

Part 2A of Form ADV: *Firm Brochure*

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This brochure provides information about the qualifications and business practices of CSFC Management Company, LLC (hereinafter “CSFC” or “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at (212)-981-0140 or at pbradshaw@capitalspring.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about CSFC is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for CSFC is 161372.

Item 2 MATERIAL CHANGES

This Item summarizes the material changes to CSFC's brochure since the last annual update on March 31, 2013.

These material changes include information concerning a new private fund, CapitalSpring Direct Lending Partners, LP ("the Fund"), which will be managed by CSFC.

There will be no management fee associated with the Fund, although CSFC may receive compensation in the form of Origination Fees.

CSDLP General Partner LLC serves as the General Partner to the Fund. The General Partner will receive a carried interest, which is equal to 20% of the profits subject to the Fund satisfying a hurdle equal to 8% of the capital contributions to the Fund and returning capital contributions to Investors, subject to clawback and other standard adjustments.

Consistent with SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4. Advisory Business

CSFC Management Company, LLC (“CSFC”) became an SEC-registered investment adviser in 2012 with its principal place of business in New York City. The firm’s registration with the SEC does not imply any particular level of skill or training by our firm or employees or that the SEC has endorsed our respective qualifications to provide investment advisory services.

CSFC is wholly-owned by CapitalSpring Finance Company, LLC (hereinafter “Capital Spring”). CSFC has established a Management Committee, the initial two members of which are the founders of CapitalSpring (“Founders”): Richard Fitzgerald, who has over 14 years experience in the direct private equity business; and Chris Unrath who has over 18 years of experience in the direct private equity business. The Management Committee is responsible for the day-to-day management of CSFC and controls CSFC’s investment, monitoring, portfolio valuation and exit decisions. All management and other personnel of CapitalSpring, including the Founders, are employed by CSFC.

CSFC provides investment management services to private equity funds and other pooled investment vehicles (hereinafter collectively, “CapitalSpring Funds” or “the Funds”). Unlike other types of private funds, such as hedge funds, private equity and private debt funds receive unfunded capital commitments from investors during one or more initial fundraising stages, after which the funds are generally closed to new investors. The fund manager will then call on investors to make capital infusions (each a “drawdown”), based on their commitments, to support the fund’s investments once those investments have been identified and fully vetted through an extensive due diligence and negotiation process. Investments made for the CapitalSpring Funds are generally, but not exclusively, in private, illiquid securities.

CSFC specializes in managing private fund investments in businesses in the franchise industry. CSFC will typically invest in the senior debt, subordinated debt, preferred equity and/or common equity of businesses that operate retail establishments under franchised business models in North America. CSFC intends that the brands under which these businesses market themselves generally will be well-recognized nationally or regionally.

CSFC benefits from a management team with diverse backgrounds, including experienced principal investors, legal professionals, investment bankers and franchise business experts. CSFC personnel have key relationships with strategic referral partners and market influencers such as franchisors and franchise lending banks. Due to its focus on investing in franchised businesses, CSFC has developed expertise in identifying, structuring and monitoring investments in the sector.

CSFC sources transactions directly from franchisors, senior lenders, franchisees and service providers. CSFC’s broad network of franchise sector relationships, its developing brand name and its current investment portfolio are valuable assets for the purpose of originating compelling portfolio investment opportunities.

The Funds have invested, and are expected to invest, primarily in businesses in the franchise industry or in businesses with similar business models and structures. The CapitalSpring Funds include:

- Franchise Equity Capital Partners I, LLC
- CapitalSpring LLC
- Franchise Equity Capital Partners II, L.P.
- Franchise Equity Capital Partners II Parallel, L.P.
- Franchise Capital Partners III, L.P.
- Franchise Capital Partners III US Parallel, L.P.
- Franchise Capital Partners III Parallel, L.P.
- CapitalSpring Finance Company LLC
- CapitalSpring SBIC, L.P.
- CapitalSpring Direct Lending Partners, LP (“CSDLP”)
- CapitalSpring Direct Lending Partners US Parallel, LP (“CSDLP”)
- CapitalSpring Direct Lending Partners US Parallel II, LP (“CSDLP”)
- CapitalSpring Direct Lending Partners Parallel, LP (“CSDLP”)

Each of the Funds was organized in the State of Delaware with the exception of the Franchise Capital Partners III Parallel, L.P. and CapitalSpring Direct Lending Partners Parallel, LP, both of which were organized in the Cayman Islands.

Each of the CapitalSpring Funds are managed using a similar investment strategy and will generally have similar risk profiles. The parallel funds are generally created to accommodate the requirements of non-US investors. CSFC uses its extensive industry knowledge and contacts, as well as existing portfolio companies, to identify investment opportunities for the Funds. The investment objective of the Funds is to seek long-term capital appreciation over the course of each Fund’s term, generally ten years from the final closing, while minimizing volatility.

The Funds are not required to register under the Securities Act of 1933 or the Investment Company Act of 1940 in reliance upon certain exemptions available to issuers whose securities are not publicly offered. We manage the Funds on a discretionary basis in accordance with the terms and conditions of each Fund's offering and/or organizational documents.

ASSETS UNDER MANAGEMENT: As of December 31, 2012, CSFC had \$344,827,256 in discretionary assets under management. CSFC does not manage any assets on a non-discretionary basis.

IMPORTANT ADDITIONAL CONSIDERATIONS: The information provided herein merely summarizes the detailed information provided in each Fund’s offering and/or organizational documents. Other than the CSDLP Fund, each Fund is closed and is not admitting new investors. Current Fund investors and prospective investors in CSDLP or in any new Fund launched by CSFC should be aware of the substantial risks associated with investment as well as the terms applicable to such investment. This and other detailed information is provided in the appropriate Fund

offering and/or organizational document.

Item 5. Fees and Compensation

For our services to the Funds, in most of our Funds, we charge Management Fees as described below. In our new CSDLF Fund, we do not charge Management Fees. In addition, each Fund's General Partner or Managing Member, an affiliate of CSFC through common ownership and control, will receive Carried Interest, a form of performance-based compensation or similar compensation, as described below.

Management Fees are charged quarterly, semi-annually or annually in advance. Carried Interest is allocated upon the sale of any portfolio company or realization of an investment or dividend. Below is a summary of the Management Fees and Carried Interest and other compensation charged to the Funds. Investors should refer to the appropriate Fund offering documents and/or organizational documents for detailed information regarding fees and fee offsets. It is also important to note that any new Fund launched by CSFC may have similar or materially different terms than those summarized below.

Franchise Equity Capital Partners I, LLC

DATE OF FORMATION: January 19, 2006

MANAGEMENT FEE: The Management Fee is \$100 annually paid to CSFC.

CARRIED INTEREST: Net Cash Flow is distributed 85% to the Investors and 15% to the Managing Members.

CapitalSpring LLC

DATE OF FORMATION: October 3, 2006

MANAGEMENT FEE: The Management Fee is \$100 annually paid to the CSFC.

CARRIED INTEREST: Investors receive a 9% quarterly dividend. Investors are entitled to a 9% preferred return. Then next \$27 MM of distributions split pro rata among Common Members and Investors. Then next \$10.86 MM to the Common Members. Thereafter, pro rata among Common Members and Investors.

Franchise Equity Capital Partners II, L.P.

DATE OF FORMATION: April 1, 2008

MANAGEMENT FEE: Generally, 2% of capital commitment during investment period, then 2% of assets under management.

CARRIED INTEREST: General Partner receives 20% carried interest after Investors have achieved an annual 8% preferred return, subject to clawback and other standard adjustments.

Franchise Equity Capital Partners II Parallel, L.P.

DATE OF FORMATION: April 1, 2008

MANAGEMENT FEE: Generally, 2% of capital commitment during investment period, then 2% of assets under management.

CARRIED INTEREST: General Partner receives 20% carried interest after Investors have achieved an annual 8% preferred return, subject to clawback and other standard adjustments.

Franchise Capital Partners III, L.P.

DATE OF FORMATION: May 22, 2009

MANAGEMENT FEE: Generally, 2% of capital commitment during investment period, then 2% of assets under management.

CARRIED INTEREST: General Partner receives 20% carried interest after Investors have achieved an annual 8% preferred return, subject to clawback and other standard adjustments.

Franchise Capital Partners III US Parallel, L.P.

DATE OF FORMATION: June 9, 2009

MANAGEMENT FEE: Generally, 2% of capital commitment during investment period, then 2% of assets under management.

CARRIED INTEREST: General Partner receives 20% carried interest after Investors have achieved an annual 8% preferred return, subject to clawback and other standard adjustments.

Franchise Capital Partners III Parallel, L.P.

DATE OF FORMATION: May 28, 2009

MANAGEMENT FEE: Generally, 2% of capital commitment during investment period, then 2% of assets under management.

CARRIED INTEREST: General Partner receives 20% carried interest after Investors have achieved an annual 8% preferred return, subject to clawback and other standard adjustments.

CapitalSpring Finance Company LLC

DATE OF FORMATION: October 26, 2010

MANAGEMENT FEE: 0.5% of committed capital.

CapitalSpring SBIC, L.P.

DATE OF FORMATION: July 27, 2010

MANAGEMENT FEE: Generally, 2% of capital commitment during investment period, then 2% of assets under management.

CARRIED INTEREST: General Partner receives 10% carried interest after Investors have achieved an annual 8% preferred return, subject to clawback and other standard adjustments.

CapitalSpring Direct Lending Partners, LP (“CSDLP”)

DATE OF FORMATION: August 31, 2012, amended October 5, 2012

MANAGEMENT FEE: No management fee, although the management company may receive compensation in the form of Origination Fees.

CARRIED INTEREST: General Partner receives a carried interest, which is equal to 20% of the profits subject to the Fund satisfying a hurdle equal to 8% of the capital contributions to the Fund and returning capital contributions to Investors, subject to clawback and other standard adjustments.

CapitalSpring Direct Lending Partners US Parallel, LP (“CSDLP”) (UBTI)

DATE OF FORMATION: March 27, 2013

MANAGEMENT FEE: No management fee, although the management company may receive compensation in the form of Origination Fees.

CARRIED INTEREST: General Partner receives a carried interest, which is equal to 20% of the profits subject to the Fund satisfying a hurdle equal to 8% of the capital contributions to the Fund and returning capital contributions to Investors, subject to clawback and other standard adjustments.

CapitalSpring Direct Lending Partners US Parallel II, LP (“CSDLP”) (3c1)

DATE OF FORMATION: March 27, 2013

MANAGEMENT FEE: No management fee, although the management company may receive compensation in the form of Origination Fees .

ADMINISTRATIVE FEE: A fee to defray the fund administration cost to the Partnership

equal to sixty-five one hundredths percent (0.65%) of the aggregate Capital Commitments to the Partnership.

CARRIED INTEREST: General Partner receives a carried interest, which is equal to 20% of the profits subject to the Fund satisfying a hurdle equal to 8% of the capital contributions to the Fund and returning capital contributions to Investors, subject to clawback and other standard adjustments.

CapitalSpring Direct Lending Partners Parallel, LP (“CSDLP”)

DATE OF FORMATION: December 11, 2012

MANAGEMENT FEE No management fee, although the management company may receive compensation in the form of Origination Fees .

CARRIED INTEREST: General Partner receives a carried interest, which is equal to 20% of the profits subject to the Fund satisfying a hurdle equal to 8% of the capital contributions to the Fund and returning capital contributions to Investors, subject to clawback and other standard adjustments.

Investors must understand the proposed method of compensation and its risks prior to investing in any of the Funds. Prospective investors in any new Fund launched by CSFC should refer to the appropriate Fund offering and/or organizational documents for information regarding the fees charged by CSFC and/or the General Partner or Managing Members, as applicable.

GENERAL INFORMATION:

Investments in Funds: The General Partner and Managing Members for each Fund are affiliated with CSFC through common ownership and control as well as shared executive officers. The General Partner and Managing Members of each Fund will generally participate in the Fund’s investments by investing assets directly in the Fund. A portion of this participation may be effected through a reduction of the Management Fee due to CSFC.

Co-Investments: CSFC or a Fund’s General Partner or Managing Members may make co-investment opportunities available to the Limited Partners or Members and their affiliates as appropriate and in the best interest of the Funds. Allocation of such opportunities creates a conflict of interest as they are, by nature, limited, and participation is not possible for all or even most investors in the Funds. As such, CSFC must determine which investors will be given the opportunity to co-invest and which will not.

To address this conflict, we have adopted policies and procedures designed to ensure that CSFC does not favor certain investors over others, that investors are provided with appropriate disclosures regarding the conflicts of interest inherent in co-investing and that all investors are treated fairly with respect to co-investment opportunities. Investors should note, however, that CSFC’s allocation of co-investment opportunities is primarily driven by prior arrangements. For example, CSFC will generally give priority to Limited Partners or Members that had negotiated side letters requiring that CSFC provide co-

investment opportunities at the time of their original capital commitment to the applicable Fund. In addition, co-investment opportunities may be allocated to third party investors that are part of a consortium for the particular deal as a way for CSFC to complete a transaction. Finally, although investors are not typically a source of investment opportunities, when applicable, CSFC will generally give priority with respect to co-investment opportunities to any investor that brought an opportunity to CSFC's attention.

Certain executive officers and employees of CSFC also have direct investments in one or more of the underlying portfolio companies through separate, affiliated entities formed for co-investment purposes.

Write-Downs: As disclosed above, following the investment period, Management Fees collected by us are calculated based on funded Capital Commitments that remain invested in portfolio companies less write downs, defined as significant and permanent declines in value. In accordance with the appropriate Fund's offering memorandum, these assets are typically valued at cost minus write-downs, as appropriate. Investments are reviewed quarterly by the respective investment committee for material impairment. As a result of this fee calculation methodology, a conflict of interest is created whereby we have incentive not to write-down valuations of portfolio companies as may otherwise be dictated by available market data and prudent fair valuation techniques. To address this conflict, we have adopted Valuation Policies and Procedures which are tested on a periodic basis by the Chief Financial Officer and which are reviewed by the investment committee. In addition, portfolio company valuations will be reviewed on at least an annual basis by an independent certified public accountant that is both registered with and subject to regular inspection by the Public Companies Accounting Oversight Board (PCAOB), and a copy of the audited financials are sent to each investor within 120 days of each Fund's fiscal year end.

Clawbacks: In accordance with the terms of each Fund's Partnership Agreement and/or offering documents, distributions made by the Funds to its General Partner will be subject to clawback if the distributions exceed the agreed Carried Interest or the limited partners do not receive the agreed hurdle rate.

Lock-Up: Except as set forth in the applicable Fund's offering documents, an investor in any one of the Funds generally may not rescind any part of its capital commitment or otherwise withdraw from any of the Funds. Private Equity Fund investing is for those who can afford to have capital locked up for long periods of time and who are able to bear the risk of significant losses.

Investors in each Fund should refer to the appropriate Fund's partnership agreement and offering documents for complete information regarding lock-ups and penalties or other consequences for failure to observe capital calls made by the Fund.

Other Fees and Expenses: In accordance with the terms of each Fund's offering documents, each Fund was responsible for the Fund's organizational expenses up to a disclosed amount generally ranging from \$500,000 to \$1,500,000. Investors in any new Fund launched by CSFC should refer to the offering document for such Fund for

information regarding the amount of organizational expenses that will be incurred by the Fund. No Fund will be responsible for or otherwise incur any percentage of the organizational expenses of any other of the Funds.

Side Letters: CSFC or each Fund's General Partner or Managing Members, as appropriate, has and may in the future, waive or modify certain terms of investment for certain large or strategic investors, in side letters or otherwise, in its sole discretion, including but not necessarily limited to, co-investment opportunities, increased Fund and portfolio company transparency and more frequent or varied formats or modes of portfolio reporting.

General: Prospective investors should refer to the appropriate offering and/or organizational documents for additional important information, terms, conditions and risks involved with investing in the Fund(s).

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

As we disclosed in Item 5 of this Brochure, each Fund's General Partner or Managing Member is an affiliate of CSFC through common ownership and control and will receive Carried Interest, Net Cash Flows or preferred returns, or other form of performance-based profits interest. Such a performance-based profits interest is typically calculated based on a share of aggregate realized profits on assets of the Fund (subject to achieving a preferred return on invested capital as set forth in the applicable Fund's offering documents).

Investors in the Funds, and prospective investors in any new Fund launched by CSFC, should note that performance-based profits interest, in some contexts, can create an incentive for an adviser such as CSFC to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. However, the long term nature of private equity fund investing mitigates such risk because carried interest is calculated based on realized, not unrealized gains, leading CSFC to focus on fundamentals when making investment and add-on investments for the Funds. In addition, the General Partner and Managing Members, as applicable, may also put their own funds at risk.

At this time, we do not offer advisory services to clients who do not pay performance-based compensation, and therefore, we do not have an incentive to favor performance-based fee accounts over non-performance-based fee accounts. However, in theory, we could have incentive to favor a Fund paying higher aggregate performance-based compensation than one paying less or a Fund in which officers and employees of the firm and General Partner may have more of their personal assets invested. Since we endeavor at all times to put the interest of the Funds first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts:

1. We disclose to investors and prospective investors the existence of material conflicts of interest;

2. Pursuant to the terms of each Funds' Organizational Documents and/or Offering Memoranda, we typically will have substantially (though not necessarily entirely) completed the investment phase of one Fund before the launch of a new subsequent Fund with similar investment goals and objectives;
3. We educate our employees regarding the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement.

Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations.

Item 7. Types of Clients

We provide investment management services to several Private Equity Funds as disclosed at Item 4 of this Brochure.

Except as was permitted by us or the appropriate Fund General Partner, in accordance with the appropriate Fund's offering documentation, the minimum required capital commitment to the Funds ranged from \$10,000 to \$5 million, depending on the Fund.

Prospective investors in any new Fund launched by CSFC should refer to the appropriate Fund offering documents and/or organizational documents for information regarding that Fund's minimum required capital commitment and any additional qualifications required for investment.

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

CSFC typically targets businesses that have similar operations, demand drivers and risk factors. These similarities across investment opportunities allow for systematic due diligence and consistent analytics.

When investing in franchised businesses, CSFC benefits from the monitoring and operations support from franchisors that have a vested interest in the success of franchisees. Quality franchisors can enhance an investment in a franchised business because they provide recognized brands and proven business models, extensive franchisee vetting processes, real estate selection support, professional mass media marketing, economies of scale in purchasing, ongoing training for franchisees, new product development, best practice sharing, benchmarking, revenue audit and crisis management.

CSFC's investment philosophy generally does not rely on its own ability to improve the operations of portfolio companies to generate the target rate of return. CSFC does have an in-house franchise operations expert who assists in due diligence, portfolio optimization and underperforming portfolio company support. From time to time, CSFC assists certain franchisees in establishing or improving their own administrative infrastructure to reduce overhead and enhance financial management and reporting.

Senior debt investments generally have first liens on the assets of the portfolio company and are often supported by guarantees made by the portfolio company's executive management and/or business entities affiliated with management. Subordinated debt investments may or may not have liens on the assets of the portfolio company being financed and may or may not have guarantees made by the executive management and/or business entities affiliated with management.

Preferred and common equity portfolio company investments do not typically have asset liens or guarantors.

As adviser to the Funds, our firm primarily, though not exclusively, invests in securities issued by private companies. As such, traditional securities analysis is not possible when formulating investment recommendations. Instead, we rely on a robust due diligence process of prospective portfolio companies in determining which to invest in on behalf of the Funds.

Risks Relating to CSFC's Advisory Business

Franchised businesses may underperform as a result of the actions of a franchisor or other franchisees. Franchised businesses operate under business names and use trademarks that they license from franchisors. These franchisors have multiple other franchisees in their systems. Portfolio companies have no influence or control over either their respective franchisors or the other franchisees in the same franchise system. Accordingly, a portfolio company may be significantly adversely affected by decisions made by the franchisor or by events or publicity that harms the brand under which the franchisee operates.

CSFC faces particular risks associated with investments in the quick-serve franchised restaurant sector. A significant portion of the Funds' investments are in the franchised quick serve restaurant, or QSR, sector. Investments in portfolio companies in the QSR sector raise particular risks, including the following:

Various constituencies, including local governments, may be hostile to QSRs. QSRs have achieved commercial success by offering affordable food that appeals to consumers who are budget-conscious or pressed for time, but they have been opposed by various constituencies for several reasons. QSRs sell high calorie/high fat foods, and have been assailed by public health advocates for selling food that is not considered "healthy." This has prompted local legislative initiatives, such as tighter zoning restrictions and special labeling requirements (for example, requiring the highlighting of calories on menu boards for QSRs, but not other food retailers) to limit the growth of QSRs. In addition, QSRs are often considered to be undesirable businesses by local governments, which therefore often restrict the areas in which QSRs may operate. Restrictions on new QSR development can limit or slow demand for capital for new development.

Shortages or interruptions in the supply or delivery of perishable food products could damage a portfolio company's brand reputation. QSR franchisees depend on frequent

deliveries of perishable food products that meet brand specifications. Shortages or interruptions in the supply of perishable food products caused by unanticipated demand, problems in production or distribution, disease or food-borne illnesses, inclement weather or other conditions could adversely affect the availability, quality and cost of ingredients, which could lower a portfolio company's revenues, increase operating costs, damage brand reputation and otherwise harm the business of a portfolio company.

Instances of food-borne illnesses could cause a portfolio company's sales to decline.

Instances of food-borne illnesses, such as mad cow disease, bird flu, salmonella, e-coli or hepatitis A, could adversely affect the price and availability of beef, poultry or other meats, and may cause consumers to shift their preferences to other food products. As a result, instances of food-borne illness could cause a QSR portfolio company to experience a significant increase in food costs, adverse publicity, reduction in consumer demand or other negative effects on revenues or profitability.

Adverse reputational events at a particular portfolio company could harm the value of the investment in that portfolio company. In addition to the possibility of harm to a QSR portfolio investment's value due negative developments concerning the franchisor's brand, the value of an investment in any particular QSR portfolio company could suffer due to negative reputational events suffered at the franchisee level. Thus, for example, instances of food-borne illness at a portfolio franchisee's location(s), while not attracting enough attention to harm the overall brand, could materially adversely affect consumer demand at the franchisee's particular locations(s) and thus harm the value of the investment in that portfolio company.

Changes in consumer tastes and preferences and in discretionary consumer spending could result in a decline in QSR portfolio company sales. The QSR industry is often affected by changes in consumer tastes, national, regional and local economic conditions, discretionary spending priorities, demographic trends, traffic patterns and the type, number and location of competing restaurants. The success of the QSR portfolio companies will depend to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. Accordingly, QSR portfolio companies may experience declines in sales during economic downturns. In addition, if QSR portfolio companies are unable to adapt to changes in consumer preferences and trends, they may lose customers and revenues.

Franchisees risk the loss of their franchise rights. Franchisees' rights to operate within a franchise system and under a brand name can expire, be revoked by the franchisor or be lost for other reasons. A portfolio company's loss of its franchise rights could make the investment in that business worthless.

Franchised businesses are highly dependent on access to good business locations.

Franchised businesses often require highly visible locations in busy, high-traffic areas. Competition to secure access to such sites, through lease or ownership, is very strong. Portfolio companies may not gain access to adequate operating locations or may lose the right to operate in a location from which they have been operating. In addition, portfolio

companies may face detrimental competition due to similar businesses locating nearby the portfolio company's place of business.

CSFC's focus on the franchisee sector may lead to a concentration of a Fund's investment portfolio, which could heighten risks to Investors. Subject to the CSFC Investment Guidelines, the Funds' investments will be concentrated in franchised businesses, particularly franchised restaurants, and the Funds' overall portfolio may be adversely affected by negative developments affecting either the branded restaurant industry or the franchised restaurant industry in general. In addition, QSRs and full serve restaurants represent a large portion of the franchise market, and it is likely that the Funds will have concentrated exposures to these market sectors.

Risks of Long-Term Investing through Private Equity/Private Debt Funds: One of the primary risks of a long-term investment strategy is that, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. This risk is particularly pronounced when investing for the long term in privately issued securities due to the absence of an immediate and liquid market for these investments. Any sale of such securities will typically take some time to complete. The company, its competitors or its industry may behave in ways which were not, and in some cases could not have been predicted, leading to significant losses and/or a lack of any attractive exit option.

Risks in General: Securities investments are not guaranteed, and investors may lose money on their investments. Investors or prospective investors should carefully review the detailed explanation of the many risks associated with investment as provided in the appropriate Fund's offering memorandum.

Item 9. Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Neither our firm nor our management personnel have reportable disciplinary events to disclose.

Item 10. Other Financial Industry Activities and Affiliations

As disclosed at Item 4 of this Brochure, CapitalSpring is the principal owner of CSFC. "Principal owners," for purposes of this disclosure, include those owning 25% or more of the firm.

The General Partner or Managing Member for each Fund is related to CSFC and CapitalSpring through common ownership and control. Each General Partner or Managing Member typically shares many of the same executive officers with each other and with CSFC and CapitalSpring. CapitalSpring GP III, LLC serves as General Partner to Franchise Capital Partners III L.P., Franchise Capital Partners III US Parallel, L.P., and Franchise Capital Partners III Parallel, L.P. CapitalSpring SBIC GP, LLC serves as

General Partner to CapitalSpring SBIC, L.P. CapitalSpring LLC serves as General Partner to Franchise Equity Capital Partners II Parallel, L.P. and Franchise Equity Capital Partners II, L.P. Richard Fitzgerald and Chris Unrath serve as Managing Members to CapitalSpring LLC and Franchise Equity Capital Partners I, LLC. CSDLP General Partner LLC serves as the General Partner to CapitalSpring Direct Lending Partners, LP, CapitalSpring Direct Lending Partners US Parallel, LP, CapitalSpring Direct Lending Partners US Parallel II, LP and CapitalSpring Direct Lending Partners Parallel, LP.

Each General Partner will be entitled to any Carried Interest, as applicable pursuant to the terms and conditions set forth in the appropriate Fund offering documents or organizational documents. Any such allocation will ultimately inure to the benefit of the owners and executive officers of CSFC. Each Managing Member may be entitled to receive a percentage of Net Cash Flows or preferred returns, as the case may be, as applicable pursuant to the terms and conditions set forth in the appropriate Fund offering documents or organizational documents.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code provides for oversight, enforcement and recordkeeping. A copy of our Code of Ethics is available to our advisory clients and prospective clients, including investors and prospective investors in one or more of the Funds, upon request to the Chief Compliance Officer, at the firm's principal office address.

As disclosed at Item 5 of this brochure, certain executive officers and/or other employees of CSFC have invested and may invest a portion of their personal net worth in one or more of the Funds. The firm's owners or employees may also be offered the opportunity on a case-by-case basis to co-invest in portfolio companies with the Funds. It is the expressed policy of our firm that no person employed by us may usurp an investment opportunity which may be appropriate for one or more of the Funds without first presenting the opportunity to our Chief Compliance Officer, particularly when there is limited availability for participation in the opportunity.

As these situations represent a conflict of interest, we have established the following restrictions in order to ensure its fiduciary responsibilities:

1. No officer or employee of our firm may prefer his or her own interest to that of an advisory client. Co-investments are limited to and may not exceed the maximum aggregate percentage of the total investment made by the Fund as defined in the appropriate Fund's offering documents.

2. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by the Chief Compliance Officer.
3. All of our officers and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to disciplinary action up to and including termination.

The Investment Advisers Act of 1940 makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, to knowingly sell any security to, or purchase any security from, a client without disclosing to the client in writing the capacity in which the adviser is acting and obtaining the client's consent to the transaction. This rule may apply to certain transactions involving accounts in which investment advisers have interests, such as private fund investments by the firm's owners, principals, or employees. The SEC has indicated that when an investment adviser and/or its controlling persons own more than 25% of a fund's outstanding securities, it would be effectively treated as a principal transaction if such an account were to engage in a trade with another client account or fund. Such levels of participation in any one of the Funds are limited by the terms of each Fund's partnership agreements and/or offering documents.

Without obtaining the consent of an Investor Advisory Committee as established for each Fund, neither CSFC nor any General Partner or other affiliated person shall engage in a principal trade with any of the Funds, that is a purchase from or sale of securities to a Fund from a proprietary or person account other than through side-by-side investments as provided for in the respective Limited Partnership Agreement.

Item 12. Brokerage Practices

CSFC, directly or in conjunction with each Fund's General Partner or other affiliates, is responsible for all parts of the investment cycle including deal sourcing and origination, investment decision-making, deal negotiation and transaction structuring, portfolio management (the act of overseeing the investments that we have made) and exit strategies. CSFC will typically make direct investments on behalf of the Funds in privately-held companies.

Each direct investment is carefully structured through negotiations by members of the applicable Fund's General Partner, and CSFC's Managing Committee, as well as various professionals engaged by the firm to facilitate a particular deal, as appropriate. These professionals may include attorneys, accountants, consultants, information technology and due diligence professionals, among others. CSFC will utilize the expertise of these professionals in evaluating each deal, including negotiating the most favorable pricing and other terms for the transaction under the circumstances. Transactions in securities that are made by CSFC for the Funds, therefore, are generally discreetly negotiated deals

which do not typically involve the participation of an investment bank or broker dealer (hereinafter collectively “Brokers”).

When selling a portfolio company, in order to obtain the best possible selling price, and depending on the particular circumstances of the proposed deal, CSFC may engage a Broker to assist in the sale if CSFC determines that such third party has a broader reach than our firm alone and that engaging the third party will be in the best interests of the Funds.

If, consistent with our goal of seeking best execution, CSFC determines that it will engage a Broker to assist with the structuring of a particular transaction, such Broker will be selected on the basis of the following, as applicable:

- expertise in the particular market;
- market reach and liquidity
- history of similar transactions;
- the fees and other cost associated with its services;
- its reputation;
- our past experience with the firm, including any past deal flow or ideas provided by the firm, if any;
- our anticipation of future deal flow, if any;
- willingness and ability to commit capital to complete the deal, if necessary; and
- responsiveness of staff.

From time to time, CSFC aggregates transactions for more than one Fund. In such cases, CSFC will typically enter into a single transaction, aggregating the transactions for each Fund as well as any co-investor that was allocated a percentage of the transaction. Each participant will participate in the transaction at the same price.

As disclosed at Item 5 of this Brochure, CapitalSpring or the General Partner of a particular Fund may also make co-investment opportunities available to Limited Partners and their affiliates as appropriate and in the best interest of the Funds. Allocation of such opportunities creates a conflict of interest as they are, by nature, limited and participation is not possible for all or even most investors in the Funds. As such, must determine which investors will be given the opportunity to co-invest and which will not. To address this conflict we have adopted written Allocation Policies and Procedures designed to ensure that does not favor certain investors over others and that, over time, all investors are treated fairly with respect to co-investment opportunities.

CSFC does not have any formal or informal soft-dollar arrangements nor do we receive any soft-dollar benefits from any broker, dealer or other counterparty.

Item 13. Review of Accounts

CSFC monitors the portfolio companies of each Fund on an ongoing basis.

The CSFC Management Committee is responsible for the day-to-day management of CSFC and controls CSFC's investment, monitoring, portfolio valuation and exit decisions and is subject to the CSFC Investment Guidelines. The Management Committee will approve all portfolio investments and dispositions and will be actively involved in analyzing each investment and reviewing those investments on an on-going basis.

The Management Committee meets regularly to review ongoing monitoring activities and to evaluate potential new platform investments and add-on acquisitions.

The Funds are audited annually by an independent, certified public accountant that is both registered with and subject to regular inspection by the Public Companies Accounting Oversight Board (PCAOB) and a copy of the audited financials are sent to each investor on a timely basis. A quarterly financial statement package with footnotes and a compilation opinion is provided to investors in Franchise Equity Capital Partners II, L.P., Franchise Capital Partners III, L.P., CapitalSpring LLC and CapitalSpring Finance Company LLC.

Item 14. Client Referrals and Other Compensation

CSFC reserves the right to enter into arrangements whereby it appoints placement agents in connection with the offer and sales of interests in the Funds. Although common, such referral arrangements do create a potential conflict of interest because, in theory, the referrer may be motivated, at least partially, by financial gain and not because the CapitalSpring Funds are the most suitable to the prospective investor's needs. To address this potential conflict of interest, all referred investors are carefully screened to ensure that the particular Fund is suitable to the prospective investor's investment needs, objectives and risk tolerance before any subscription is accepted.

Item 15. Custody

Because we act as investment adviser to the Funds and are affiliated with each Fund's General Partner through common ownership and control, we are deemed to have custody of client assets under current applicable regulatory interpretations. As an adviser with custody, we seek to have each of the Funds audited on an annual basis by an independent public accountant that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). We seek to send, directly or through a third party, the audited financials to each Fund investor within 120 days of the applicable Fund's fiscal year end.

Item 16. Investment Discretion

As investment adviser to the Funds, CSFC is granted the discretionary authority in the relevant organizational documents and/or advisory agreements to determine which securities and the amounts of securities that are to be bought or sold on behalf of the Funds.

Item 17. Voting Client Securities

Because the Funds transact primarily in privately issued securities, CSFC rarely is required to vote proxies. Under certain limited circumstances, however, may be required to vote proxies solicited by portfolio companies. Under these circumstances, CSFC will vote proxies in the best interest of the Funds, typically with the goal of maximizing value for the Funds and the investors in the Funds. To that end, CSFC endeavors to vote proxies in the manner that it determines in good faith will be the most likely to cause the Funds' investments to increase the most or decline the least in value. Consideration is given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote. CSFC's complete proxy voting policy and procedures is available for investors to review.

CSFC or the General Partners of the Funds do not typically name one or more affiliated persons to serve on the Board of Directors of portfolio companies. However, in cases where an affiliate is named to the Board, a conflict of interest could arise when voting certain common proxies including board composition, tenure or compensation. Under these circumstances, CSFC will either abstain or engage an unaffiliated third party to vote the proxy on behalf of the affected Fund.

Item 18. Financial Information

Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered, therefore, we are not required to include a financial statement with this brochure.

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