

**Item 1 – Cover Page**

**ADV Part 2 A and B: FIRM BROCHURE**

**Valor Management Corp.**

200 S. Michigan Avenue,  
Suite 1020  
Chicago, IL 60604  
(312) 683-1900  
[www.valorep.com](http://www.valorep.com)

March 28, 2014

This Brochure provides information about the qualifications and business practices of Valor Management Corp. If you have any questions about the contents of this Brochure, please contact us at (312) 683-1900. 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.

Valor Management Corp. is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

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

## **Item 2 – Material Changes**

There are no material changes from Valor Management Corp.’s (“Valor”) last brochure, dated April 1, 2013.

Pursuant to SEC rules, Valor is providing this summary of material changes to its Brochure within 120 days of the close of the Firm’s fiscal year. The Firm may further provide clients with other ongoing disclosure information about material changes as deemed necessary. Additionally, Valor will provide clients with a new Brochure as necessary based on material changes, without charge.

### Item 3 -Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	3
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	3
Item 9 – Disciplinary Information .....	6
Item 10 – Other Financial Industry Activities and Affiliations .....	8
Item 11 – Code of Ethics, Interest in Client Transactions and Personal Trading.....	7
Item 12 – Brokerage Practices .....	12
Item 13 – Review of Accounts .....	12
Item 14 – Client Referrals and Other Compensation .....	13
Item 15 – Custody .....	13
Item 16 – Investment Discretion .....	13
Item 17 – Voting Client Securities .....	14
Item 18 – Financial Information .....	14
Brochure Supplement(s)	

## Item 4 – Advisory Business

### Firm Description

Valor Equity Partners is a private equity firm focused on equity and equity-related, control and non-control investments in expansion, growth and buyout stage companies. Valor Management Corp. (“Valor”), the Firm’s investment management company, is registered with the SEC as an investment adviser. The funds generally invest through negotiated transactions in operating companies. The Firm’s investment advisory services to the funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted in certain instances. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Firm may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the funds.

Valor’s investment strategy is to invest in companies that have an excellent possibility of increasing cash flow and multiple expansion with guidance and support. Valor has been in business since 2001 and has deployed this strategy in 22 portfolio company investments over the past 12 years.

The Firm currently manages five funds (collectively referred to herein as the “Funds”): Valor Equity Partners, L.P. (“Fund I”), Valor Equity Partners II L.P. (“Valor II”) and Valor Equity Partners II-A L.P. (“Valor II-A” and together with Valor II, “Fund II”), Valor Equity Partners III, L.P. (“Valor III”) and Valor Equity Partners III-A, L.P. (“Valor III-A” and together with Valor III, “Fund III”), as well as five co-investment vehicles. As of December 31, 2013, Valor had regulatory assets under management of \$993,222,886, all managed on a discretionary basis.

Each Valor Fund is managed by a general partner, which has the authority to make investment decisions on behalf of such Funds. Valor Equity Management, LLC (the “Fund I General Partner”) manages Fund I; Valor Equity Management II, LP (the “Fund II General Partner”) manages Fund II; and Valor Equity Management III, LP (the “Fund III General Partner” and together with the Fund I and Fund II General Partners, the “General Partners”) manages Fund III. Each General Partner listed above is registered under the Advisers Act pursuant to Valor’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner, which operate as a single advisory business together with Valor. Each General Partner has contracted with Valor (specifically, Valor Management Corp.) for day-to-day management of the Funds and co-investment vehicles.

### Principal Owners

Valor is wholly owned by Antonio J. Gracias.

The Funds are structured as follows. Fund I is owned 1.0 % by the Fund I General Partner, with the remaining interests divided pro rata amongst Fund I's limited partners according to each investor's capital commitment. The Fund I General Partner no longer pays any management fees to Valor.

Fund II II-A, III, and III-A are structured similarly to Fund I. Fund II is owned 3.5% by the Fund II General Partner, with the remaining interests divided pro rata amongst Fund II's limited partners according to each investor's capital commitment. The Fund II General Partner pays management fees to Valor to advise Fund II in its decision-making. Fund II-A is owned 6.1% by the Fund II General Partner, with the remaining interests divide pro rata amongst Fund II-A's limited partners according to each investor's capital commitment. Valor is paid management fees to advise the Fund II-A General Partner in its decision-making. As of December 31, 2013, Fund III is owned 4.0% by the Fund III General Partner, with the remaining interests divided pro rata amongst Fund III's limited partners according to each investor's capital commitment. The Fund III General Partner pays management fees to Valor to advise Fund III in its decision-making. Finally, Fund III-A is owned 1.0% by the Fund III General Partner, with the remaining interests divided pro rata amongst Fund III-A's limited partners according to each investor's capital commitment. Valor is paid management fees to advise the Fund III-A General Partner in its decision-making.

### **Item 5 – Fees and Compensation**

For the first six years, Fund II and Fund III pays Valor a management fee based on the limited partners' committed capital; after then, the management fee is based on the cost of the investments held by Fund II and Fund III (as defined in the relevant agreements). Co-investment vehicles do not pay a management fee, and Fund I stopped paying management fees during 2012. The management fee for Funds II and III are payable in advance at the beginning of each quarter. Installments of the management fee payable for any period other than a full calendar quarter are adjusted on a pro rata basis according to the actual number of days in such period. The General Partner may, in its sole discretion, waive all or a portion of the management fee. Fees are generally waived for Valor employees investing in a Fund. Valor obtains funds for paying management fees by including these amounts in limited partners' capital contributions. The specific fees charged by Valor are described in the relevant private placement memorandum of each Fund and in each limited partner's written agreement with Valor.

The Funds are responsible for the payment of organizational and start-up expenses in amounts up to \$0.3 million, \$1.0 million, and \$1.5 million for Funds I, II and III, respectively. In addition, the Funds are responsible for certain ongoing expenses, including legal, auditing, tax return preparation, annual meetings of the limited partners, and other expenses, as further detailed in the relevant

private placement memorandum of the respective Fund.

In addition, the Adviser and its affiliates may perform management, advisory, transaction-related, financial advisory and other services (“Related Services”) for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions. Although these fees are in addition to the management fees, the Adviser reduces the amount of management fees paid by the applicable Fund in connection with the receipt of such fees. If the Adviser receives any of these fees, management fees of the respective Fund are reduced by an amount and manner as set forth in the Advisory Agreement and/or organizational documents of the applicable Fund. Additionally, a portfolio company may reimburse the Adviser for expenses (including without limitation travel expenses) incurred by the Adviser in connection with its performance of services for such portfolio company, and such reimbursements are not subject to the sharing arrangements described above and below.

The precise amount of, and the manner and calculation of, the Management Fees for each Fund are established by the Adviser, as modified by negotiations with investors in the applicable Fund, and are set forth in such Fund’s Advisory Agreement, organizational documents and/or other documentation received by each investor prior to investment in such Fund. The fee structures described above may be modified from time to time; however, once the relevant Fund has been established and commenced operations, such compensation and expenses are generally not negotiable. Fees may differ from one Fund to another, as well as among investors in the same Fund.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

The General Partners of the Funds are entitled to a performance-based fee, known as a carried interest distribution. Carried interest distributions are subject to claw-backs to the extent that a General Partner is paid in excess of its entitled distribution. This distribution structure is described in detail in each Fund’s private placement memorandum and in the limited partnership agreement entered into with each investor. These performance fee arrangements have been structured subject to Section 205(a)(1) of the Investment Advisers Act of 1940 in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Limited partners in co-investment vehicles are not charged a carried interest distribution or a management fee. Valor’s management fees, carried interest allocations, performance fees and other compensation payable to Valor and its Funds’ General Partners are established by Valor at the time of the establishment of the relevant vehicle and negotiated with participating investors prior to making their investment. Once the relevant Fund has been established and commenced operations, such compensation and expenses are generally not negotiable, although from time to time, Valor or its related entities may enter into agreements or other arrangements with specific investors in its Funds whereby such

investors receive a reduction of fees or compensation otherwise payable.

The fact that each General Partner's carried interest distributions are based on the performance of the respective Fund may create an incentive for a General Partner to make investments that are more speculative than would be the case in the absence of such distributions. However, this incentive is somewhat tempered by the fact that losses will reduce such Fund's performance and thus a General Partner's carried interest distributions.

### **Item 7 – Types of Clients**

Valor provides portfolio management services to its private fund clients (the Valor Funds) and to a select number of co-investment vehicles. The Funds and co-investment vehicles limit their respective investors to persons who are both "accredited investors" as defined in the Securities Act of 1933 and "qualified clients" and "qualified purchasers" as defined in the Investment Company Act of 1940. The minimum contribution for a limited partner in Fund I was \$500,000, but commitments less than \$500,000 were also accepted at the discretion of the Fund's General Partner. The minimum contribution for a limited partner in Fund II was \$5 million, but commitments less than \$5 million were also accepted at the discretion of the Fund's General Partner. Those two Funds are no longer accepting new commitments from investors. The minimum contribution for a limited partner in Fund III was \$5 million, but commitments less than \$5 million were also accepted at the discretion of the Fund's General Partner. Investors in Valor's Funds include a broad range of U.S. and non-U.S. investors, including, among others, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, trust programs and other U.S. institutions. In addition, employees and other persons associated with Valor and/or its affiliates are investors in the Funds.

Valor also serves as investment manager to various co-investors who may invest alongside the Funds in certain portfolio companies. Certain limited partners of the Funds may be permitted to co-invest directly in a particular portfolio company. Such limited partners may not pay a management fee or carried interest with respect to the co-investments, but may bear certain expenses (e.g., legal and other expenses associated with a portfolio company investment). Valor will select which limited partners are permitted to co-invest in a particular portfolio company based on various factors, including the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and for strategic or other reasons as more fully described in the applicable Fund's limited partnership agreement. Some limited partner co-investors may also be provided the opportunity to sit on the board of directors or board of advisors of the portfolio company. Positions on boards of directors or advisors of such portfolio companies may provide such limited partners with voting rights, access to information and potentially the ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other limited partners. Valor is not obligated to make co-

investment opportunities available to any particular limited partners.

Co-investment opportunities are given to strategic limited partners when additional capital is necessary for a Valor Fund investment.

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

### **Strategy**

Valor has been in business managing private equity funds since 2001, focusing on investing in growth companies with unconstrained market opportunities, but face internal constraints to accelerated growth and improvement that Valor can help identify and solve.

### **Operationally Active Growth Investing**

Fund III continues Valor’s long and successful history of investing principally in Growth Companies. As in Valor Equity Partners II L.P. and Valor Equity Partners II-A L.P. (collectively, “Fund II”), Valor targets companies it believes have unconstrained market opportunities, but face internal constraints to accelerated growth and improvement that Valor can help identify and solve. Removing these constraints typically involves strategic planning, expansion capital, strengthening marketing infrastructure, implementing process improvement techniques, enhancing return on invested capital, improving information systems and infrastructure, and recruiting and developing human capital.

Valor focuses on identifying investment opportunities in select markets primarily within the following sectors: consumer, infrastructure/industrial services, and manufacturing (the “Focus Sectors”). Valor enters entirely new sectors only through partnerships with executives from its extensive relationship network. The Firm’s sector focus is enhanced through its research-driven Market Selection Model, a tested process used to identify markets within Focus Sectors that exhibit attractive long-term dynamics providing the potential for companies to achieve high returns on capital.

Within these markets, the Firm uses its robust idea generation capabilities and unique relationship-based sourcing to target investments it believes have excellent risk/reward dynamics. The Firm works closely with a company’s management team during the due diligence process to identify and analyze internal limitations to accelerated growth and improvement.

Post-closing, Valor collaborates with its portfolio company management teams to work to remove identified constraints and utilizes the Firm’s dedicated operations team to provide the necessary capacity for effective organizational change. Growth Companies are frequently resource constrained



and welcome the deployment of Valor's highly skilled operational assets.

The Firm leverages the processes and tools of its Business Builder Framework ("BBF"), the core of Valor's portfolio support and operational improvement program, to systematically identify investment opportunities in Growth Companies with excellent management teams that align with the Firm's constraint-based philosophy. Valor's operations group is often involved in helping companies develop business processes and deploy technology solutions to improve return on capital. Over the past 18 years, Valor has repeatedly demonstrated the ability to recognize and help management teams remove constraints to growth and profitability in both control and non-control investments. The Expansion stage is defined as a company that has a proven business model, and that will use proceeds from the

## **Risk Factors**

No investment is free of risk. Current and prospective Valor limited partners are cautioned that investments in the Funds and co-investments involve risk of loss, including the possibility of a complete loss of the amount invested, and that they should be prepared to bear those risks. All investors should be aware of certain risk factors, which include, but are not limited to, the following:

- Business Risks: Each Fund's investment portfolio consists primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.
- Future and Past Performance: The performance of the Funds and the performance of Valor team members' prior investment experience are not necessarily indicative of any Fund's future results. While Valor intends for its Funds to make investments that have returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.
- Investment in Junior Securities: The securities in which each Fund invests may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.
- Concentration of Investments: Each Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the investment portfolio of a particular Fund could become highly concentrated, and the performance of a small number of holdings may substantially affect a Fund's aggregate return.

- Lack of Sufficient Investment Opportunities: It is possible that a Fund may never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. Limited partners, however, are required to pay annual management fees during each Fund's investment period based on the entire amount of such partner's commitments.
- Dynamic Investment Strategy: While the General Partner generally intends to seek attractive returns for the Partnership primarily through making control and non-control growth-equity investments as described herein, the General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process, and investment techniques as it determines appropriate. The General Partner may pursue investments outside of the industries and sectors in which the Principals have previously made investments or have internal operational experience.
- Illiquidity; Lack of Current Distributions: An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on a limited partner's investment. Furthermore, the expenses of operating each Fund (including the annual management fee payable to its General Partner) may exceed income, thereby requiring that the difference be paid from such Fund's capital.
- Leveraged Investments: The Funds may make use of leverage by incurring or having one of its portfolio companies incur debt to finance a portion of its investment in such portfolio company. Leverage generally magnifies each Fund's opportunities for gain and its risk of loss from a particular investment. The use of leverage by each Fund itself will also result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or by appreciation of its investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair the Firm's ability to finance a company and may impair the Firm's ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies may increase the exposure of each Fund's investments to: deterioration in a company's condition or industry; competitive pressures; or an adverse economic environment. Rising interest rates could accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a Fund may

suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, the companies in which a Fund will invest generally will not be rated by a credit agency.

- Focus on Growth-Oriented Investments: It is anticipated that the Partnership will make investments primarily in growth-oriented companies that have inherently greater risk than more established businesses. Accordingly, the growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Partnership will be successful.
- Limited Transferability of Fund Interests: There will be no public market for the Funds' interests, and none is expected to develop. There are substantial restrictions upon the transferability of any Fund interests under each Fund's limited partnership agreement and under applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.
- Public Company Holdings: A Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including Valor's principals, and increased costs associated with each of the aforementioned risks.

## **Item 9 – Disciplinary Information**

Like other registered investment advisers, Valor is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a limited partner's evaluation of Valor or the integrity of Valor's management. No events have occurred at Valor that are applicable to this Item.

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

Valor is not actively engaged in a business other than giving investment advice to its clients (the Funds and co-investment vehicles) and managing the portfolio companies owned by its Funds and co-investment vehicles. Neither Valor nor any of its management persons are registered or has an application pending to register as a broker-dealer, futures commission merchant, commodity pool

operator, commodity trading adviser, or associated person of the foregoing, and Valor does not anticipate such affiliations in the future.

As described above in Item 4, Valor is affiliated with the following entities as general partners: Fund I General Partner, Fund II General Partner and Fund III General Partner. These General Partners are deemed registered with the SEC under the Advisers Act pursuant to Valor's registration. Valor provides personnel and other services to the Advisers and other Firm entities. These affiliated investment advisers operate as a single advisory business together with Valor and serve as General Partners of private investment funds, other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Valor has no arrangements with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services, the Funds, co-investment vehicles or their investors.

Valor has and will continue to develop relationships with professionals who provide services it does not provide, including: legal, accounting, banking, tax preparation, insurance brokerage, investment management services and other personal services.

From time to time, Valor receives training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will Valor accept any benefits, gifts or other arrangements that are conditioned on directing individual client transactions to a specific security, product or provider.

## **Item 11 – Code of Ethics, Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

As fiduciaries, Valor and its employees have certain legal obligations to put clients' interest ahead of their own. Valor has adopted a written code of ethics based on principles of openness, honesty, integrity and trust. At least once a year, each Valor employee is required to acknowledge this code in writing and agree to be bound by it.

Valor's code of ethics covers, among other things, standards of business conduct, confidentiality of client information, personal securities transactions, insider trading, social media policies, political contribution policies, restrictions on accepting and giving of significant gifts, and reporting of certain gifts and business entertainment items.

Valor will provide a copy of its code of ethics to any existing or prospective limited partner upon request to its Chief Compliance Officer, Jonathan Shulkin, at (312) 683-1900.

### **Interest in Client Transactions**

It is Valor's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts without first obtaining the relevant advisory board and/or limited partner approval. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells a security to an advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Neither situation applies to Valor.

### **Conflicts of Interest**

The offering documents for each Fund disclose a complete description of what Valor believes to be the most significant conflict of interest associated with an investment in any Valor Fund. Some of these conflicts are summarized below, however, this summary does not attempt to describe all of the conflicts of interest associated with an investment in the Funds. Investors should carefully consider the conflicts of interest herein as well as those in Valor's offering documents prior to investing in a Fund.

In the event that Valor or its affiliates encounter what it determines to be an actual conflict of interest in connection with a Fund, co-investment vehicle or portfolio company investment, Valor may take such actions as may be necessary or appropriate to ameliorate the conflict. These actions may include disposing of the asset giving rise to the conflict, bringing the matter before Valor's advisory board, appointing an independent fiduciary or obtaining advice from outside counsel. There can be no assurance that all conflicts of interest will be successfully resolved.

Valor will generally pursue all appropriate investment opportunities through its Fund vehicles, subject to certain limited exceptions. Valor may, from time to time, require additional capital in order to complete a portfolio company transaction and may reach out to select limited partners with experience in the field of such portfolio company for additional capital. These co-investment investors do not pay a management fee or carried interest allocation, as described in Item 6 above.

Also as discussed above, certain Valor principals and employees are investors in the Funds. Because

of the nature of its business, the participation of Valor principals and employees in the Funds will not interfere with the making or implementing of decisions that are in the best interest of limited partners. Principal and employee limited partners share in the same deals as other limited partners of the Funds and receive distributions based on their pro rata commitment to the Fund.

Valor principals and employees may serve on the boards of Fund portfolio companies. Serving in such capacity may give rise to conflicts to the extent that an employee's fiduciary duties to a portfolio company as a director may conflict with the interests of a Fund in general; however, as the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned. Additionally, any fees earned for sitting on such portfolio company boards is reimbursed to Valor.

Certain Valor principals invest for their own accounts in early stage venture capital deals primarily through an investment vehicle established for such principals and their family members. These investments are made directly into the venture company and are not managed by Valor.

Each Fund and co-investment's limited partners include persons or entities resident in various jurisdictions, including the United States and other countries, who may have conflicting investment, tax and other interests with respect to their investments with Valor. The conflicting interests of individual limited partners may relate to or arise from, among other things, the nature of investments made by each Fund, the structuring of the acquisition of portfolio companies and the timing of the disposition of investments. Such structuring of portfolio companies may result in different after-tax returns being realized by different limited partners. As a consequence, conflicts of interest may arise in connection with decisions made by Valor that may be more beneficial for one limited partner than another limited partner, especially with respect to limited partners' individual tax situations. Valor considers the investment and tax objectives of each Fund as a whole, and not the individual investment, tax or other objectives of any particular limited partner.

From time to time, Valor may be presented with investment opportunities that would be suitable for more than one of the Funds and other co-investment vehicles operated by Valor or advisory affiliates of Valor. In determining which investment vehicles should participate in such investment opportunities, Valor and its affiliates are subject to conflicts of interest among the investors in the investment vehicles. Valor attempts to resolve these conflicts of interest in light of its obligations to investors in the Funds and co-investment vehicles, and attempts to allocate investment opportunities among investment vehicles in a fair and equitable manner. Where necessary, Valor consults and receives consent to conflicts from an advisory board consisting of limited partners of the Funds and co-investment vehicles.

## **Personal Trading**

In rare cases, Valor's business may provide Valor and its employees with access to material nonpublic ("insider") information. Valor's Code of Ethics includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

Valor's employees are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding these securities or communicating material non-public information to others. A restricted security list is maintained regarding issuers about which the firm has material non-public information. Pre-clearance is also required for certain personal securities transactions, including initial public offerings and certain limited offerings, by supervised persons. In addition, supervised persons are required to submit annual reports of security transactions for their own accounts or any account in which they have a direct or indirect beneficial interest. Valor has contracted with Compliance11, a compliance software system owned by Charles Schwab, to monitor personal trading by Valor employees.

### **Item 12 – Brokerage Practices**

Valor is a private equity firm and generally does not sell securities through broker-dealers. When in a position to trade equity securities, Valor will select a broker-dealer based upon variety of factors, including a broker-dealer's knowledge of the security to be sold as well as the cost of such services. The Firm currently holds a position in one public company: SolarCity (NASDAQ: SCTY).

Valor will also periodically engage broker-dealers to perform various services for its clients and/or its portfolio companies, such as assisting in the purchase or sale of a privately held portfolio company. Broker-dealers are chosen based upon their knowledge and expertise as well as upon cost of the services provided, reputation and services provided.

Valor does not pay or receive soft dollars, does not pay or receive fees for limited partner referrals, does not direct brokerage or advise limited partners on doing so, and does not currently aggregate trades.

### **Item 13 – Review of Accounts**

Both the Chief Compliance Officer and the Vice President of Finance review the accounts of each Fund and co-investment vehicle on a quarterly basis. The Chief Compliance Officer and Vice President of Finance also review the Funds' and co-investment vehicle's accounts whenever a determination is made as to a distribution, and both periodically review all accounts to confirm that they are managed in accordance with their stated investment objectives. In addition, the Chief Compliance Officer and Vice President of Finance furnish to the limited partners of Fund I annual audit reports; limited partners of Fund II receive unaudited financial statements for the first three quarters of each fiscal year within 45 days of each quarter's close, and an annual audited financial

statement within 90 days of calendar year end. Limited partners in Fund III will also receive unaudited financial statements for the first three quarters of each fiscal year within 45 days of each quarter's close, and an annual audited financial statement within 90 days of calendar year end. Co-investors receive tax reporting as required. All reports are delivered to investors electronically.

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

Valor receives no compensation other than fees paid by the limited partners, as disclosed in each vehicle's applicable limited partnership agreement. In connection with investments made by the Funds, the Adviser may receive commitment, structuring, monitoring and/or other transaction fees from portfolio companies in which one or more of the Funds may invest or propose to invest. The Adviser or such other persons may also receive management, monitoring or other fees from a portfolio company while a Fund continues to have an investment in such portfolio company. Any monitoring fees received by the Adviser are rebated against the relevant Fund according to the terms of the relevant Advisory Agreement and/or organizational documents of the applicable Fund. These types of arrangements provide the Adviser with an incentive to recommend investments based on compensation received rather than the best interests of a Fund. To help mitigate this potential conflict, such benefits received by the Adviser or its employees in connection with services rendered to portfolio companies or transactions of a Fund are generally offset in whole or substantial part against (and therefore reduce) advisory fees payable by the relevant Fund, to the extent provided in and subject to certain exceptions described in each Fund's governing documents.

#### **Item 15 – Custody**

By its ability to deduct performance fees, Valor is deemed to have custody over investor assets. Valor does not, however, take physical possession of client funds or securities; securities are held by the Firm's qualified custodians and called capital is directly sent or wired into the respective Fund's bank account. Valor receives monthly statements regarding its custody and bank accounts. In addition, both Valor Funds and select co-investment vehicles are subject to an annual financial audit. For these audited investment vehicles, certificated securities are held with the Firm's qualified custodian and quarterly statements are sent to both the Funds and the owners of these co-investment vehicles. A select number of co-investment vehicles maintain no certificated securities and are subject to a surprise custody audit.

Investors receiving custodial statements are encouraged to review these statements but to note that such statements may only identify a portion of their investment with Valor.

#### **Item 16 – Investment Discretion**



Valor and its General Partners have discretionary authority based on management agreements with each of its Funds and the limited partnerships agreements that govern each Fund to buy and sell securities or other investments on behalf of the Funds and to determine the amount of such investments to be bought and sold. The terms upon which Valor serves as an investment manager of a Fund are established at the time each Fund is established and are generally set out in the management agreement and/or limited partnership agreement or other governing document entered into by Valor with respect to the relevant Fund and disclosed in the offering documents for such Fund, as applicable.

To become a limited partner in a Valor Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement with such Fund; to become a limited partner in a Valor co-investment vehicle, an investor must execute a co-investment agreement. Valor is not required to contact a limited partner prior to transacting any business once a limited partner executes these documents.

### **Item 17 – Voting Client Securities**

As the vast majority of its portfolio companies are private, Valor generally does not have occasion to vote proxies on behalf of its Funds or portfolio companies. However, one Fund does currently own public company securities, and in the event a proxy is distributed for vote in these or any other future public portfolio company investment, Valor will vote the proxy consistent with the best interests of its limited partners.

Valor has adopted a proxy voting policy pursuant to SEC Rule 206(4)-6 to describe how it votes its clients proxies. Pursuant to this policy, Valor will generally vote in accordance with management's recommendations unless the Firm determines that voting in such a manner is in conflict with the best interests of its limited partners. In these cases, Valor will evaluate and vote the proxies on a case-by-case basis. The Firm may decide to take a proxy voting conflict to its advisory board for assistance with the resolution. In general, limited partners cannot request that Valor vote in a particular way on any specific proposal.

Limited partners may obtain a copy of Valor's complete proxy voting policies and procedures upon request from Valor's Chief Compliance Officer, Jonathan Shulkin, at (312) 683-1900. Limited partners may also obtain information from Valor about how Valor voted any proxies on behalf of its Funds.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item 18 to provide certain financial information or disclosures about their financial condition. Valor has no financial commitment that impairs its

ability to meet contractual and fiduciary commitments to limited partners, and has not been the subject of a bankruptcy proceeding.

## **BROCHURE SUPPLEMENT**

This Brochure Supplement provides information about Valor Management Corp. that supplements the Valor Brochure. Please contact Jonathan Shulkin, Chief Compliance Officer, at (312) 683-1900 if you did not receive Valor's Brochure or if you have any questions about the contents of this Brochure Supplement.

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

## **ANTONIO J. GRACIAS**

Year of Birth: 1970

Chief Executive Officer

Valor Equity Partners

200 S. Michigan Avenue

Suite 1020

Chicago, IL 60604

(312) 683-1900

### **Item 2 – Educational Background and Business Experience**

Mr. Gracias holds a joint B.S. and M.S.F.S. (honors degree) in International Finance and Economics from the Georgetown University School of Foreign Service. He also holds a J.D. from the University of Chicago Law School. Mr. Gracias studied corporate structures and economic development at Waseda University in Tokyo, Japan.

Mr. Gracias is Valor's founder and President. Prior to founding Valor in 2001, Mr. Gracias served as Founder and Managing Member of MG Capital, a private equity firm headquartered in Chicago, where he was the lead transaction principal from 1995 through 2000. Prior to MG Capital, Mr. Gracias was an associate with Goldman, Sachs & Co. in New York, where he served the firm's institutional clients in the International Equity Division.

Mr. Gracias serves as a member of several Valor Fund I, II and III portfolio company boards including Astral Brands, Inc.; Sizzling Platter, LLC; Life Care Partners, LLC; Space Exploration Technologies Corporation; Solar City Corporation; Marathon Pharmaceutical Holdings, LLC; Fooda, Inc.; and ASDC Holdings, LLC.

### **Item 3 – Disciplinary Information**

Mr. Gracias has never been the object of any legal or disciplinary event, proceeding or action.

### **Item 4 – Other Business Activities**

As stated above, Mr. Gracias serves on a number of Valor's portfolio company boards. Mr. Gracias' appointment on such boards has been designated in the best interest of the Funds and their respective limited partners. Serving on portfolio company boards could lead to potential conflicts of interest. For example, a conflict of interests may arise between Mr. Gracias' fiduciary duties to the portfolio company on which he serves and his duty to Valor as decisions that are in the portfolio companies' best interest may possibly not be in Valor's best interests. As the Funds will generally be significant shareholders of such companies, it is expected that such interest will generally be aligned; however, appropriate measures have been taken whereby Mr. Gracias may recuse himself in such circumstances from the decision making process. Mr. Gracias may from time to time serve on the boards of companies that are not Valor portfolio companies.

**Item 5 – Additional Compensation**

Mr. Gracias does not receive an economic benefit for providing advisory services, other than the regular salary paid by Valor and his share of the carried interest distribution.

**Item 6 – Supervision**

Mr. Gracias is supervised on compliance matters by Valor's Chief Compliance Officer, Jonathan Shulkin, (312) 683-1900.

**JONATHAN K. SHULKIN**

Year of Birth: 1975

Chief Compliance Officer and Chief Financial Officer

Valor Equity Partners

200 S. Michigan Avenue

Suite 1020

Chicago, IL 60604

(312) 683-1900

**Item 2 – Educational Background and Business Experience**

Mr. Shulkin received his B.B.A. in accounting, with honors, from the University of Texas at Austin in 1997.

Mr. Shulkin is the Chief Financial Officer of Valor and has been serving in that capacity since 2002. Mr. Shulkin is also the Firm's Chief Compliance Officer. Prior to joining Valor in 2001, Mr. Shulkin worked at MG Capital as part of their investment and portfolio team. Before MG Capital, Mr. Shulkin worked at Bain and Company as an associate consultant.

Mr. Shulkin serves as a member of several Valor Fund I, II and III portfolio company boards including ASDC Holdings, LLC; Astral Brands, Inc.; Sizzling Platter, LLC; Life Care Partners, LLC; Solar City Corporation; and Fooda, Inc.

**Item 3 – Disciplinary Information**

Mr. Shulkin has never been the object of any legal or disciplinary event, proceeding or action.

**Item 4 – Other Business Activities**

As stated above, Mr. Shulkin serves on a number of Valor's portfolio company boards. Mr. Shulkin's appointment on such boards has been designated in the best interest of the Funds and their respective limited partners. Serving on portfolio company boards could lead to potential conflicts of interest. For example, a conflict of interests may arise between Mr. Shulkin's fiduciary duties to the portfolio company on which he serves and his duty to Valor as decisions that are in the portfolio companies' best interest may possibly not be in Valor's best interests. As the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned; however, appropriate measures have been taken whereby Mr. Shulkin may recuse himself in such circumstances from the decision making process.

**Item 5 – Additional Compensation**

Mr. Shulkin does not receive an economic benefit for providing advisory services, other than the regular salary and bonus paid by Valor and his share of the carried interest distribution.

**Item 6 – Supervision**

Mr. Shulkin is supervised by Valor's Chief Executive Officer, Antonio J. Gracias, (312) 683-1900.

## **JUAN ALFONSO SABATER**

Year of Birth: 1964

Managing Director

Valor Equity Partners

200 S. Michigan Avenue

Suite 1020

Chicago, IL 60604

(312) 683-1900

### **Item 2 – Educational Background and Business Experience**

Mr. Sabater received his A.B. in History from Princeton University in 1987. He holds a J.D. from Stanford Law School, which he received in 1990. Mr. Sabater also studied history at Oxford University from 1984 to 1985.

Mr. Sabater has been a managing director at Valor since 2010. Prior to joining Valor, in 2006 Mr. Sabater was Principal and Co-Chairman of the Board for Augeo Affinity Marketing, Inc., a privately held marketing company, a position he continues at the present time. From 1998 through 2006, Mr. Sabater worked at Goldman, Sachs & Co. as a Managing Director of Investment Banking in New York.

Mr. Sabater serves on the board of directors for ASDC Holdings, LLC, a Valor Fund II portfolio company.

### **Item 3 – Disciplinary Information**

Mr. Sabater has never been the object of any legal or disciplinary event, proceeding or action.

### **Item 4 – Other Business Activities**

As stated above, Mr. Sabater serves as Principal and Co-Chairman of the Board of Augeo Affinity Marketing, Inc. As a completely unrelated line of work, Mr. Sabater's position with Augeo does not create a potential conflict of interest with Valor's clients. Mr. Sabater also sits on the board of Uretek USA, a private company unrelated to his position at Valor, which also does not create a potential conflict of interest with Valor's clients.

### **Item 5 – Additional Compensation**

In addition to the bonus paid by Valor and his share of the carried interest distribution, Mr. Sabater receives a salary for his board position of Uretek USA.

### **Item 6 – Supervision**

Mr. Sabater is supervised on compliance matters by Valor's Chief Compliance Officer, Jonathan Shulkin, (312) 683-1900.



**SABRINA P. GRACIAS**

Year of Birth: 1971

Director of Client Services

Valor Equity Partners

200 S. Michigan Avenue

Suite 1020

Chicago, IL 60604

(312) 683-1900

**Item 2 – Educational Background and Business Experience**

Ms. Gracias holds a B.A. in marketing from Georgetown University, a C.E. in finance from Oxford University, England, and received her Chartered Financial Analyst (CFA) designation in 2000. The CFA designation is an international professional certification offered by the CFA Institute to financial analysts who complete a series of three examinations. To become a CFA charter holder, candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. CFA charter holders are also obligated to adhere to a Code of Ethics and Standards governing their professional conduct.

Ms. Gracias has been Director of Client Services at Valor for six years. Prior to joining Valor, Ms. Gracias was a Regional Director for Institutional Sales at Russell Investment Group. Prior to Russell Investment Group, Ms. Gracias was a Principal at State Street Global Advisers in Boston, an Associate at Stein Roe and Farnham in Chicago, an Associate with SEI Corporation and an Associate in private wealth management at Deutsche Bank in London.

**Item 3 – Disciplinary Information**

Ms. Gracias has never been the object of any legal or disciplinary event, proceeding or action.

**Item 4 – Other Business Activities**

Ms. Gracias is a member of the Board of Trustees of The Erikson Institute, a Foundation Board of Trustee member for the Ann & Robert Lurie Children's Hospital of Chicago, and a Board of Trustee member of The Latin School of Chicago.

**Item 5 – Additional Compensation**

Ms. Gracias does not receive an economic benefit for providing advisory services, other than the regular salary paid by Valor.

**Item 6 – Supervision**

Ms. Gracias is supervised by Valor's Chief Executive Officer, Antonio J. Gracias, (312) 683-1900.