdrawals of capital to or from either such Client or the other Clients change the ratio of such Client's assets to the assets of other Clients. The purpose of any such rebalancing transactions would be to bring each Client's exposure to a commonly held investment into line with each Client's percentage of total equity under management. A Client could be a purchaser or a seller in such rebalancing transactions. All "rebalancing" transactions are subject to any restrictions contained in the applicable Advisory Agreements.

Management of the Funds

The Adviser manages a number of Funds and Account(s) that may have investment objectives similar to each other. The Adviser may in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Clients. Allocation of available investment opportunities between Clients and any such investment fund could give rise to conflicts of interest. See "Allocation of Investment Opportunities Among Clients" above. In addition, it is expected that employees of the Adviser and its affiliates responsible for managing a particular Fund or Account will have responsibilities with respect to other Funds or Accounts managed by the Adviser (and, in the case of certain employees, with respect to Berkshire Funds), including

Stockbridge Investors

Funds or Accounts that may be established in the future. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

Conflicts Relating to the Adviser

The Adviser generally may, in its discretion, contract with any related person of the Adviser (including, but not limited to, a company in the investment portfolio of a Client or Berkshire Fund) to perform services for the Adviser in connection with its provision of services to the Clients. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a Client or to a company in the investment portfolio of such Client thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) the Adviser or a related person of the Adviser (including, but not limited to, a company in the investment portfolio of a Client or Berkshire Fund) or (ii) an entity with which the Adviser or Berkshire or a member of their personnel has a relationship or from which the Adviser or Berkshire or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, Berkshire and their partners, managing directors, officers, principals and employees may buy securities in transactions offered to but rejected by the Clients. In addition, certain Advisory Directors of the Clients may co-invest in the same securities in which the Clients are invested. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Clients. If officers, principals and employees of the Adviser and Berkshire have made large capital investments in or alongside the Clients, they may have conflicting interests with respect to these investments.

Certain expenses are paid for by a Client and/or companies in a Client's investment portfolio or, if incurred by the Adviser, are reimbursed by a Client and/or companies in such Client's investment portfolio. However, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Client or a company in such Client's investment portfolio to incur) such expenses since other mitigating factors may prevail over cost.

Fee Structure

As discussed above in Item 6, the general partners of the Funds (and, in the case of Separate Account Clients, the Adviser) are entitled to Incentive Allocations under the terms of such Client's Governing Documents. The general partners of the Funds are affiliates of the Adviser. The existence of the Incentive Allocation may create an incentive for the Adviser and such general partners to cause such Clients to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

Related Services

As described in Item 5 above, the Adviser (and its employees) may perform Related Services for, and may receive fees from, actual or prospective companies in the investment portfolio of a Client. Such fees will be in addition to any Management Fees or Incentive Allocation paid by Clients to the Adviser. Consistent with Clients' Governing Documents, the Adviser may incur expenses, and a company in the investment portfolio of a Client may reimburse the Adviser for certain expenses (which may include expenses for first class or chartered travel) incurred by the Adviser in connection with its performance of services for such company. This may create a conflict of interest between the Adviser and its Clients because the amounts of these fees and reimbursements may be material and Clients generally do not have an interest in these fees and reimbursements. The amount of such fees and reimbursements may not (except in connection with the reductions described below) be disclosed to investors in the Funds or Separate Account Clients. The Adviser will in some circumstances reduce the amount of Management Fees paid by the applicable Client in connection with the receipt by the Adviser of fees for Related Services in connection with such Client or its investments. The amount and nature of this reduction varies from Client to Client and is set forth in the Governing Documents of the applicable Client.

Diverse Membership

The investors in the Funds include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the Adviser will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

Business with Companies in the Investment Portfolios of a Client and Investors

The Adviser may have an incentive to recommend the products or services of certain investors in the Funds or Accounts, certain Third Parties or their related businesses to a Client or the companies in such Client's (or a Berkshire Fund's) investment portfolio for use or purchase, even though the products or services recommended may not necessarily be the best available to such Client or such companies.

The Adviser and Berkshire may engage in business opportunities arising from a Fund's investment in a company (for example, without limitation, entering into a joint venture with a company in a Fund's investment portfolio or making a proprietary investment in such company).

The Adviser may have service providers, including for example, investment bankers, outside legal counsel and pension consultants, who are or may become investors in Funds or Berkshire Funds and/or who provide services to businesses that are competitors of the Adviser. The Adviser may have a conflict of interest with a Client in recommending the retention or continuation of a service provider to such Client or a company in the investment portfolio of such Client if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide the Adviser or Berkshire information about markets and industries in which the Adviser or Berkshire operates or is interested or will provide other services that are beneficial to the Adviser or Berkshire. There is a possibility that the Adviser, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

The Adviser of a Fund may from time to time utilize the services of investors and their affiliates on an arm's length basis, as it deems appropriate.

Positions with Companies in a Client's Investment Portfolio

On occasion, employees of the Adviser may serve as directors for companies in the investment portfolio of a Client. The Adviser or its respective employees may be entitled to receive directors fees from such companies for such board service, provided that the amount of such fees is reasonable in relation to the work involved and bears a reasonable relation to fees charged for similar work by third parties. To the extent such company is also a company in which a fund advised by Berkshire is invested, a portion of certain of such fees, which are paid to the Adviser or such employees directly, may be credited against the fees payable to such Berkshire-advised funds, but the Adviser's Clients may not receive a similar benefit. In addition, employees of the Adviser may leave the employment of the Adviser and become an officer or employee of such a company.

Side Letter Agreements

Although none of the Funds' investors have entered into a Side Letter, the general partner, on behalf of a Fund, may, in the future, enter into certain Side Letter arrangements with certain investors in a Fund providing such investors with additional or different rights or terms than such investor would otherwise have pursuant to the applicable Governing Document or such investor's subscription agreement.

Advisory Affiliates

As described in Item 10 above, Berkshire, an affiliate of the Adviser, has its own clients. Although Berkshire focuses primarily on a different investment strategy than the Adviser, clients of the Adviser and Berkshire may invest in the same portfolio investments, including in the same security or in different securities of a company in the investment portfolio of a Client. Interests of the Adviser's clients may therefore conflict with the interests of the clients of Berkshire. For instance, see "*Allocation of Investment Opportunities Among Clients*" and "*Conflicts Related to Purchases and Sales*" above for more information.

Other Potential Conflicts

The Adviser and the Clients will generally engage common legal counsel and other advisors in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund and may also represent one or more companies in the investment portfolio of a Client or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds and the Adviser or Berkshire, the parties may engage separate counsel in the sole discretion of the Adviser, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser and the Clients may engage other common service providers. In such circumstances, there may be a conflict of interest between the Adviser and the Clients in determining whether to engage such service providers, including the possibility that the Adviser may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Clients.

The Adviser may, in its discretion, have, and may, in its discretion, cause a Client and/or companies in the investment portfolio of a Client to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser or Berkshire. A Client and/or companies in the investment portfolio of a Client may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and a Client (or its portfolio investments) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The Adviser may represent creditors or debtors prior to or in proceedings under Chapter 11 of the Bankruptcy Code. From time to time, the Adviser may serve as advisor to creditor or equity committees. This involvement, for which the Adviser may be compensated, may limit or preclude the flexibility that the Funds may otherwise have to make investments.

If a Client purchases in the secondary market at a discount debt securities of a company in which a Client has, for example, a substantial equity interest, (a) a court might require a Client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Client might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

The Governing Documents of certain Funds may permit the Adviser to restrict the information provided to certain limited partners or investors in such Fund in certain circumstances. For instance, information may be restricted in the case of limited partners that are subject to Freedom of Information Act or similar requirements. The Adviser may elect to restrict access to certain information with respect to such limited partners for

reasons relating to the Adviser's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Certain employees of Berkshire provide research, trust administrative, reporting and similar services to the Managing Directors of the Adviser and certain of their family members and estate planning vehicles and investment research to the Managing Directors, in each case with respect to personal investment activities. Such services could potentially present a conflict of interest between the Adviser and a Client. However, the Adviser believes any potential conflicts of interest are substantially mitigated because (i) the investments are not investments that fall within the main investment strategy of a Client, (ii) the investments are reportable by the Managing Directors and subject to preclearance pursuant to the Code of Ethics, (iii) such employees are not involved in the provision of investment advice to Clients and (iv) such employees generally do not have investment discretion with respect to such personal investment activities.

Item 12. Brokerage Practices

Selection of Broker-Dealers

The Adviser has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions for Clients. In placing each transaction for a Client involving a broker-dealer, the Adviser will seek "best execution" of the transaction except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services (as discussed below). "Best execution" means obtaining for a Client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser's Best Execution Committee takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Adviser may consider the use of Electronic Communications Networks ("ECNs") when placing trades on behalf of a Client. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the Adviser's Best Execution Committee, in consultation with the Adviser's Compliance Committee, periodically monitors broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Client.

Research and Other Soft Dollar Benefits

The Adviser may be authorized to use soft dollars with respect to certain Clients, while with respect to others the Adviser may be required to provide notice or obtain the consent of a Client before using soft dollars to pay for research or services provided by persons other than the Clients' brokers. To the extent consistent with achieving best execution and where permitted by the applicable Advisory Agreement, the Adviser may also consider other business a particular broker or dealer may have done with the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the Adviser's principals. The Adviser may "pay up" (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker-dealer's brokerage commission (i.e., soft dollars) for brokerage and research services. Brokerage and research services may either be obtained from brokerage firms or paid for by brokerage firms and may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; and software, data bases and other technical and telecommunications services and equipment utilized in the investment management process and consulting fees in connection with investigating and monitoring potential and existing investments. In formulating and implementing its policies with regards to the use of commissions or "soft dollars" it is the Adviser's intent to stay within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

A broker-dealer providing such brokerage and research services may receive a commission that is in excess of the amount of commission another broker-dealer would have received for effecting that transaction provided the Adviser determines in good faith that such commission was reasonable in relation to the value of the research and brokerage services provided by the broker-dealer. Any such research service may be broadly useful and of value to the Adviser in rendering investment advice to all or a significant portion of the Clients, or may be relevant and useful for the management of one or only a few Clients' accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through which the research service was provided. The Adviser will only make securities transactions that it in good faith believes are in the best interest of a Client. A conflict of interest may exist when a broker-dealer provides such research services, however, as the Adviser will have an incentive to favor such broker-dealer over others that may charge lower commissions.

Directed Brokerage

The Adviser does not have client-directed brokerage arrangements. In the event that the Adviser in the future enters into an Advisory Agreement with a Client that provides for directed brokerage arrangements, such arrangements may deprive such Client of benefits that might otherwise be obtained by "bunching" the fund or separate account's order with orders for other funds or accounts advised by the Adviser and may result in the fund or account's paying a higher commission rate or receiving less favorable execution than if the Adviser had discretion to select the broker or negotiate the commission rate.

Aggregation of Orders

The Adviser and Berkshire may aggregate (or bunch) the orders of more than one Client (and Berkshire Funds) for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and Berkshire may combine orders on behalf of Clients with orders for other Clients (and Berkshire Funds) for which it or Berkshire has trading authority, or in which it or Berkshire has an economic interest. In such cases, the Adviser generally aggregates trade orders for publicly traded securities so that each participating Client (and Berkshire Fund) will receive the average price for each execution of a transaction. There may, however, be instances in which trade aggregation could result in a less favorable transaction than a particular Client would have obtained by trading separately. Similarly, when orders are not bunched, there may be circumstances when purchases or sales of portfolio securities for one or more Clients will have an adverse effect on other Clients.

If an order for more than one Client for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

Item 13. Review of Accounts

Oversight and Monitoring

The Adviser provides continuous advisory services for Clients. The portfolio investments of each Client are primarily reviewed by a team of investment professionals, which currently includes the Managing Directors of the Adviser, the Portfolio Managers, Principals, Vice Presidents and Associates.

Reporting

The Adviser distributes to investors in the Funds performance updates each month and Capital Account balance updates. The Adviser has engaged an independent public accounting firm to prepare and deliver audited financial statements of the Funds to investors in the Funds, in each case within 120 days of the end of each fiscal year or as soon as reasonably practicable thereafter. At end of each month, the Adviser also furnishes each Separate Account Client with a monthly investment report for its Account that provides detailed information on, among other things, holdings, the value of holdings, acquisitions and dispositions and fees and expenses. Further, at the end of each fiscal year, the Adviser provides a report for each Separate Account Client showing the calculation of such Client's Incentive Allocation for such fiscal year. The Adviser may from time to time, in its sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see

Item 11 above. In addition, the Adviser and its related persons may, in certain instances, receive discounts on products and services provided by companies in the investment portfolio of Funds.

Item 15. Custody

Item 15 is not applicable to the Adviser.

Item 16. Investment Discretion

The Adviser provides investment advice directly to each Fund pursuant to written Advisory Agreements with such Fund; the Adviser does not provide investment advice directly to the investors in the Funds. Similarly, the Adviser provides investment advice directly to each Separate Account Client pursuant to a written Advisory Agreement. In each case, the Adviser has discretionary authority to manage the Client's accounts. Powers of attorney and any restrictions on the Adviser's authority are set forth in the Governing Documents or subscription documents with respect to each Fund or Account.

Item 17. Voting Client Securities

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by a Client ("Votes"). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Client by maximizing the economic value of the relevant Client's holdings, taking into account the relevant Client's investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser's CCO, General Counsel or the relevant Adviser investment professional, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Funds generally cannot direct the Adviser's Vote. However, the Advisory Agreements with respect to certain Separate Account Clients allow such Separate Account Clients to instruct the Adviser to Vote in certain matters. If so instructed, the Adviser is required to follow such instruction, subject to applicable law.

All Voting decisions initially are referred to the Adviser's CCO or appropriate investment professional for a voting decision. In most cases, the investment professional covering the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or

research available to him or her. If the investment professional is making the Voting decision, the investment professional will inform the CCO or internal legal counsel of any such Voting decision, and if the CCO or internal legal counsel does not object to such decision as a result of his or her conflict of interest review, the Vote will be voted in such manner. If at any time any investment professional becomes aware of any potential or actual conflict of interest or perceived conflict of interest regarding any particular Voting decision, he or she is required to contact the Adviser's General Counsel. If any investment professional is pressured or lobbied either from within or outside of the Adviser with respect to any particular Voting decision, he or she is required to contact the Adviser's General Counsel. If the investment professional and the CCO are unable to arrive at an agreement as to how to vote, then the CCO may consult as to the appropriate vote with the Adviser's Compliance Committee, which will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Client's holdings.

The Adviser's CCO has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All Voting decisions will require a mandatory conflicts of interest review by the Adviser's CCO in accordance with the Adviser's Voting Policies and Procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote and/or Berkshire and its clients has an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The Adviser's General Counsel will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Clients and in accordance with the Clients' and the Adviser's contractual obligations.

Where the Adviser's General Counsel or Compliance Committee deems appropriate in his, her or its sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser's General Counsel or Compliance Committee shall have the power to retain independent fiduciaries, consultants or professionals to assist with Voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any Client or prospective Client upon written request to: ComplianceOfficer@berkshirepartners.com.

Item 18. Financial Information

There is no financial condition that is reasonably likely to impair the Adviser's ability to meet contractual commitments to a Client. Further, the Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19. Requirements for State-Registered Advisers

Item 19 is not applicable to the Adviser.