

**INVESTMENT ADVISER BROCHURE**

**CHS CAPITAL LLC**

**NEW HARBOR MANAGEMENT, LP  
SHOREHILL CAPITAL LLC**

**10 South Wacker Drive, Suite 3175  
Chicago, IL 60606  
(312) 876-1840  
<http://www.chsonline.com>**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of CHS Capital LLC and its affiliates (“CHS Capital”). If you have any questions about the contents of this Brochure, please contact us at (312) 876-1840. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

CHS Capital is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

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

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## MATERIAL CHANGES

Since the last version of this Brochure dated March 2014, the Brochure has been revised to reflect the launch of a new fund, Shorehill Private Equity LP, together with certain updates related thereto, and to make other updates regarding the business and operations of CHS Capital.

## ADVISORY BUSINESS

### *CHS Capital*

CHS Capital is a private investment management firm, including registered investment advisory entities and other organizations affiliated with CHS Capital LLC (collectively, “**CHS Capital**”), that manages approximately \$1.56 billion in private fund assets. CHS Capital, formerly known as Code, Hennessy and Simmons LLC, commenced operations in 1988.

CHS Capital LLC, a Delaware limited liability company, is a private equity management company and a registered investment adviser. CHS Capital LLC is the general partner of the following affiliated investment advisers, each a Delaware limited partnership (the “**General Partners**,” and together with CHS Capital, the “**Advisers**”):

- CHS Management III LP (the “**Fund III GP**”);
- CHS Management IV LP (the “**Fund IV GP**”); and
- CHS Management V LP (the “**Fund V GP**”).

In its capacity as the general partner of the General Partners, CHS Capital has the authority to manage the business and affairs of the General Partners and, through the General Partners, the CHS Funds (as defined herein). References in this Brochure to the advisory services of “CHS Capital” mean advisory services of CHS Capital LLC as provided through the General Partners and certain “Affiliated Advisers,” as defined herein.

Each General Partner and Affiliated Adviser is deemed registered under the Advisers Act pursuant to CHS Capital’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with CHS Capital.

The Advisers’ clients include the following private equity funds organized as Delaware limited partnerships (together with any parallel and alternative investment vehicles or future private investment funds managed by CHS Capital’s affiliates, the “**CHS Funds**”):

- Code Hennessy & Simmons III LP (“**Fund III**”)
- Code Hennessy & Simmons IV LP (“**Fund IV**”); and
- CHS Private Equity V LP (“**Fund V**”).

CHS Capital LLC is also the managing partner of CHS Associates V (the “**Co-Invest Fund**”), Delaware partnership formed principally to operate as a parallel fund to Fund V in order to facilitate co-investments by current and former CHS Capital professionals in CHS Fund portfolio companies.

The CHS Funds are private equity funds that invest primarily through negotiated transactions in operating entities, generally referred to herein as “**portfolio companies**.” The General Partners each serve as general partner and manager to the relevant CHS Fund and have the contractual authority under the respective limited partnership or other operating agreement of such CHS Fund (each, a “**Partnership Agreement**”) to make investment decisions for, and to provide day-to-day advisory services to, such CHS Fund. CHS Capital’s investment advisory services to the CHS Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are also permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of CHS Capital or its affiliates may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the CHS Funds have invested.

CHS Capital’s advisory services for the CHS Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”) and Partnership Agreements of the CHS Funds, and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the CHS Funds participate in the overall investment program for the applicable CHS Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement. The CHS Funds or the General Partners may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

### *Affiliated Advisers*

CHS Capital has advisory affiliates that are in the process of raising their own managed private funds (together, the “**Affiliated Advisers**”). New Harbor Capital Management, LP and New Harbor Capital Fund GP, LP (collectively, “**New Harbor**”) have raised their own managed private equity funds, New Harbor Capital Fund, LP and New Harbor Capital Fund-A, LP, each a Delaware limited partnership (collectively, the “**New Harbor Fund**”). Shorehill Capital LLC and Shorehill Management LP (collectively, “**Shorehill**”) are in the process of raising their own managed private fund, Shorehill Private Equity LP (the “**Shorehill Fund**”). Although the Affiliated Advisers share personnel, offices and administrative resources with CHS Capital, as well as a common compliance program, the Affiliated Advisers manage their investments independently. The New Harbor Fund, the Shorehill Fund and any other private equity fund that is in the process of being formed by an Affiliated Adviser are collectively referred hereto as “**Affiliated Adviser Funds**.” The CHS Funds and the Affiliated Adviser Funds are collectively referred hereto as the “**Funds**.” Except where the context otherwise requires, references herein to (i) CHS Capital should be read to include the Affiliated Advisers, (ii) the General Partners

should be read to include the respective general partners of the Affiliated Adviser Funds, (iii) the CHS Funds should be read to include the Affiliated Adviser Funds and (iv) the Partnership Agreements should be read to include the applicable partnership agreements of the Affiliated Adviser Funds.

Additionally, from time to time, CHS Capital may provide (or agree to provide) certain investors or other persons, including CHS Capital's personnel and/or certain other persons associated with CHS Capital and/or its affiliates (to the extent not prohibited by the applicable Partnership Agreement), co-investment opportunities (including the opportunity to participate in co-invest vehicles) that will invest in certain portfolio companies alongside a Fund. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from a Fund. Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment, and the co-investor or co-invest vehicle may be charged interest on the purchase to compensate the relevant Fund for the holding period, and generally will be required to reimburse the relevant Fund for related costs.

CHS Capital is ultimately controlled by a management committee currently comprised of Thomas J. Formolo, David O. Hawkins and Brian P. Simmons (the "**Management Committee**"). The members of the Management Committee are responsible for guiding the overall activities of CHS Capital, as well as, for each respective Management Committee member, the Affiliated Adviser with which such Management Committee member is affiliated.

## **FEES AND COMPENSATION**

In general, the General Partners receive a Management Fee (as defined below) and a carried interest in connection with advisory services. The General Partners or other CHS Capital entities or affiliates receive additional compensation, including transactional consulting compensation, in connection with management and other services performed for portfolio companies of Funds and all or a portion of such additional compensation will offset in part the management fees otherwise payable to the applicable General Partner. Investors in the Funds also bear certain fund expenses.

### **Management Fees**

The CHS Funds each have paid their respective General Partners a management fee in an amount set forth in the respective Partnership Agreement. Fund III and Fund IV, as well as the Co-Invest Fund, currently do not pay a management fee. Fund V pays the Fund V GP a management fee equal to the lesser of (a) 1.25% (on an annual basis) of Fund V's invested capital or (b) 1.50% (on an annual basis) of fair value.

During its investment period, the New Harbor Fund will pay its General Partner a management fee equal to 2.25% of the first \$150 million of aggregate commitments from investors and 2.00% of the aggregate commitments from investors in excess of \$150 million, and thereafter an annual amount equal to such blended management fee rate multiplied by the

aggregate unreturned investment capital, as more fully described in the New Harbor Fund's Partnership Agreement.

During its investment period, the Shorehill Fund will pay its General Partner a management fee initially equal to 2.00% of the aggregate commitments from investors, as more fully described in the Shorehill Fund's Partnership Agreement. The Shorehill Fund management fee may be reduced following the occurrence of specified events described in the Shorehill Fund's Partnership Agreement.

The management fees payable by the CHS Funds and Affiliated Adviser Funds are referred hereto as the "**Management Fees**."

The Fund V management fee has been reduced following the occurrence of specified events described in the Fund V Partnership Agreement. As further described in the CHS Funds' Partnership Agreements, the Management Fee for each CHS Fund generally has been, and will be, reduced by a portion of the directors' fees, monitoring fees, closing fees and other fees or other compensation received by a General Partner or its affiliate acting, directly or indirectly, on behalf of the applicable CHS Fund from the portfolio companies in which such CHS Fund invests. Portfolio company-related fees may also include amounts prepaid in anticipation of future services or otherwise accelerated, which will be offset against the applicable Management Fee to the extent set forth in the relevant Partnership Agreement.

The Management Fee will be further reduced in whole or in part by breakup fees and other costs received by the Advisers from transactions not consummated by the relevant CHS Fund (in each case, net of any amount necessary to reimburse the CHS Fund, the General Partner or its affiliates for all costs and expenses incurred by them in connection with all consummated or unconsummated transactions or in connection with generating any such fees and not previously reimbursed), but not including any amount received by the General Partner or its affiliate from portfolio companies as reimbursement for out-of-pocket expenses directly related to such portfolio companies (collectively, "**Breakup Fees**").

Additionally, as further described herein and in the applicable Memorandum and/or Partnership Agreement of each Fund, it is CHS Capital's practice to retain certain operating partners or executive advisors (together, "**Operating Partners**") to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such Operating Partners generally may provide services, which may include serving in management or policy-making positions for portfolio companies. Operating Partners may receive compensation, including, but not limited to, transaction consulting fees. No such compensation will offset the Management Fee. The use of Operating Partners subjects CHS Capital to conflicts of interest, as discussed under "Conflicts of Interest," below.

In accordance with each CHS Fund's Partnership Agreement, the Management Fee will be payable until all portfolio investments are distributed or until the General Partner's relationship with the applicable CHS Fund is terminated for other reasons. Each Partnership Agreement permits the General Partner to exercise broad discretion with respect to the timing of portfolio investment distribution in order to seek higher values for the relevant investment;

however, such discretion is subject to certain consents, including investor consents, set forth in each CHS Fund's Partnership Agreement.

In accordance with the New Harbor Fund's Partnership Agreement, the Management Fee will be reduced by 80% of any: (i) directors' fees, financial consulting fees or advisory fees paid to the General Partner with respect to any investment; (ii) transaction fees paid to the General Partner with respect to any investment; and (iii) break-up fees with respect to transactions not completed that are paid to the General Partner; but not including, in any event, any amount received by the General Partner or other person from a portfolio company as reimbursement for expenses directly related to such portfolio company, as payment for services provided to any portfolio company in the ordinary course of such portfolio company's business or as compensation for services provided by the General Partner or other person as an employee of or in a similar capacity for such portfolio company. The General Partner may elect to waive a portion of the Management Fee in exchange for a reduction in the General Partner's cash capital contribution obligation and/or a corresponding interest in Fund profits.

In accordance with Shorehill Fund's Partnership Agreement, after payment of any amounts necessary to reimburse the General Partner for all unreimbursed due-diligence, legal and other third-party costs and expenses incurred in connection with consummated or unconsummated transactions, the management fee payable by the Shorehill Fund for each year will be reduced by 50% of the Shorehill Fund's *pro rata* share of all transaction fees, management fees, directors' fees, break-up fees, and other fees (collectively, "**Shorehill Portfolio Fees**") received by the General Partner or any employee thereof until such reduction amount equals for a given year the greater of (x) the dollar amount equal to the product of 0.875% and the book value of all portfolio companies as of the start of such Management Fee year, as reflected in the Shorehill Fund's financial statements and (y) \$2 million, and will be reduced by 100% of such Shorehill Portfolio Fees thereafter.

As permitted under the applicable Partnership Agreements, CHS Capital may waive or reduce the Management Fee when certain circumstances are met. Certain waived or reduced portions of the Management Fee are treated by the applicable Partnership Agreement as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf, and operates to reduce the amount of capital such General Partner would otherwise be required to contribute to such Fund. The limited partners of a Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the relevant General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees may be significant. Due to waived or reduced Management Fees by the relevant General Partner and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in the relevant Fund, resulting in a net additional benefit to the relevant General Partner. The amount of any such benefit may be substantial.

## **Carried Interest**

Each General Partner will receive a carried interest with respect to the applicable Funds equal to 20% of all realized profits in excess of a preferred return of 9% in the case of Fund III and Fund IV, and 8% in the case of Fund V, New Harbor Fund and Shorehill Fund, as more fully described in the respective Partnership Agreements. The Co-Invest Fund is not subject to carried interest. Carried interest distributed to a General Partner is subject to a potential giveback at the end of life of the applicable Fund if CHS Capital has received excess cumulative distributions.

## **Other Information**

The General Partners may exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including investors affiliated with CHS Capital, and do not themselves pay Management Fees. Any such exemption from Management Fees and/or carried interest may be made by a direct exemption, a rebate by the applicable General Partner and/or its affiliates, or through other Funds which co-invest with the applicable Fund. For example, in instances where a CHS Capital professional (or an entity affiliated therewith) invests in a Fund, such professional (or such affiliate) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, CHS Capital may have the right to permit investors, affiliated with CHS Capital or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest. Similarly, the General Partners generally exempt the Co-Invest Fund from paying Breakup Fees.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the relevant Fund and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other current or former employees of CHS Capital may receive a portion of the Management Fee, carried interest or other compensation received by a General Partner or its affiliates.

In addition to the Management Fee and carried interest payable to the applicable General Partner, each CHS Fund bears certain expenses. As set forth more fully in the applicable Memorandum and/or Partnership Agreement of each CHS Fund, a CHS Fund bears all costs and expenses relating to the CHS Fund's activities, investments and business to the extent not borne or reimbursed by a portfolio company or applied to reduce transaction fees up to an amount specified in the relevant Partnership Agreement, including: (i) all costs and expenses attributable to acquiring, holding and disposing of the CHS Fund's investments; (ii) legal, accounting, tax, insurance, auditing and other fees and expenses; (iii) expenses of the limited partner or advisory committee appointed to represent the CHS Fund's limited partners; (iv) all out-of-pocket fees and expenses incurred by the CHS Fund, the relevant General Partner, the relevant General Partner's partners and their respective officers and employees relating to any investment opportunity or disposition opportunity for the CHS Fund not consummated; (v) extraordinary expenses of the CHS Fund; and (vi) other similar fees and expenses, but not including ordinary overhead and administrative expenses (including salaries and bonuses, rent, travel unrelated to



investment opportunities, entertainment and equipment expenses) of the CHS Fund, or its General Partner. The CHS Funds may also bear expenses indirectly through the payment by a portfolio company of such expenses or similar fees or expenses.

As set forth in the New Harbor Fund's Partnership Agreement, the New Harbor Fund will, in addition to the Management Fee and carried interest, pay all other costs and expenses of the New Harbor Fund that are not reimbursed by portfolio companies (which reimbursements may be for travel and any other out-of-pocket expenses incurred in connection with the making, monitoring and/or disposing of such portfolio company investments, including follow-on investments and refinancings), including: legal, auditing, consulting, financing, accounting and custodian fees and expenses; expenses associated with the New Harbor Fund's financial statements, tax returns, Schedule K-1s and any other New Harbor Fund-related reporting or filing obligations; expenses incurred in connection with transactions not consummated; expenses of the Advisory Board (as defined in the New Harbor Fund's Partnership Agreement) and annual meetings of the limited partners and any other meeting with any limited partner(s); insurance (including directors and officers insurance); other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the New Harbor Fund.

As set forth in the Shorehill Fund's Partnership Agreement, the Shorehill Fund will, in addition to the Management Fee and carried interest, pay all other costs and expenses of the Shorehill Fund that are not reimbursed by portfolio companies (which reimbursements may be for travel and any other out-of-pocket expenses incurred in connection with the making, monitoring and/or disposing of such portfolio company investments, including follow-on investments and refinancings), including, but not limited to: legal, auditing, consulting, financing, accounting, custodian, depository, transfer, registration and other similar fees and expenses; expenses associated with the Shorehill Fund's financial statements, tax returns, Schedule K-1s or any other administrative, regulatory or other Shorehill Fund-related reporting or filing obligations; expenses incurred in connection with transactions not consummated; expenses of the Limited Partner Committee (as defined in the Shorehill Fund's Partnership Agreement) and annual meetings of the limited partners; insurance (including directors and officers insurance); other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Shorehill Fund, and any similar expenses incurred on behalf of any Alternative Investment Vehicle (as defined in the Shorehill Fund's Partnership Agreement).

Additionally, the indemnification terms of the Partnership Agreements generally require each Fund to broadly indemnify its General Partner, CHS Capital and its employees and affiliates thereof for certain expenses incurred by the General Partner, CHS Capital and its employees and affiliates. Historically, these indemnification payments have been for legal defense costs and costs related to the indemnification of service providers who have performed services on behalf of a Fund. The costs of these indemnification payments are charged to the respective Fund and may be significant. The Co-invest Fund typically is not subject to such indemnification requirements and related costs.

At times, service providers may perform services pertaining to multiple Funds or related entities. In such instances, CHS Capital will allocate the total expense to multiple entities, including a Fund, using what it believes to be a fair and equitable allocation methodology. Brokerage fees may be incurred in accordance with the practices set forth in “Brokerage Practices.” The General Partners generally exempt the Co-Invest Fund from paying such fees and expenses.

The Affiliated Advisers each bear their own out-of-pocket expenses. CHS Capital employees also provide services to Affiliated Advisers, but receive no separate compensation from the Affiliated Advisers. If a CHS Capital employee incurs out-of-pocket expenses on behalf of an Affiliated Adviser, the CHS Capital employee will be reimbursed by the Affiliated Adviser. To the extent a CHS Capital employee incurs expenses on behalf of CHS Capital and an Affiliated Adviser during the same business trip or work period, CHS Capital will allocate such expenses using what it believes to be a fair and equitable allocation methodology.

A General Partner may permit certain investors to co-invest in portfolio companies alongside one or more Funds. If a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all Breakup Fees relating to such unconsummated transaction will be borne by the Fund(s), and not by any prospective co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-invest or other vehicle in connection with such transaction, such vehicle may bear its share of such Breakup Fees.

As described more fully in the applicable Memorandum and/or Partnership Agreement of each Fund, certain affiliates or personnel of CHS Capital may provide services to (or with respect to) certain portfolio companies in which such Fund may invest. In connection with such services, such affiliates or personnel may receive transaction fees and other compensation from such portfolio companies or the relevant Fund, and such portfolio companies may be required to reimburse CHS Capital for out-of-pocket expenses incurred by such affiliates or personnel. The amount of such transaction fees, other compensation and out-of-pocket expense reimbursements may be significant. CHS Capital and/or its affiliates generally have discretion over whether to charge transaction fees to a portfolio company and, if so, the fee rate or amount. The receipt of transaction fees may give rise to conflicts of interest between the Funds, on the one hand, and CHS Capital and/or its affiliates on the other hand.

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under “Fees and Compensation,” each General Partner receives a carried interest allocation on certain realized profits in the Funds. CHS Capital also manages accounts that are not charged a performance-based fee. This practice could present a conflict of interest because CHS Capital has an incentive to favor accounts for which it receives a performance-based fee. CHS Capital addresses this potential conflict of interest by ensuring that the Co-Invest Fund, which is not charged performance-based fees, invests in parallel with Fund V (to the extent permitted by the respective governing agreements) in order to reduce CHS Capital’s

potential incentive to make investments in Fund V that would generate performance-fees in such CHS Fund.

## **TYPES OF CLIENTS**

CHS Capital provides investment advice to the Funds, which may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of CHS Capital and its affiliates and members of their families, or other service providers retained by CHS Capital.

The Funds generally have a minimum investment amount as set forth in the relevant Partnership Agreements and the Funds' interests are offered and sold solely to qualified purchasers (or qualified knowledgeable CHS Capital personnel). Such minimum investment amount may be waived by the applicable General Partner or Affiliated Adviser.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Historical CHS Funds**

The investment period for Fund III, Fund IV, Fund V and the Co-Invest Fund (together, the "**Historical CHS Funds**") is complete; accordingly CHS Capital's activities on behalf of such Historical CHS Funds with respect to the execution of new investments are currently limited to identifying and advising regarding follow-on investments related to such Historical CHS Funds' existing investment portfolios. Descriptions of such activities herein should be read to refer to: (a) CHS Capital's activities undertaken during each relevant investment period; (b) to the extent applicable, activities with respect to such follow-on investments; and/or (c) activities undertaken by the Affiliated Advisers on behalf of the private funds that have been formed or are in the process of being formed by them.

CHS Capital's investment strategy for the Historical CHS Funds typically has been to originate and complete equity investments in well-managed companies where CHS Capital can apply its industry-specific experience, extensive resources and transformational investment management plans to accelerate earnings growth. CHS Capital seeks to identify companies with the following characteristics:

- Multiple avenues for growth – organically and through acquisitions
- Positive industry and market outlook
- Strong potential for continued profitability
- Excellent management teams
- Opportunities to add value through active investment management

Prior to completing an investment, CHS Capital typically develops a detailed investment management plan intended to strengthen management teams, identify and complete add-on acquisitions, improve expense and balance sheet management and institute an active investment monitoring program. CHS Capital believes this process results in accelerated earnings growth and reduced leverage leading to numerous exit alternatives and attractive exit valuations.

### **Investment and Operating Strategy – Historical CHS Funds**

Each Historical CHS Fund seeks a superior rate of return, relative to more conventional investment alternatives, through investing in equity and debt securities of portfolio companies which meet the Historical CHS Fund’s investment criteria and by making such other investments as may be deemed appropriate by the applicable General Partner.

*Focused Investment Origination.* CHS Capital sources new investment opportunities primarily through the activities of its dedicated CHS Capital personnel and other professionals with significant investing experience. CHS Capital employs a proactive approach to investment origination that is designed to balance focused efforts with broad market coverage. CHS Capital employs proprietary industry research, manages relationships with key industry contacts and intermediaries and work directly with targeted companies. This approach allows CHS Capital to manage a variety of targeted investment origination efforts in each of these industry sectors. Quantitative and qualitative information is available firm-wide through proprietary databases and reports. These tactics typically result in the identification and review of numerous potential portfolio company investment opportunities each year. Many of these opportunities are sourced outside of a broad auction process. The vast majority of add-on acquisitions completed by CHS Capital have been sourced on a proprietary basis as well.

*Targeted Due Diligence.* CHS Capital has developed a comprehensive due diligence and approval process that combines its 25 years of experience with industry-specific third party resources. Prior to investment, CHS Capital seeks to confirm a target company’s fit with established focus areas and CHS Capital experience. In addition, macro-economic and competitive trends are assessed to ensure a business environment consistent with the goals of the CHS Capital investment management plan and expected return on investment. Numerous CHS Capital investment professionals (collectively, the “**Investment Team**”) are involved in the consideration of each investment. Before an investment is made, CHS Capital typically conducts extensive industry and competitor analysis, as well as customer, supplier and management reference checks. Frequently, an accounting firm is retained to validate historical financial results, to help evaluate various business trends and to assess management information systems and financial controls. In addition, CHS Capital often retains experts to assist in market and competitive analysis, in-depth organizational and management reviews, environmental matters, tax planning, insurance and legal review. CHS Capital personnel and other executives with relevant industry backgrounds, along with senior executives from current and prior Historical CHS Fund portfolio companies, are frequently involved in the due diligence process. Oftentimes, the proprietary information and insights developed by CHS Capital allow nuanced assessment of critical issues effecting investment performance. In addition, this knowledge base can be an important component in the design and implementation of a successful investment management plan.

*Pro-Active Investment Management.* Prior to making an investment, CHS Capital typically establishes defined investment management objectives for each portfolio company to create value in the following three ways: (i) accelerate earnings growth; (ii) repay acquisition debt; and (iii) position companies for attractive exits at expanded valuation multiples. CHS Capital intends to exert influence as required to achieve the specific objectives of each Portfolio Company's investment management plan. CHS Capital believes that value creation results from a focused approach to investment management applied on a consistent basis and has developed a structured investment management process designed to encourage early identification of opportunities and problems. In developing investment management goals, strategies and tactics, CHS Capital frequently relies upon the substantial information developed internally during due diligence. Typically, CHS Capital incorporates proprietary analysis and other information from third parties. Input from CHS Capital personnel, current and prospective portfolio company directors, consultants and other experts is sought regularly. CHS Capital believes this body of knowledge fosters thoughtful dialogue with management teams and a productive working relationship as different investment management strategies are evaluated, priorities developed and plans implemented.

### **Investment and Operating Strategy – New Harbor Capital**

New Harbor seeks to focus its investment activity primarily on making control equity investments in grow-oriented services, healthcare and education companies.

*Industry Target.* New Harbor will target industries that are large, growing and highly fragmented. Within these industries, New Harbor will seek to identify market leaders that they believe are well-positioned to consolidate the market through acquisition – expanding geographically, diversifying customer mix, expanding product and service lines, gaining market share – and capitalize on underpenetrated or inefficient markets. New Harbor will also target businesses that successfully utilize technology to address consumer needs and that it believes are well-positioned to benefit from continuing market evolution.

*Disciplined Investment Process.* New Harbor intends to apply a disciplined and balanced investment process. The methodology by which New Harbor identifies new investment opportunities and conducts due diligence is structured, deliberate and replicable. Utilizing a “markets first” approach, New Harbor will identify sectors within general business services, health care and education that fit with its investment strategy – primarily, large, growing and fragmented industries that could benefit from (i) consolidation, (ii) improved efficiency and (iii) growth capital. Given the growth focus of New Harbor, it will typically conservatively capitalize its investments to allow flexibility to support growth initiatives and to help reduce financial and capital structure risk.

*Investment Sourcing.* New Harbor will primarily seek to access opportunities outside of the traditional auction channel, therefore reducing the negative competitive dynamics inherent to such processes and leading to unique access to opportunities. A key component of investment origination is leveraging the strong relationships between the New Harbor investment team and its network, as well as the broader reach of New Harbor's focused industry relationships. Through these relationships, New Harbor focuses on building long-term, direct relationships with entrepreneurs and executives to help establish the CHS Capital as an acquirer of choice.

*In-Depth Due Diligence.* New Harbor leverages its advisor network to conduct a thorough review of the industry, including extensive up-front industry calls, and will work to identify acquisition targets that meet New Harbor's investment criteria. Once a target is identified, the team will conduct a rigorous due diligence program, utilizing internal resources and other personal contacts, as well as third party due diligence providers. New Harbor will systematically conduct due diligence on each opportunity with the following objectives: (i) assess the overall business, its operations, systems and management team; (ii) identify any potential risk concentrations; (iii) identify and assess opportunities to accelerate growth and enhance sophistication within the business (including the estimated costs associated with these initiatives); and (iv) develop a comprehensive and tailored investment management plan that outlines the strategic goals of the investment and activities needed to achieve these goals. During and immediately following the due diligence process, an investment will be presented to the New Harbor investment committee for review. All investments must receive a unanimous vote of approval by the New Harbor investment committee as a condition to investment by the New Harbor Fund.

### **Investment and Operating Strategy – Shorehill Capital**

Shorehill seeks to focus its investment activity primarily on making control-orientated equity and equity related investments in middle market industrial and distribution companies.

*Strategy & Process.* The Shorehill strategy and process is intended to identify attractive investment opportunities in its target sectors, confirm key investment selection criteria, design and implement investment management plans, position companies for exit, and achieve attractive returns. These business practices have been developed and refined throughout the co-founders careers to increase investment selectivity and enable value creation through specific investment management initiatives. Shorehill believes that the depth of its approach is unique among middle market private equity investment firms, representing the best way to complete attractive investments and add value to portfolio companies while minimizing risk and generating superior returns on a consistent basis.

*Proactive Investment Sourcing.* The Shorehill Team believes that targeting the preferred company size within its narrow focus in its target sectors will result in the most effective use of the Shorehill Team's investment experience. This experience supports proprietary research and proactive outreach to target sector businesses and their owners. Typically a variety of investment origination efforts are implemented by the Shorehill Team to develop industry research and manage relationships with key industry contacts including executives, intermediaries and advisors.

*Investment Selection.* Shorehill will primarily consider platform investments in companies operating in target sectors, valued between \$25 million and \$150 million, and generally based or having significant operations in North America. The Shorehill Team believes that potential for value creation at portfolio companies will result from four principal factors: earnings growth, repayment of acquisition debt, increased cash-flow, and the achievement of multiple arbitrage. The Shorehill Team typically considers each of these factors during due diligence and investment evaluation and incorporates conclusions into detailed investment management plans.

*Company Dynamics.* The Shorehill Team expects to evaluate various company dynamics to determine the earnings growth and investment management potential of each prospective investment. Shorehill will typically seek to identify companies with differentiated profit margins and demonstrated pricing power because these characteristics may be indicators of sustainable market positions leading to long-term success. The Shorehill Team will seek to invest the Fund's capital in companies with multiple opportunities for growth, including the potential for expansion of geographic markets served, expanded product and service offerings, market share gains, and add-on acquisitions.

*Active Investment Management.* The Shorehill Team believes that active investment management using a company-specific resource plan can result in accelerated earnings growth, better risk management, and superior investment performance.

*Human Capital.* Human capital initiatives are expected to improve the overall quality and effectiveness of management teams, leading to improved portfolio company performance. Shorehill intends to recruit talented executives to complement and strengthen the management team and boards of directors at each portfolio company.

*Strategic Growth.* Strategic growth initiatives are designed to increase the rate of a company's revenue and earnings growth. The Shorehill Team expects to work closely with management teams and third-party advisors to direct initiatives designed to generate organic growth from new product development, product line extensions, expansion of service offerings, domestic market share gains, and international growth.

*Capital Markets and Exit.* The Shorehill Team has established relationships with numerous investment banks and other financial institutions and intermediaries that can be called upon to assist each portfolio company in gaining access to capital markets. The Shorehill Team will typically consider exit alternatives during its evaluation of prospective investments and may pursue a multi-track process in an effort to maximize exit value.

## **Risks of Investment**

The Funds and their investors bear the risk of loss that CHS Capital's investment strategy entails, as further set forth in the relevant Fund's private placement memorandum. There can be no assurance that CHS Capital or any General Partner will achieve the investment objectives of the applicable Fund and a loss of investment may be possible. The risks involved with CHS Capital's investment strategy and an investment in the Funds include, but are not limited to:

*Business Risks.* A 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 CHS Capital's prior investments is not necessarily indicative of a Fund's future results. While each General Partner intends for the applicable Fund to make investments that have returns commensurate with the risks undertaken,

there can be no assurances that any such performance will be achieved. On any given investment, loss of principal is possible.

*Investment in Junior Securities.* The securities in which a 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 a Fund's investment once made.

*Concentration of Investments.* A Fund typically participates in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, such Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or such industry generally may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* 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 are typically required to pay annual Management Fees based on the entire amount of their Commitments.

*Dynamic Investment Strategy.* While each General Partner generally intends to seek attractive returns for a Fund through the investment strategy and methods described herein, the relevant General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant Partnership Agreement(s). A General Partner may pursue investments outside of the industries and sectors in which CHS Capital has previously made investments or has internal operational experience.

*Leveraged Investments.* A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in such portfolio company. Leverage generally magnifies both such Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. See also "Uncertain Economic and Political Environment" below. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such 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 its 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 invests generally will not be rated by a credit rating agency. A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a



portfolio company's debt). The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. A Fund may incur leverage on a joint and several basis with one or more other Funds and entities managed by CHS Capital or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of each Fund's investments and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of a Fund and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the applicable Partnership Agreement, including the value used to determine the amount of carried interest available to CHS Capital with respect to such investment.

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of a Fund is typically vested entirely with the applicable General Partner, and the Fund's profitability depends largely upon the business and investment acumen of the principals of the General Partner. The loss or reduction of service of one or more of the principals could have an adverse impact on a Fund's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of the Fund will depend entirely on the actions of the relevant General Partner. Although each General Partner will monitor the performance of its relevant Fund's investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although each Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

*Projections.* Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by CHS Capital in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company, whether for opportunistic

reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons. There is no assurance that any Fund will make follow-on investments or that such Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative impact on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for such Fund to increase its participation in a successful operation.

*Non-U.S. Investments.* A Fund may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories and possession. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Fund), the application of complex U.S. and foreign tax rules to cross border investments, possible imposition of foreign taxes on the Fund and/or the its partners with respect to the Fund's income, and possible foreign tax return filing requirements for the Fund and/or its partners.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Public Company Holdings.* A Fund's investment portfolio may contain debt and/or equity 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 such Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the relevant General Partner's principals, and increased costs associated with each of the aforementioned risks.

*Director Liability.* A Fund often obtains the right to appoint one or more representatives to the boards of directors of the portfolio companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Although portfolio companies often have insurance to protect directors and officers from such liability, such insurance may not be obtained by all portfolio companies and may be insufficient if obtained.

*Uncertain Economic and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of

potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's portfolio companies.

*Market Conditions.* A Fund's performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007, which can impact the public market comparable earnings multiples used to value privately held portfolio companies. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Fund's performance. Following the onset of the 2007 credit crisis, the rate of future investment by funds slowed as the pricing of new transactions adjusted to reflect the economic uncertainty and the lack of credit in the markets. Holding periods of investments are also likely to be longer in times when market conditions for initial public offerings and mergers and acquisitions activity are less favorable. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of a credit crisis may also affect a Fund's ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

*Deterioration of Credit Markets may Affect Ability to Finance and Consummate Investments.* Deterioration of the global credit markets may make it more difficult for investment funds such as the Funds to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates after the 2007 credit crisis, dramatically reduced investor demand for high yield debt and senior bank debt, which in turn led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. A Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events recur and/or are not temporary, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*Material Non-Public Information.* As a result of the operations of CHS Capital and its affiliates, CHS Capital frequently comes into possession of confidential or material non-public information. Therefore, CHS Capital and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or CHS Capital's internal policies. Due to these restrictions, a Fund may not be

able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

*Healthcare Regulation, Reimbursement and Reform.* The New Harbor Fund's investments may be concentrated in the healthcare industry. Various segments of the healthcare industry are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally, (ii) subject to frequent regulatory change and (iii) dependent upon various government or private insurance reimbursement programs. While the New Harbor Fund intends to make investments in companies that comply with relevant laws and regulations, certain aspects of their operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations of the companies in which the New Harbor Fund invests. Recent legislative changes have had, and will likely continue to have, a significant impact on the healthcare industry. In addition, various legislative proposals related to the healthcare industry are introduced from time to time at the United States federal and state level, and any such proposals, if adopted, could have a significant impact on the healthcare industry.

*Bridge Financings.* As set forth in the Shorehill Fund's Partnership Agreement, the Shorehill Fund may, from time to time, provide interim financing to a portfolio company, including in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication or where such portfolio company has an identified short-term financing need. Such bridge loans may be convertible into a more permanent, long-term security; however, for reasons not always in the Shorehill Fund's control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding and be treated as a permanent investment in such portfolio company. In such event, the interest rate on such loans or the terms of such interim investments may not adequately reflect the risk associated with the position taken by the Shorehill Fund.

## **Conflicts of Interest**

CHS Capital and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, investment advisory, legal, management and other services to Funds and portfolio companies. In the ordinary course of CHS Capital conducting its activities, the interests of a Fund may conflict with the interests of CHS Capital, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein.

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by CHS Capital principals through such Fund, subject to certain limited exceptions. Without limitation, CHS Capital principals currently, and may in the future, manage several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. CHS Capital's advisory services generally are directed toward identifying follow-on investments for such Historical CHS Funds, while the Affiliated Advisers are in the investment period or in the process of raising their own

managed private funds. The Investment Team and the applicable General Partner's investment staff will continue to manage and monitor Historical CHS Funds and investments. This situation subjects CHS Capital to potential conflicts of interest in that the Investment Team may direct certain relevant investment opportunities to certain Funds, including CHS Funds managed by Affiliated Advisers, but not others. Such other investments controlled or managed by CHS Capital may potentially compete with companies acquired by a Fund. Following the commitment period of a Fund, CHS Capital principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, CHS Capital will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of CHS Capital. In determining which Funds should participate in such investment opportunities, CHS Capital is subject to conflicts of interest among the investors in such investment vehicles. CHS Capital attempts to resolve such conflicts of interest in light of its obligations to investors in the various Funds and the obligations owed by CHS Capital's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the various Funds in a fair and equitable manner. Certain investments may be allocated between a Fund and any successor or predecessor fund in a manner as set forth in the applicable Partnership Agreement. Subject to such Partnership Agreement requirements, for each relevant investment opportunity, priority is given to consideration of such opportunity as a follow-on investment for an existing CHS Fund. Thereafter, investment opportunities will be allocated among CHS Funds managed by Affiliated Advisers in accordance with each Affiliated Adviser's arena of subject expertise. Where necessary, CHS Capital will consult and receive consent to conflicts from the relevant Fund or Committee.

Investment opportunities may be appropriate for multiple Funds at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of each such investment, particularly where certain Funds are intended to invest in different types of securities in a single portfolio company. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company.

CHS Capital employees are further subject to potential conflicts of interest in that they provide services to Affiliated Advisers, but receive salaries from CHS Capital and receive no separate compensation from the Affiliated Advisers. CHS manages these potential conflicts by ensuring that such salaries (and other related overhead expenses) are not paid by the Funds.

As a result of the Funds' controlling interests in portfolio companies, CHS Capital and/or its affiliates typically have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to CHS Capital and/or its affiliates. Such amounts will be in addition to any Management Fees or carried interest paid by a Fund to CHS Capital.

Additionally, a portfolio company typically will reimburse CHS Capital or service providers retained at CHS Capital's discretion for expenses (including without limitation travel expenses) incurred by CHS Capital or such service providers in connection with its performance of services for such portfolio company. This subjects CHS Capital and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. CHS Capital determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to CHS Capital or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

CHS Capital generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) CHS Capital or a related person of CHS Capital (which may include a portfolio company of such Fund) or (ii) an entity with which CHS Capital or its affiliates or current or former members of their personnel has a relationship or from which CHS Capital or its affiliates or their personnel otherwise derives financial or other benefit. This subjects CHS Capital to conflicts of interest, because although CHS Capital selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, CHS Capital may have an incentive to recommend the related or other person because of its financial or other business interest. There is a possibility that CHS Capital, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not CHS Capital has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

CHS Capital and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by CHS Capital and/or its affiliates; conversely, former personnel or executives of CHS Capital and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by CHS Capital. Similarly, CHS Capital, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, CHS Capital and/or its affiliates, and/or the Funds or other investment vehicles they advise. CHS Capital may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide CHS Capital information about markets and industries in which CHS Capital operates (or is contemplating operations) or will provide other services that are beneficial to CHS Capital. CHS Capital may have a conflict of

interest in making such recommendations, in that CHS Capital has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

CHS Capital, its affiliates, and equityholders, officers, principals and employees of CHS Capital and its affiliates may buy or sell securities or other instruments that CHS Capital has recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to the policies and procedures set forth in CHS Capital's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of any Fund.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by CHS Capital, are reimbursed by a Fund and/or its portfolio companies, CHS Capital may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

In addition, as described above, portfolio companies typically pay certain fees to Operating Partners or third party consultants (including consultants introduced or arranged by CHS Capital and/or its affiliates that may regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Although the use of Operating Partners and the allocation of compensation paid to them by the portfolio companies may subject CHS Capital and/or its affiliates to potential conflicts of interest, CHS Capital believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Operating Partners is lower than market rates for the services provided and/or if the quality of the services of the Operating Partners make a greater contribution to the success of the portfolio company. Although CHS Capital seeks to retain Operating Partners with a view to reducing costs to portfolio companies and, ultimately, the Funds, a number of factors may result in limited or no cost savings from such retention. CHS Capital also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that CHS Capital believes will align such persons' interests with those of the Funds' limited partners.

Because CHS Capital's carried interest is based on a percentage of net realized profits, it may create an incentive for CHS Capital to cause a Fund to make riskier or more speculative investments than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when the CHS Capital may not otherwise have done so.

CHS Capital may enter into side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

## **DISCIPLINARY INFORMATION**

CHS Capital and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

CHS Capital is affiliated with the General Partners and the Affiliated Advisers, which are investment advisers deemed registered with the SEC under the Advisers Act pursuant to CHS Capital's registration in accordance with SEC guidance. These affiliated advisers serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

From time to time and to the extent permitted by the CHS Funds' or CHS Capital governing documents, personnel of CHS Capital or its affiliates may serve in investment advisory or other capacities at unaffiliated investment advisers.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

CHS Capital has adopted the CHS Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of the principals and employees of CHS Capital and addresses conflicts that arise from personal trading. The Code requires certain CHS Capital personnel to report their personal securities transactions, prohibits or requires pre-clearance for CHS Capital personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits CHS Capital personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the CHS Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to Todd C. Schneider, the CHS Chief Compliance Officer, at (312) 876-8632. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

CHS Capital and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security, including information received in such affiliated persons' capacities as consultants, advisors or directors of non-CHS Capital businesses, including certain family offices. Under applicable law, CHS Capital and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of CHS Capital.

Accordingly, should CHS Capital or any of its affiliated persons come into possession of material non-public or other confidential information with respect to any public or non-company, CHS Capital generally would be prohibited from communicating such information to



clients, and CHS Capital will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of CHS Capital personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of CHS Capital and its affiliates may directly or indirectly own an interest in Funds or portfolio companies, whether directly or through certain co-investment vehicles. Participation in the co-invest program is limited to persons with such knowledge and experience in financial and business matters necessary to make them capable of evaluating the merits and risks of the prospective investment. The eligibility of any person to participate in the co-invest program, as well as the amount such person is permitted to invest, will be determined in the sole discretion of the Management Committee. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds. If CHS Capital receives multiple classes of securities in a transaction (for example, subordinated debt and common equity), the co-investors' investments shall invest side-by-side with CHS Capital's investment, and investment opportunities shall be allocated *pro rata* between CHS Capital and the co-investors.

From time to time, the Funds will sell portfolio companies in an initial public offering. In such event, investors in the Funds generally will receive via distribution of cash proceeds their proportionate share of profits and losses from such sales. However, in certain circumstances, CHS Capital will permit its principals and employees to elect to receive their proportionate share of such profits and losses in cash or in kind, in order to elect to receive initial public offering profits and losses on a different time frame than that deemed by CHS Capital or to be appropriate for the relevant Fund.

CHS Funds may invest together with other Funds advised by an affiliated adviser of CHS Capital in the manner set forth in the applicable Partnership Agreement. CHS Capital's policy is to allocate investment opportunities or advisory recommendations on a fair and equitable basis, consistent with their fiduciary obligations and the underlying documents for each Fund.

CHS Capital and its principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar, and may receive nominal fees in connection with such investment activities. The operative documents and investment programs of certain vehicles sponsored by CHS Capital (the "**Reference Funds**") may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Reference Funds or may give priority with respect to investments to such Reference Funds. Some of these restrictions could be waived by investors (or their representatives) in such Reference Funds.

## **BROKERAGE PRACTICES**

CHS Capital focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, CHS Capital may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although CHS Capital does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If CHS Capital sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by CHS Capital. In such event, CHS Capital will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, CHS Capital may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

CHS Capital has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although CHS Capital generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with CHS Capital seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them. Under such “soft dollar” arrangements, securities transactions are executed through a broker-dealer that charges more than the lowest available commission rate in exchange for the provision of brokerage and research services, which may include: (i) furnishing advice as to the value of securities and the advisability of investing, purchasing or selling securities; (ii) furnishing analysis and reports concerning issuers, securities and performance of accounts; or (iii) effecting securities transactions and performing functions incidental to such transactions, such as clearance, settlement and custody. CHS Capital may enter into “soft dollar” arrangements only where it reasonably believes that the services benefit the relevant Fund, and that the amount of commission is reasonable in relation to the value of the brokerage and research services provided.

CHS Capital currently does not engage in soft dollar transactions, but may engage in soft dollar transactions in the future in accordance with the limitations of Section 28(e) of the Securities Exchange Act of 1934, as amended.

CHS Capital does not anticipate engaging in significant public securities transactions; however, to the extent that CHS Capital engages in any such transactions, orders for purchase or

sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for the Funds are completed independently, CHS Capital may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, CHS Capital may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of CHS Capital is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds.

Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Funds over time.

In CHS Capital’s private company securities transactions on behalf of the Funds, CHS Capital may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, CHS Capital may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although CHS Capital generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not necessarily pay the lowest commission or fee for such services.

## **REVIEW OF ACCOUNTS**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, CHS Capital closely monitors companies in which the Funds invest, and the CHS Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund will make available to each limited partner (i) annual audited GAAP financial statements for the Fund (including a statement of the limited partner’s closing capital account balance) showing the fair value of the Fund’s investments, (ii) unaudited quarterly financial reports for the first three quarters of each fiscal year showing the relevant limited partner’s capital account balance and the fair value of such limited partner’s interest in the relevant Fund, except Fund III which is only provided annually, and (iii) annual tax information. The Funds will also make available to its limited partners descriptive investment information for each portfolio company periodically.

## CLIENT REFERRALS AND OTHER COMPENSATION

CHS Capital and/or its affiliates may provide certain business or consulting services to companies in a Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Partnership Agreement, a portion of this compensation may, in many cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (*e.g.*, reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

From time to time, CHS Capital may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents will be borne by CHS Capital indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund. In connection with the New Harbor Fund, New Harbor has retained Morgan Joseph TriArtisan LLC ("**Morgan Joseph**"), a U.S. registered broker-dealer, to solicit investors for the New Harbor Fund. As compensation for its efforts, Morgan Joseph is entitled to a fee based on a percentage of the New Harbor Fund's commitments.

## CUSTODY

CHS Capital maintains custody of the assets held in each Fund's name with the following qualified custodians: Merrill Lynch, Venture Services Group, 600 California Street, 8th Floor, San Francisco, CA 94108; and JP Morgan Chase Bank, N.A., 10 S. Dearborn Street, Chicago, IL 60603.

## INVESTMENT DISCRETION

CHS Capital has discretionary authority to manage investments on behalf of each Fund. As a general policy, CHS Capital does not allow clients to place limitations on this authority. Pursuant to the terms of the applicable Partnership Agreement, however, CHS Capital may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, the right to opt out of certain investments for legal, tax, regulatory or other similar reasons. CHS Capital assumes this discretionary authority pursuant to the terms of the applicable Partnership Agreement and powers of attorney executed by the limited partners of such Fund.

## VOTING CLIENT SECURITIES

CHS Capital has adopted the CHS Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for the Funds' (and any Fund's) portfolio investments. The Proxy Policy seeks to ensure that CHS Capital votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. CHS Capital generally believes its interests are aligned with those of each Fund's investors, for example, through the principals' beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting

proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that CHS Capital may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's Investment Committee, on the proposed proxy vote, or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's Investment Committee may approve CHS Capital's vote in a particular solicitation. CHS Capital does not consider service on portfolio company boards by CHS Capital personnel or CHS Capital's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by CHS Capital when voting proxies on behalf of a Fund. If you would like a copy of the CHS Capital's complete Proxy Policy or information regarding how CHS Capital voted proxies for particular portfolio companies, please contact Todd C. Schneider, the CHS Capital Chief Compliance Officer, at (312) 876-8632, and it will be provided to you at no charge.

#### **FINANCIAL INFORMATION**

CHS Capital does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

**FORM ADV PART 2B  
INVESTMENT ADVISER BROCHURE SUPPLEMENT**

**CHS CAPITAL LLC**

**NEW HARBOR MANAGEMENT, LP  
SHOREHILL CAPITAL LLC**

**10 South Wacker Drive, Suite 3175  
Chicago, IL 60606  
(312) 876-1840  
<http://www.chsonline.com>**

**March 2015**

Capitalized terms used but not defined in this Brochure Supplement have the meanings ascribed to them in the Investment Adviser Brochure of CHS Capital LLC and its affiliates (“**CHS Capital**”). This Brochure Supplement provides information regarding investment personnel acting on behalf of CHS Capital.

If you have any questions about the supplemental information contained in this section, please contact Todd C. Schneider, the CHS Capital Chief Compliance Officer, at (312) 876-8632. All investment personnel mentioned in this Brochure Supplement can be reached at the address and phone number provided at the beginning of this Brochure.

**Thomas J. Formolo**

*Educational Background and Business Experience*

Mr. Formolo, born April 2, 1964 joined CHS Capital in 1990 and was promoted to Partner in 1997. Mr. Formolo founded New Harbor Capital in 2013. He holds a B.B.A. from the University of Wisconsin and an M.B.A. from Northwestern University. Mr. Formolo serves on the Board of Directors of American Reprographics Company (NYSE: ARC); WASH Multifamily Laundry Systems, LLC; ; and PT Solutions Holdings, LLC. Mr. Formolo serves on the board of New Schools for Chicago, the Board of Directors of Chicago Fellowship, is a member of the Board of Trustees of National Louis University, and is on the Dean’s Advisory Board at the University of Wisconsin School of Business.

*Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Formolo.

*Other Business Activities*

Mr. Formolo is not engaged in any investment-related business outside of his roles with CHS Capital and its Affiliated Adviser New Harbor Management, LP.

*Additional Compensation*

Mr. Formolo does not receive any additional compensation that is required to be disclosed.

*Supervision*

As an Investment Team Leader, Mr. Formolo is part of a team that is responsible for implementing and overseeing the investment strategy of the CHS Funds. Mr. Formolo is also a member of the CHS Capital Management Committee. While Mr. Formolo is not directly supervised by any one individual, the CHS Capital Management Committee is responsible for guiding the overall activities of CHS Capital, including the supervision of investment professionals such as Mr. Formolo. Mr. Formolo is also the Managing Partner of New Harbor Capital.

**David O. Hawkins**

*Educational Background and Business Experience*

Mr. Hawkins, born January 12, 1965, joined CHS Capital in 1995 and after holding numerous positions at the firm, was promoted to Partner in 2003. Mr. Hawkins co-founded Shorehill Capital in 2013. He holds a B.S. from Indiana University and an M.B.A. from Northwestern University. Mr. Hawkins serves on the Board of Directors of KHC Holdings, Inc.; TricorBraun Holdings, Inc.; Woodstream Corporation; and Fortiline Holdings LLC; Belt Power LLC; and Jasper Engine Exchange, Inc.

*Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Hawkins.

*Other Business Activities*

Mr. Hawkins is not engaged in any investment-related business outside of his roles with CHS Capital and its Affiliated Adviser Shorehill Capital LLC.

*Additional Compensation*

Mr. Hawkins does not receive any additional compensation that is required to be disclosed.

*Supervision*

As an Investment Team Leader, Mr. Hawkins is part of a team that is responsible for implementing and overseeing the investment strategy of the CHS Funds. While Mr. Hawkins is not directly supervised by any one individual, the CHS Capital Management Committee is

responsible for guiding the overall activities of CHS Capital, including the supervision of investment professionals such as Mr. Hawkins. Mr. Hawkins is a member of the Management Committee. Mr. Hawkins is also a Co- Managing Partner of Shorehill Capital.

### **Daniel J. Hennessy**

#### *Educational Background and Business Experience*

Mr. Hennessy, born December 14, 1957, was a founder of CHS Capital in 1988. He holds a B.A. from Boston College and an M.B.A. from the University of Michigan. Mr. Hennessy serves on the Board of Directors of each of Dura-Line Holdings Inc., and Blue Bird Corporation (NASDAQ: “BLBD”). Mr. Hennessy also serves as a Trustee of the John G. Shedd Aquarium and is a Director of the Children's Memorial Hospital and Foundation.

#### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Hennessy.

#### *Other Business Activities*

Outside of his role with CHS Capital, Mr. Hennessy is the Managing Member of Hennessy Capital LLC and Managing Partner of Hennessy Capital Partners I, a sponsor of BLBD (formally Hennessy Capital Acquisition Corp, which was a special purpose acquisition corporation formed for the purpose of effecting mergers, capital stock exchanges, asset acquisitions, stock purchases, reorganizations or other similar business combinations).

#### *Additional Compensation*

Mr. Hennessy does not receive any additional compensation that is required to be disclosed.

#### *Supervision*

As an Investment Team Leader, Mr. Hennessy is part of a team that is responsible for implementing and overseeing the investment strategy of the CHS Funds. While Mr. Hennessy is not directly supervised by any one individual, the CHS Capital Management Committee is responsible for guiding the overall activities of CHS Capital, including the supervision of investment professionals such as Mr. Hennessy.

### **Brian P. Simmons**

#### *Educational Background and Business Experience*

Mr. Simmons, born April 24, 1960, was a founder of CHS Capital in 1988. Mr. Simmons co-founded Shorehill Capital in 2013. He holds an A.B. from Cornell University. Mr. Simmons serves on the Board of Directors of KHC Holdings, Inc.; LVI Parent Corporation; and Belt Power, LLC. Mr. Simmons also serves on the Board of Directors of the Chicago Public Education Fund, is a Trustee of Deerfield Academy, is a Life Trustee of Lincoln Park Zoo, is



President of Diamond Investment Corp, is a Director of 1500 Lake Shore Drive Corporation and is a Trustee of UVA College Foundation.

*Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Simmons.

*Other Business Activities*

Outside of his roles with CHS Capital and its Affiliated Adviser Shorehill Capital LLC, the only investment-related business in which Mr. Simmons is engaged is the operation and management of certain family investment entities. Potential conflicts of interest raised by the non-CHS business activities of CHS personnel are addressed by CHS's investment allocations policy.

*Additional Compensation*

Outside of his roles with CHS Capital and its Affiliated Adviser Shorehill Capital LLC, Mr. Simmons receives nominal director fees in connection with his operation and management of certain family investment entities.

*Supervision*

Mr. Simmons is part of the CHS Capital Management Committee, which is responsible for implementing and overseeing the investment strategy of the CHS Funds. He is not directly supervised by any one individual, and is the Managing Partner of CHS Capital.