

**THE CAPSTREET GROUP, LLC**  
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**This brochure provides information about the qualifications and business practices of The CapStreet Group, LLC, an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 713-332-2725 or [kkohlmeyer@capstreet.com](mailto:kkohlmeyer@capstreet.com).**

**This information has not been approved or verified by the SEC or by any state securities authority.**

**Registration with the SEC or with any state securities authority does not imply a certain level of skill or training. Additional information about The CapStreet Group, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2: Material Changes**

There have been no material changes since our last brochure dated March 22, 2013.

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#### **Item 4: Advisory Business**

The CapStreet Group, LLC is a Delaware limited liability company that, together with its affiliates, provides investment advisory services to pooled investment vehicles which are exempt from registration under the Investment Company Act of 1940, as amended (each a “Fund” or, collectively, the “Funds”). We may refer to the Funds as our “Clients.” The Funds have entered into management agreements with certain affiliates that are referred to as “Relying Advisers.” The CapStreet Group, LLC is under common control with each Relying Adviser. The CapStreet Group, LLC, together with the Relying Advisers and its other affiliates that serve as the general partners of, provide advisory services to, and/or receive advisory fees or other compensation from the Funds are referred to collectively as “CapStreet.” Such affiliates may be formed for legal, tax, regulatory or other purposes in connection with the organization of the Funds; however, they do not have employees of their own, and all investment advisory services are performed by employees of The CapStreet Group, LLC.

The Funds primarily make long-term private equity investments in lower middle market companies. CapStreet tailors its advisory services to the specific investment objectives and restrictions of each Fund pursuant to the investment guidelines and restrictions set forth in its partnership agreement, exhibits, amendments and private placement memorandum, as supplemented from time to time (collectively, the “Documents”).

George B. Kelly is the sole owner of The CapStreet Group, LLC, which was founded in 1997 and was originally named Summit Capital Group, LLC; its name was changed in 2002. Prior to the formation of CapStreet, Mr. Kelly actively invested in lower middle market companies through a predecessor entity formed in 1990.

As of December 31, 2013, CapStreet had \$482,402,000 in discretionary assets and \$-0- in non-discretionary assets under management.

#### **Item 5: Fees and Compensation**

CapStreet charges each Fund a management fee that is generally payable quarterly in advance, and is pro-rated for any period that is less than a full calendar quarter. The management fee charged to each Fund is specified in the Documents of the Fund. The management fees are charged at a maximum annual rate of 2% of the capital commitments of any limited partner. CapStreet earns a performance fee (“Carried Interest”) based on the profits of each Fund that is deducted from the investment proceeds of the limited partners. Generally, CapStreet receives Carried Interest of 20% of the profits of a Fund, subject to a hurdle rate. Each Fund’s Documents includes further detail concerning its Carried Interest. Please see Item 6 below for a further discussion of CapStreet’s performance-based fees.

While CapStreet's fees are generally not negotiable, CapStreet reserves the right to waive its fees for certain investors. In particular, the management fee and Carried Interest for certain limited partners in the Funds who are employees of CapStreet, or family members of such employees, may be waived at CapStreet's discretion.

CapStreet may receive transaction fees, directors' fees, monitoring fees, and other similar fees from the Funds' portfolio companies. A portion of these fees is offset against, and therefore reduces, the applicable Fund's management fees, as detailed in each Fund's Documents.

As noted above, management fees are typically calculated quarterly in advance. In the event an investment management agreement or a Fund itself would be terminated, any management fees paid in advance would be reimbursed to the Fund pro rata based on the portion of the period for which fees were paid but for which services were not rendered.

Each Fund will also pay all costs and expenses relating to the Fund's activities (to the extent not reimbursed by a portfolio company), including: (i) costs and expenses incurred in connection with portfolio investments, including financing, legal, accounting, management and consulting expenses (including such expenses related to potential portfolio investments or dispositions that are not consummated), (ii) administrative expenses, including the cost of the preparation of the annual audit, financial and tax returns and tax reports, custodial expenses, cash management expenses and routine legal and accounting expenses, (iii) brokerage commissions, registration fees and expenses, custodial expenses, (iv) interest or fees and expenses arising out of borrowings, (v) out-of-pocket costs of litigation, D&O insurance and indemnification costs, (vi) expenses associated with the termination of the Fund, (vii) registration expenses and taxes, governmental charges, and expenses incurred in connection with a tax audit, investigation, settlement or review of the Fund, (viii) expenses of the Board of Advisors and annual meetings of the partners, (ix) private placement fees and expenses paid to third-party placement agents relating to the Fund's formation and obtaining the commitments, but only to the extent management fees are subsequently reduced by such placement agent fees, (x) expenses associated with the preparation of Fund financial statements, tax returns and K-1's, (xi) fees of attorneys, consultants, accountants, fund administrator, service providers, (xii) insurance premiums incurred in connection with the Fund's activities, including errors and omissions, fidelity, general partner liability, fiduciary and D&O, (xiii) expenses arising from defaults in capital contributions, (xiv) expenses incurred in connection with distributions to partners, (xv) expenses in connection with any amendments, modifications, revisions or restatements to the Fund documents, (xvi) post-closing obligations under agreements relating to the disposition of portfolio investments, including indemnification obligations and purchase price adjustment obligations, and (xvii) costs and expenses in connection with a subscription credit facility.

Each Fund is responsible for the costs and expenses related to its organization, including legal, consulting, accounting and other organizational expenses, including out-of-pocket expenses of CapStreet, up to a limit as specified in each Fund's Documents. Any organizational expenses paid by a Fund in excess of the specified amount reduce management fees otherwise payable. The Funds may retain an unaffiliated placement agent whose fees are also paid by the Funds, provided that such payments reduce management fees by a similar amount.

CapStreet does not generally utilize the services of broker-dealers to effect portfolio transactions for the Funds; however when a broker is used in connection with a transaction by a Fund, the Fund may incur brokerage and other transaction costs. Please see Item 12 for more information about CapStreet's brokerage practices.

None of CapStreet's revenue from Clients results from commissions and other compensation for the sale of investment products that CapStreet recommends to the Funds. CapStreet is not a broker-dealer and does not charge commissions or markups in addition to its advisory fees.

#### **Item 6: Performance-Based Fees and Side-by-Side Management**

As discussed in Item 5, in addition to management fees, CapStreet may receive Carried Interest, a performance-based allocation calculated as a share of the profits of the Funds, based on a percentage of such profits.

The Funds may pay varying management fees and Carried Interest at various stages in their timeline. CapStreet may have an incentive to favor, or make more speculative investments, with respect to Funds from which it receives higher performance-based compensation. CapStreet has in place policies and procedures to address these conflicts, including policies and procedures to ensure that investment opportunities are allocated fairly and equitably among the Funds. CapStreet will not allocate investment opportunities based, in whole or in part, on the relative fee structure or amount of fees paid by any Fund. In addition, CapStreet generally makes new investments for one Fund at any given time and generally does not make investment for another Fund until the predecessor Fund is substantially fully invested or committed.

#### **Item 7: Types of Clients**

CapStreet provides advice directly to pooled investment vehicles, which are U.S. limited partnerships sponsored by CapStreet, and not to individual investors. Eligibility to invest in a Fund is limited to investors who meet specified minimum criteria relating to such items as financial holdings and investment experience, which are further detailed in the Fund's subscription agreement. CapStreet's private equity strategies are typically targeted to institutions, funds of funds, qualified pension plans and sophisticated high net worth individuals.

Investors may include employees of CapStreet, directly or indirectly.

Details concerning minimum initial and additional subscription amounts, as well as a description of the investment objectives and risk factors, are found in each Fund's Documents which are provided to investors. CapStreet may, in its sole discretion, permit investments below the minimum amounts set forth in a Fund's Documents.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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

Although CapStreet's investment strategy may vary somewhat from Fund to Fund, it generally makes control investments in lower middle market companies (typically valued at less than \$150 million). It focuses its sourcing efforts on companies headquartered in the greater Houston area, or elsewhere in Texas and surrounding states. Its primary industry focus is on industrial distribution, industrial manufacturing and diversified business services. CapStreet primarily invests in businesses owned by entrepreneurs, families, management or employee stock ownership plans. CapStreet applies a disciplined and methodical approach to drive operational improvement and growth at its portfolio companies.

CapStreet identifies investment opportunities through its network of relationships with industry executives, professionals, business brokers, and other intermediaries. After identifying a potential control investment opportunity, CapStreet undertakes a comprehensive due diligence process, including:

- The collection and analysis of company-specific information, including historical and projected financial and operating information, and information regarding management and employees.
- A study of the company's industry and its competitive situation within the industry, using industry experts or other consultants when appropriate.
- Evaluation of the company's business, including its management and systems capabilities, pricing strategies, product line profitability, branding, marketing and sales strategies and capabilities, operating processes, and productivity statistics.
- The identification of post-investment strategies and tactics to accelerate revenue growth, organically or through acquisition, and increase profitability.
- The utilization of outside legal, accounting, tax, environmental, insurance, and other subject matter experts as appropriate.

During the course of the due diligence for a potential acquisition, the members of the CapStreet team directly involved (the "Deal Team") report on the progress to the investment committee on a regular basis, and the investment committee is consulted at key points during the negotiations.

Following the acquisition of a controlled portfolio company, CapStreet generally appoints one or more of its principals to serve on the company's Board of Directors. The Deal Team participates with the company's management to set strategic priorities and performance targets. CapStreet works with the company to build and professionalize the management team, and to execute on opportunities for revenue and profitability growth identified during the due diligence process, and others that evolve over the course of the investment.

## **Risks**

**An investment in a private equity fund involves a substantial degree of risk, and Fund investors must be prepared to bear the risk of a complete loss of their investments.** Investors and prospective investors in a Fund should review the Documents of such Fund for a detailed description of the risks associated with an investment in the Fund. Investments in the Funds are subject to many material risks, including the following:

### **Nature of Investment in General**

An investment in a private equity fund requires a long-term commitment, with no certainty of return. There most likely will be little or no near-term cash flow available to the investors. Many, if not all, of a Fund's investments will be highly illiquid, and there can be no assurance that a Fund will be able to realize such investments in a timely manner. A Fund's contemplated exit strategies for its investments can be adversely affected by numerous factors, many of which may be unforeseen or unexpected at the time the investments are made. Consequently, dispositions of a Fund's investments may require a lengthy time period or may result in distributions in kind to the partners. Additionally, a Fund typically will acquire securities that cannot be sold except pursuant to a registration statement filed under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or in a private placement or other transaction exempt from registration under the Securities Act and that complies with any applicable non-U.S. securities laws. Certain of a Fund's investments may be in businesses with high levels of debt or may be investments in leveraged buyouts; leveraged buyouts by nature require companies to undertake a high ratio of fixed charges to available income. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. Since a Fund may make only a limited number of investments, and since a Fund's investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to its investors. The performance of past investments led by CapStreet is not necessarily indicative of the results that will be achieved by a Fund. There can be no assurance that the targeted IRR will be attained.



## **General Economic Conditions**

The success of a Fund will be affected by general economic conditions in the U.S. and regional economic conditions affecting its portfolio investments. The concentration of a Fund's investments in a few regional markets may result in volatility due to localized economic downturns. Interest rates, general levels of economic activity, the price of securities, and participation by other investors in the U.S. and regional financial markets may affect the value and number of investments made by a Fund or considered for prospective investment.

## **Dependence on Principals**

The success of a Fund will depend on CapStreet's ability to identify and consummate suitable investments, to manage and monitor portfolio companies, and to dispose of investments of a Fund at a profit. CapStreet's success will in turn be highly dependent on its investment professionals. The loss of one or more of these individuals could have a material adverse effect on the performance of a Fund. None of the investment professionals is obligated contractually to remain with CapStreet.

## **Uncertainty About Ability to Complete Investments**

The business of identifying and structuring transactions of the nature and in the industry contemplated by CapStreet is highly competitive. There can be no assurance that CapStreet will be able to locate and complete investments that satisfy a Fund's rate of return objectives or realize their values or that a Fund will be able to fully invest its committed capital.

## **Operating Improvements**

In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of CapStreet or the management of a portfolio company to restructure and implement improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund will be able to successfully identify and implement such restructuring programs and improvements.

## **Concentration of Investments; Potential Lack of Diversification**

A Fund will participate in a limited number of investments. As a consequence, the aggregate returns or losses of a Fund may be affected significantly by the performance of a single investment.

## **Risk of Bridge Financing**

Investments may include bridge financing to portfolio companies. While a bridge financing is outstanding, the bridge lender bears the risk of changes in the capital markets. A portfolio

company's inability to refinance a bridge loan may result in retaining a long-term investment in a junior security or having its bridge loan converted to equity.

### **Hedging Transactions**

CapStreet may seek to limit a Fund's exposure to various risk factors through the use of various hedging techniques. There can be no assurance that such hedging techniques will be effective or that they will result in higher or more stable returns than would have been the case had they not been employed. Moreover, such hedging techniques will tend to limit any potential gain that might result from an increase in the value of a hedged position.

### **Time Required to Maturity of Investment**

It is anticipated there will be a significant period of time before a Fund has completed its investments in portfolio companies. Such investments may typically take from three to seven years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Transaction structures typically will not provide for liquidity of a Fund's investment before that time. In light of the foregoing, it is likely that no significant return from the disposition of a Fund's investments will occur for a significant period of time from the initial closing date. In addition, a Fund's investments may not be disposed of at advantageous prices before the date a Fund is required to be dissolved. If a Fund's investments have not been sold or distributed in-kind at dissolution, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous price or upon disadvantageous terms upon dissolution.

### **Material Non-Public Information**

From time to time, CapStreet's employees may come into possession of material non-public information concerning specific companies. Under applicable securities laws, this may limit the CapStreet's flexibility to buy or sell portfolio securities issued by such companies. A Fund's investment flexibility may be constrained as a consequence of CapStreet's inability to use such information for investment purposes. Alternatively, CapStreet may decline to receive material non-public information that it is entitled to receive on behalf of a Fund, in order to avoid investment restrictions on a Fund, even though access to such information might have been advantageous to a Fund and other market participants are in possession of such information.

### **Government Regulation and Changes in Law**

The Dodd Frank Wall Street Reform and Consumer Protection Act (the "Reform Act"), which became law in July 2010, seeks to regulate markets, market participants, and financial instruments that previously have been unregulated and substantially alters the regulation of many other markets, market participants, and financial instruments. Because many provisions of the Reform Act require additional rulemaking by the applicable regulators before becoming fully

effective and the Reform Act mandates multiple agency reports and studies (which could result in additional legislative or regulatory action), it is difficult to predict the full impact of the Reform Act on a Fund, CapStreet and the markets in which they trade and invest. The Reform Act could result in certain investment strategies in which a Fund engages or may have otherwise engaged becoming non-viable or non-economic to implement. The Reform Act and regulations adopted pursuant to the Reform Act could have a material adverse impact on the profit potential of a Fund. Certain provisions of the Reform Act would subject registered advisers to new requirements to keep records and to report information to the SEC, which could in turn be supplied to the Board of Governors of the Federal Reserve, a new Financial Services Oversight Council or other U.S. governmental agencies or Congress. Under the Reform Act, the information would include, at a minimum, the amount of assets under management, use of leverage (including off-balance sheet leverage), counterparty credit risk exposures, trading and investment positions, and trading practices. All such records would be subject to examination by the SEC at any time. The Reform Act also gives the SEC new authority to promulgate rules requiring registered investment advisers to make disclosures to investors, prospective investors, counterparties, and creditors of any private fund advised by the registered investment adviser.

### **Reliance on Portfolio Company Management**

CapStreet will monitor the performance of each investment and maintain an active and ongoing dialogue with each portfolio company's management team. Nevertheless, the management of the portfolio company will be primarily responsible for operating the company on a day-to-day basis. Although a Fund intends to invest in companies with strong operating management teams that have successful track records or to recruit qualified replacement management, there can be no assurance that each portfolio company's management team will be able to operate the company successfully.

### **Illiquidity of Investments**

An investment in a Fund requires a long-term commitment with no certainty of return. It is unlikely there will be near-term cash flow available to the partners. Many of a Fund's investments may be illiquid, and there can be no assurance that a Fund will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the partners. Additionally, a Fund may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for a Fund's investments.

## **Lack of Sufficient Investment Opportunities**

The success of a Fund and its ability to generate an acceptable rate of return will depend, in part, on its ability to identify and acquire the assets and/or securities of attractive portfolio companies on favorable terms. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners will be required to pay annual management fees based on the entire amount of their commitments.

## **Financial Market Fluctuations**

General fluctuations in the market prices of securities may affect the value of the investments held by a Fund. Instability in the securities markets may also increase the risks inherent in a Fund's investments. The ability of portfolio companies to grow may depend on their ability to sell new securities in the public securities markets or otherwise.

## **Valuation of Portfolio Investments**

Restricted and privately-held portfolio investments, which may not have readily ascertainable market values, are valued by CapStreet at fair value, which is the estimated amount that would be received in a sale of the portfolio investment in an orderly transaction between market participants at the measurement date. Various valuation techniques and inputs are considered in valuing private portfolio investments, including purchase multiples paid in other comparable third-party transactions, comparable public company trading multiples, discounted cash flow analyses, market conditions, liquidity, current operating results, and other pertinent information. Although CapStreet estimates the fair value of each portfolio company at quarter-end using valuation techniques that CapStreet believes are in compliance with Accounting Standards Codification 820-10 (which fair value estimates will be audited by a Fund's auditors as part of a Fund's year-end audit), due to the inherent uncertainty of valuation estimates, CapStreet's determination of values may differ significantly from values that would have been realized had a ready market for the investments existed, and the differences could be material. The actual realized returns on unrealized investments will depend on, among other factors, future operating results, the value of assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ from the assumptions on which the valuations are based. Accordingly, the actual realized returns on unrealized investments may differ materially from the returns indicated.

## **Portfolio Company Leverage**

A Fund may make investments, either through leveraged buyouts or otherwise, in portfolio companies that have a leveraged capital structure. To the extent that any investment is made in a

company with a leveraged capital structure, such investment may be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a downturn in the economy or deterioration in the condition of such company or its industry. In the event that such a company is unable to generate sufficient cash flow to timely meet principal and interest payments on its indebtedness, the value of a Fund's investment in such portfolio company could be significantly reduced or even eliminated. Additionally, lenders would typically have a claim that has priority over any claim by a Fund to such assets in an insolvency event or proceeding. The use of leverage will result in costs to a Fund that may not be covered by distributions made to a Fund or appreciation of its investments.

### **Bankruptcy of Portfolio Companies**

A Fund may make investments in portfolio companies that may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. federal and state and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of a Fund.

There is also a risk that a court may subordinate a Fund's investment to other creditors or require a Fund to return amounts previously paid to it by a portfolio company that became insolvent or files for bankruptcy, a risk that could increase if a Fund has management rights in such portfolio company.

### **Control Investments**

In general, a Fund will endeavor to have a meaningful influence on the management, operations and strategic direction of the portfolio companies in a manner that will encourage growth and profitability. Any such exercise of control or influence over a portfolio company may result in additional risks of liability including but not limited to environmental harm, product defects, claims of failure to supervise management and other types of liability in which the limited liability generally characteristic of a portfolio company may be ignored. Such exercise of control or influence over a portfolio company may expose the assets of a Fund to claims by such portfolio company, its security holders, and its creditors. CapStreet intends to manage a Fund in a manner that will minimize a Fund's exposure to any such risks but the possibility of successful claims cannot be precluded.

### **Uncertainty of Financial Projections**

A Fund may use financial projections to help analyze a potential investment or future capital raises and financing for portfolio companies or other transactions. Projected operating results will often be based on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual

results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial projections.

### **Lower Middle Market Companies**

Investments in lower middle market companies such as those that a Fund intends to invest in, while often presenting greater opportunities for growth, may also entail larger risks than are customarily associated with investments in large companies. Smaller companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller or less experienced management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in smaller companies, could make it difficult for a Fund to react quickly to negative economic or political developments.

### **Industrial Manufacturing**

Investments in the industrial manufacturing sector by a Fund may be subject to a variety of risks including, but not limited to: (i) the risk that the technology employed in a project will not be effective or efficient, (ii) products or technologies that may quickly become obsolete, (iii) environmental liability risks related to properties and projects, (iv) risks of equipment failures, (v) loss of sale and supply contracts, (vi) bankruptcy of key customers or suppliers, (vii) tort liability in excess of insurance coverage, (viii) inability to obtain desirable amounts of insurance at economic rates, and (ix) acts of God or other catastrophes.

### **Item 9: Disciplinary Information**

CapStreet has no legal or disciplinary events to disclose under this Item.

### **Item 10: Other Financial Industry Activities and Affiliations**

CapStreet's affiliates include entities that serve as general partners to the Funds it advises. In addition, CapStreet's affiliates include certain Relying Advisers with which the Funds have entered into management agreements. CapStreet does not have relationships or arrangements with other financial services companies that pose material conflicts of interest.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### Code of Ethics and Personal Trading

CapStreet has adopted a Code of Ethics in accordance with Section 206 of the Investment Advisers Act of 1940 and Rule 204A-1 under that Act (the “Code”). The Code provides for a high level of ethical conduct applicable to the firm’s partners and employees (“CapStreet Personnel”), and obligates all CapStreet Personnel to put Clients’ interest over their own. The purposes of the Code are to: (i) educate CapStreet Personnel about CapStreet’s expectations and the laws governing their conduct, (ii) remind CapStreet Personnel that they are in a position of trust, (iii) protect CapStreet’s reputation, (iv) guard against violation of the Federal Securities Laws, (v) protect Clients by deterring misconduct, and (vi) establish procedures for CapStreet Personnel to follow to assess compliance with our ethical principles. CapStreet’s Chief Compliance Officer (“CCO”) monitors compliance with the Code by reviewing required disclosures of personal securities accounts and transactions, gifts and entertainment, political contributions, outside business activities, and other affirmations of compliance by CapStreet Personnel.

CapStreet, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material non-public information about issuers, including issuers in which CapStreet or its related persons have invested or seek to invest. The “Prevention of Insider Trading Policy” includes procedures concerning “inside information” that are designed to prevent the misuse of material, non-public information. CapStreet Personnel are required to certify to their compliance with the Code, and the insider trading policy, on a periodic basis. CapStreet is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of another person, regardless of whether such person is a Client. CapStreet maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to ensure that the firm is meeting its obligations to Clients and remaining in compliance with applicable law.

Potential or existing investors in CapStreet-sponsored Funds may request a copy of the Code by contacting CapStreet’s CCO, Katherine Kohlmeyer, at (713) 332-2725 or by electronic mail at: [kkohlmeyer@capstreet.com](mailto:kkohlmeyer@capstreet.com).

### Participation or Interest in Client Transactions

Certain CapStreet employees and family members of CapStreet employees have invested in the Funds through their general partners and/or as limited partners. CapStreet may reduce all or a portion of the management fee and Carried Interest related to investments held by such persons.

For further details regarding other conflicts of interest, please see “Conflicts of Interest” immediately below. Generally, CapStreet employees are not permitted to make personal investments in the Funds’ portfolio companies.

### Conflicts of Interest

Each Fund has a diverse range of limited partners that may have conflicting interests stemming from differences in investment preferences, tax status, and regulatory status. CapStreet will consider the objectives of each Fund and its partners as a whole when making investment decisions with respect to the selection, structuring and sale of portfolio investments. However, such decisions may be more beneficial for one limited partner than for another. Other possible conflicts of interest that may affect a Fund include:

- Follow-on investments may present conflicts of interest, including determination of the equity component and other terms of the new financing.
- A Fund may participate in recapitalization transactions involving portfolio companies that present conflicts of interest including determinations of whether existing investors are being cashed out at a price that is lower than market value and whether new investors are paying too high a price for the company or purchasing securities with terms that are less favorable than prevailing market terms.
- CapStreet has written policies and procedures to ensure the fair and equitable allocation of investment opportunities to and among Funds. After CapStreet has determined that all or a portion of an investment opportunity is not appropriate for a Fund, CapStreet may determine in good faith that it is in the best interests of a Fund to offer all or a portion of the investment opportunity to specific limited partners who have expressed an interest in co-investment opportunities, or to other third parties. Conflicts of interest may arise in the allocation of such co-investment opportunities to specific limited partners or other parties.
- The existence of CapStreet’s Carried Interest may create an incentive for CapStreet to cause a Fund to make higher risk investments than it would otherwise make in the absence of performance-based compensation.
- CapStreet may receive transaction fees, directors’ fees, monitoring fees, and other similar fees in connection with an investment or ongoing activities of a portfolio company. All such fees will be the property of CapStreet and only a portion of such fees it receives will be offset against the applicable Fund’s management fees, as detailed in each Fund’s Documents, potentially creating an incentive for CapStreet to focus its available resources on generating such fees.

Each Fund has established a Board of Advisors to provide advice and counsel as requested by CapStreet in connection with certain conflicts of interest.



## **Item 12: Brokerage Practices**

Because CapStreet invests primarily in privately-held companies, investments in publicly traded securities will generally be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, purchase of securities of a public company with the consent of that issuer's board with the intent to acquire control). However, to meet its fiduciary duties to the Funds, CapStreet has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### Selection of Brokers and Dealers

CapStreet has sole discretion over the purchase and sale of investments and the selection of the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, CapStreet will seek "best execution" of the transaction. "Best execution" means obtaining for a Fund 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 reputation 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, CapStreet takes into account all factors that it considers 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.

CapStreet does not permit a Client to direct brokerage to particular broker-dealers.

## **Item 13: Review of Accounts**

The investments made by the Funds are generally private, illiquid, and long-term in nature. Accordingly, CapStreet's review process is not normally focused on a short-term decision to dispose of securities. CapStreet does maintain oversight of the Funds' investments as outlined below.

### Oversight and Monitoring

CapStreet works closely with its portfolio company management teams and Boards of Directors to develop and set the strategic and operational direction of each portfolio company. Utilizing

the complementary backgrounds of its investment team, CapStreet begins with an overall investment thesis, and then develops detailed company goals and objectives.

The investment committee meets several times annually to review all the current portfolio company investments in detail, including the historical and forecasted operating results and strategic priorities of each. In addition, the investment committee discusses issues related to portfolio company investments in connection with its regularly scheduled weekly meetings or in specially-scheduled meetings when specific relevant issues arise. Performance is measured on a quarterly and annual basis, and the operating strategy is adjusted when appropriate.

### Reporting

Investors in the Funds receive audited financial statements annually, within 105 days of the fiscal year end of each Fund, and unaudited financial statements and descriptive investment information for each portfolio company quarterly within 45 days of each interim quarter-end. CapStreet may from time to time, in its sole discretion, provide additional information regarding a Fund to individual investors or to investors as a group.

CapStreet holds annual meetings of limited partners of the Funds to review and discuss each Fund's investment activities.

### **Item 14: Client Referrals and Other Compensation**

CapStreet does not receive any economic benefit from any person that is not a Client for providing advisory and management services to the Funds.

As discussed in Item 5, CapStreet may receive transaction fees, directors' fees, monitoring fees, break-up fees, and other similar fees from the Funds' portfolio companies. Please see the relevant Fund's Documents for a description of how these fees may reduce the management fee. Also, please see Item 11 for a description of the fees and how related conflicts of interest are addressed.

As discussed in Item 5, CapStreet may, from time to time, engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments made by such potential investors to the Fund. Such fees are generally paid by the Fund; however, management fees are correspondingly reduced by the amount of such fees, so CapStreet and not the Fund (or its limited partners) bears the cost of those fees.

### **Item 15: Custody**

CapStreet is deemed to have custody of its Client funds and securities because it serves as the general partner of the Funds. With the exception of certain privately offered securities, all assets of the Funds are held in custody by unaffiliated broker-dealers or banks. Limited partners will not receive statements from such custodians. Instead, the Funds are subject to an annual audit and the audited financial statements will be distributed to each limited partner within 105 days of the Fund's year-end.

### **Item 16: Investment Discretion**

Investment advice is provided by CapStreet directly to the Funds and not individually to the investors in the Funds. The advice is subject to the investment restrictions as set forth in each Fund's Documents.

### **Item 17: Voting Client Securities**

CapStreet focuses on securities transactions of private companies, and therefore the portfolio companies of the Funds do not normally issue proxies. Occasionally, however, CapStreet will receive proxies in connection with a portfolio company. CapStreet has adopted and implemented policies and procedures reasonably designed to ensure that proxies are voted in the best interest of the Funds. The guiding principle by which CapStreet votes all proxies is the maximization of the ultimate long-term economic value of the relevant Fund holdings.

CapStreet does not permit proxy voting decisions to be influenced in any manner that is contrary to this guiding principle. In exercising its voting discretion, CapStreet seeks to avoid any direct or indirect conflict of interest whether it is actual or perceived. CapStreet's CCO has the responsibility to monitor votes for any conflicts of interest and to use her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with her independent assessment of the best interests of each Fund.

Copies of relevant proxy records identifying how proxies were voted and copies of proxy voting policies are available to any Client, investor or prospective investor upon written request to: Katherine Kohlmeyer, Chief Compliance Officer, The CapStreet Group, 1001 Louisiana Street, Suite 3200, Houston, TX 77002.

### **Item 18: Financial Information**

This item is not applicable.