

**INVESTMENT ADVISER BROCHURE  
FORM ADV PART 2A**

**PRIMUS CAPITAL PARTNERS, INC.**

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**March 30, 2015**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Primus Capital Partners, Inc. If you have any questions about the contents of this Brochure, please contact us at (440) 684-7300. 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.**

Primus Capital Partners, Inc. 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 Primus Capital Partners, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

Primus Capital Partners, Inc. filed its most recent Form ADV Part 2 in March 2014. This annual amendment updates the description of the business practices of Primus Capital Partners, Inc. and its affiliates.

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## ADVISORY BUSINESS

Primus Capital Partners, Inc., an Ohio corporation and a registered investment adviser, and its affiliated investment advisers provide investment advisory services to private investment funds. Primus Capital Partners, Inc. commenced operations in 1993.

Primus Capital Partners, Inc.'s clients include the following funds (each, a “**Fund**”):

- Primus Capital Fund IV Limited Partnership;
- Primus Capital Fund V Limited Partnership;
- Primus Capital Fund VI, LP;
- Primus Capital Fund VII, LP;
- Primus Executive Fund Limited Partnership; and
- Primus Executive Fund V Limited Partnership (together with Primus Executive Fund Limited Partnership, the “**Executive Funds**”).

The following are the investment advisers affiliated with Primus Capital:

- Primus Venture Partners IV Limited Partnership;
- Primus Venture Partners V, L.L.C.;
- Primus Capital Partners VI, LLC; and
- Primus Capital Partners VII, LLC.

(each, a “**General Partner**” and together with Primus Capital Partners, Inc. and their affiliated entities, “**Primus Capital**”). Each General Partner is registered under the Advisers Act pursuant to Primus Capital Partners Inc.'s registration in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner, which operate as a single advisory business together with Primus Capital.

The Funds are private equity funds and invest through negotiated transactions in operating entities. Primus Capital's investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Primus 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 held by the Funds.

Primus Capital's advisory services for the Funds are detailed in the applicable private placement memoranda (each, a "**Memorandum**"), investment management agreements and limited partnership agreements (each, a "**Partnership Agreement**") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. The Funds or the General Partners have entered, and may enter, into side letters or other similar agreements with certain investors that have the effect of establishing rights under or altering or supplementing the relevant Fund's limited partnership agreement.

Additionally, from time to time, Primus Capital may provide (or agree to provide) co-investment opportunities to certain investors or other persons, 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 their investments in the applicable portfolio company at the same time and on the same terms as the relevant 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-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.

As of December 31, 2014, Primus Capital managed approximately \$667 million in client assets on a discretionary basis. Primus Capital Partners, Inc. is owned by William C. Mulligan and Phillip C. Molner II, and controlled by its "Managing Directors" (as defined herein).

## **FEES AND COMPENSATION**

In general, each General Partner receives a management fee and a carried interest in connection with advisory services. Primus Capital or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Primus Capital. Investors in each Fund also bear certain fund expenses.

### **Management Fees**

Each Fund will pay Primus Capital, quarterly in advance, a management fee (the "**Management Fee**") generally equal to between 1.5% and 2.25% *per annum* based on aggregate Fund investor capital commitments ("**Commitments**"). Investors participating in a closing after the relevant Fund's initial closing date generally bear the Management Fee from such initial closing date plus interest. Each Fund's Management Fee steps down following certain events specified in the relevant Partnership Agreement of such Fund. The Management Fee will be payable until all portfolio investments are distributed or until such other circumstances described in the Partnership Agreement. Installments of the Management Fee payable for any period other than a full quarterly period are adjusted on *pro rata* basis according to the actual number of days in such period.

The Management Fee will be reduced by a specified percentage of each Fund's share of transaction, advisory, monitoring or directors' fees paid by portfolio companies to the relevant General Partner or its affiliates, up to an amount specified in the relevant Partnership Agreement. Primus Capital or an affiliate will be permitted to retain the remaining portion of such fees ("**Supplemental Fees**") not offset against the Management Fee. Portfolio company-related fees may also include amounts prepaid in anticipation of future services or otherwise accelerated in certain situations (*e.g.*, an initial public offering), which will be offset against the applicable Management Fee to the extent set forth in the relevant Partnership Agreement. Although such prepaid or accelerated fees generally will be based on the anticipated level and duration of services that the General Partner believes at the time of such prepayment or acceleration are likely to be provided to the portfolio company, over time, they may be greater or less than the amount that is ultimately incurred with respect to services ultimately provided to such portfolio company.

Additionally, as further described below, certain operating partners who provide services to (or with respect to) certain portfolio companies in which one or more Funds invest may receive compensation, including, but not limited to transaction fees, and such compensation will not result in additional offsets to the Management Fee.

As permitted under the relevant Partnership Agreement, a General Partner may waive or agree to reduce the Management Fee. Any such waived or reduced portion of the Management Fee reduces the amount of capital such General Partner would otherwise be required to contribute to the relevant Fund and entitles the General Partner to special allocations and distributions related to such reduced amounts as set forth in the relevant Partnership Agreement. The limited partners of such 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 such 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. Due to waived or reduced Management Fees by the General Partners 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 a Fund, resulting in a net additional benefit to Primus Capital or its affiliates.

No Management Fee is or was payable to Primus Capital or any General Partner by Primus Executive Fund V Limited Partnership.

### **Carried Interest**

Each General Partner will receive a carried interest with respect to the relevant Fund generally equal to 20% of all realized profits subject to any preferred return, as more fully described in the Partnership Agreement. The carried interest distributed to a General Partner is subject to a potential clawback at the end of life of the relevant Fund if such General Partner has received excess cumulative distributions. It is expected that any future Funds will have a similar fee structure.

No carried interest is payable to Primus Capital or any General Partner by the Executive Funds.

## Other Information

Primus Capital may exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including Primus Capital and any other person designated by the relevant General Partner. Any such exemption from fees and/or carried interest may be made by a direct exemption or by a rebate by Primus Capital and/or its affiliates, or through other Funds that co-invest with a Fund. For example, in instances where a Primus Capital professional or its affiliate invests in a Fund, such professional or its 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, certain Advisers may have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

The Funds 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 a Fund.

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

In addition to the Management Fee and carried interest payable to each General Partner, each Fund bears certain expenses. As set forth in the relevant Partnership Agreement, each Fund generally bears all expenses to the extent not paid by portfolio companies, including legal, auditing, consulting, insurance, and accounting expenses (including expenses associated with the preparation of Fund financial statements, tax returns, and K-1s), expenses related to the relevant Fund's Valuation Committee and annual meetings of the Fund's limited partners, and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated (such expenses, "**Broken-Deal Expenses**"), any taxes, fees, and other governmental charges levied against such Fund, and extraordinary expenses (such as litigation, if any), but not the General Partner's or Primus Capital's ordinary administrative and overhead expenses in managing, originating, and monitoring investments, including salaries, rent, equipment, travel, and administrative expenses incurred by the relevant General Partner. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

In certain circumstances, one Fund may pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. Primus Capital may also advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

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 Broken Deal Expenses 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 Broken Deal Expenses.

Primus Capital and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation may give rise to conflicts of interest between the Funds, on the one hand, and Primus Capital and/or its affiliates on the other hand.

### **Operating Partners**

It is the Advisers' practice to retain certain operating partners to provide services 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 in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. These services may also include serving in management, on the board of directors or in other policy-making positions for portfolio companies. Operating partners are compensated by Primus Capital, a Fund or the applicable portfolio company. An operating partner may receive all or substantially all of its compensation from the portfolio companies to which it provides services, potentially including, but not limited to, consulting fees, transaction fees, directors' fees, a profits or equity interest in a portfolio company, or other compensation. Depending on the specific circumstances, such compensation paid, or reimbursed, by a Fund or portfolio company may not offset the Management Fee. Operating partners may also receive compensation from Primus Capital or the General Partner of an applicable Fund, including a profits or equity interest in the applicable General Partner and/or Fund. The use of operating partners subjects the Advisers to conflicts of interest, as discussed under "Conflicts of Interest," below. Primus Capital may bear (either directly or indirectly through an offset to the applicable Management Fee), without reimbursement from the portfolio company, the predominant portion of the cost of consulting fees paid to operating partners providing services; under these circumstances, the conflicts to which Primus is otherwise subject as a result of the use of operating partners are substantially mitigated.

### **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 relevant Fund. Primus Capital also manages the Executive Funds, Funds that are not charged a performance-based fee. This practice could present a conflict of interest because Primus Capital has an incentive to favor accounts for which it receives a performance-based fee. Primus Capital addresses this potential conflict of interest by trading on behalf of the Executive Funds in parallel with the corresponding Fund.



## TYPES OF CLIENTS

Primus 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 “**Company Act**”). The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, 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 Primus Capital and its affiliates and members of their families, operating partners or other service providers retained by Primus Capital.

Each Fund generally has a minimum investment amount of \$5 million for institutional investors and \$2 million for individual investors, and Fund interests are offered and sold solely to qualified investors, including accredited investors who are also qualified clients or, as applicable, qualified purchasers as defined under the Company Act (or qualified knowledgeable Primus Capital personal). Any such minimum investment amount may be waived by Primus Capital.

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

### General

The essential elements of Primus Capital’s current investment strategy for the Funds include:

- Originate investment opportunities in the lower middle market;
- Invest in profitable companies that are positioned to build value through growth;
- Focus investments on selected growth industries in which Primus has demonstrated success;
- Employ flexible and creative financial structures to meet the needs of the transaction and optimize returns; and
- Exercise an active role in the portfolio companies to maximize financial performance and investment returns.

Each of these elements is described in turn below.

### *Originate Investments in the Lower Middle Market.*

The origination of lower middle market investment opportunities with company enterprise values below \$250 million is a fundamental strength of Primus Capital that has been thoroughly tested across the Funds. Central to Primus Capital’s origination capabilities are well-established and longstanding relationships with intermediaries and co-investment partners. Over its Funds, Primus Capital has established trusted relationships with a network of investment sources that includes investment bankers, brokers, lenders, accountants, lawyers, consultants, individual

investors, corporate management teams and other private equity funds. Primus Capital believes that these well-established relationships have enabled it to develop a distinctive, and in some cases proprietary, deal flow, find hidden value and opportunities in investment candidates, and secure favorable financing terms from lenders and other equity investors.

Primus Capital augments its network of intermediary and co-investor origination sources by seeking to leverage its prior investments and executive relationships to generate opportunities. Several investments in the Funds' portfolios were sourced based on previous investment relationships with entrepreneurs, management teams and/or owners.

Finally, Primus Capital self-sources investment opportunities by directly pursuing promising companies within the firm's three targeted industry sectors of business services, healthcare, and education.

Primus Capital has a history of originating proprietary investment opportunities through a proactive and disciplined program of calling on companies that are attracted to Primus Capital's partnership approach and value creation capabilities. Primus Capital believes that its established relationships and deal origination program provides it with competitive advantage.

#### *Invest in Profitable Growth Companies*

The Funds target investments in profitable growth companies in the lower middle market. Investment returns can be generated through revenue and earnings growth, multiple expansion, the use of leverage and yield. Fund returns are expected to be tied to all four of these factors, with the underlying growth of revenues and earnings projected as the largest contributor to a Fund's investment performance. Each Fund will target companies with annual revenue growth rates that exceed 10% and high-margin business models that can translate increased sales into greater growth in profitability. Primus Capital believes that its focus on such companies reduces risk relative to investing in earlier stage companies and reduces dependence on the capital markets for future debt and equity financing since Primus Capital believes such companies to be, in large part, self-financing. This approach is also designed to facilitate ultimate exits as the relevant portfolio companies are expected to profile as attractive targets for strategic buyers at the time the relevant Fund invests in them. The size of the initial investment in each portfolio company will be based on the needs of the transaction and the likelihood of follow-on investment to support organic growth and acquisitions, subject to any transaction size and/or concentration limits present in the relevant Partnership Agreement.

### *Focus on Selected Growth Industries*

Primus Capital seeks to invest in industries that Primus Capital believes are well-positioned in the economy for future growth. Primus Capital believes that a prudent portfolio should be diversified over a number of growth industries so that the relevant Fund can seek to achieve the advantages of a focused investment strategy while reducing the risk of exposure to a single industry. Primus Capital focuses its investment origination activities on a select group of industries that include business services, healthcare and education. Primus Capital believes that the current market dynamics in these industries are fueling a higher growth rate than the overall economy. Those dynamics include the increased use of outsourcing, the proliferation of new and enabling technologies, increased emphasis on specialization, changes in the regulatory environment, the competitive advantages of scale, and the focus on cost containment. Moreover, the business services, healthcare, and education industries frequently operate on different business cycles, thereby offering additional diversification for the portfolio. A Fund may diversify its portfolio by investing opportunistically outside of these targeted industries in companies Primus Capital believes to have exceptional growth and profit potential:

- *Business Services* — Primus Capital believes that the increasing trend of companies to outsource critical business processes to third-party service providers makes the business services sector attractive for investments. Although business services defines a relatively broad space, the Primus Capital investment strategy is more narrowly focused on opportunities and companies that leverage some form of proprietary and scalable technology. Companies targeted by a Fund are expected to have business models that include recurring or predictable revenues, high margins, operating leverage, compelling value propositions to customers, and significant barriers to entry.
- *Healthcare* — Primus Capital has a longstanding investment history in the healthcare sector. While many private equity firms have recently turned to healthcare as an area of interest, Primus Capital's involvement in healthcare extends back to its origins and is well-represented in each of its Funds. Primus Capital's healthcare investment strategy is intentionally diversified, looks to manage regulatory and payer reimbursement risk, and targets companies that deliver on the dual objectives of cost containment and improved quality of care.
- *Education* — Primus Capital also has a well-established investment history in the education sector, primarily in the post-secondary and corporate training segments. Primus made its first investment in the education sector in 1987, and since, education has remained a focus of the firm and a driver of significant returns for multiple funds. Although the post-secondary education segment is currently challenged, Primus Capital believes that over the long term the sector will perform well based on the favorable demographics and the compelling value proposition offered to students. Primus Capital believes its reputation and set of relationships in the education industry position the Funds to source quality investment opportunities in the sector.

### *Employ Investment Flexibility as a Competitive Advantage*

Each Fund will pursue an investment approach that spans minority growth investments to control positions in leveraged and unleveraged transactions. Primus Capital expects the Funds' investment in companies will provide equity funding to support organic and acquisition-related growth and the repurchase of stock from existing shareholders. It is also anticipated that investments by the Funds in portfolio companies will be used to support more significant recapitalizations using equity and debt as well as buyout transactions where a change of control occurs and more substantial amounts of senior and subordinated debt may be employed. Flexibility in investment structure allows Primus Capital to consider a broader range of opportunities on behalf of the Funds and differentiates the Funds from more traditional buyout funds, where an investment model is built around the use of leverage and a change of control. Furthermore, Primus Capital will seek co-investments with other private equity firms and limited partners as part of a syndicate of investors. This collaboration enables Primus Capital to arrange larger equity financings than it could provide alone, further expanding the range of opportunities it is able to consider. Primus Capital believes that this co-investment strategy is likely to provide incremental investment opportunities to the Funds based on reciprocal deal flow that develops from its list of compatible co-investment partners who have significant experience with lower middle market transactions.

#### *Exercise an Active Role in Portfolio Companies*

Primus Capital seeks to add value to its Funds' portfolio companies. Primus Capital believes that successful investment returns are created primarily by driving growth and achieving significant improvements in operating results. Accordingly, Primus Capital plays an active post-investment role with the Funds' portfolio companies, including representation on such portfolio companies' board of directors. As an active investor, Primus Capital works with management to:

- Establish business policies and strategic priorities;
- Develop operating plans and budgets;
- Secure the necessary debt and equity financing to accomplish those plans;
- Recruit experienced senior executives to lead the companies and industry experts to join the board of directors;
- Identify high-impact business development opportunities, including mergers, acquisitions and strategic partnerships; and
- Achieve shareholder liquidity through a recapitalization, sale, merger or IPO.

In order to establish its post-closing priorities, Primus Capital attempts to enter each new Fund investment with a clear perspective, developed through its rigorous and comprehensive due diligence process, on how equity value can be created in the specific situation. Through this process, Primus Capital seeks to determine how it can work with management to achieve maximum impact. Multiple members of the Primus Capital investment staff will be involved in a portfolio company investment and Primus Capital's resources will be made available to help the portfolio companies and their management teams execute their business plans.

## Risks of Investment

Each Fund and its investors bear the risk of loss that Primus Capital's investment strategy entails. The risks involved with Primus Capital's investment strategy and an investment in a Fund include, but are not limited to:

*Long-Term Nature of Investment; No Assurance of Investment Return.* A Fund's task of identifying and negotiating investment opportunities, managing such investments and realizing a significant return for investors is typically a long, time-consuming process with no certainty of return on investment. There will likely be little if any near-term cash flow available to a Fund's investors, and there is no assurance that any Fund will be able to invest its capital on attractive terms, generate returns for its investors or return the capital contributed by them. There can be no assurance that the actual rates of return achieved by a Fund will equal or exceed any targeted returns.

*Dependence on Key Personnel.* The success of each Fund will be highly dependent on the financial and managerial expertise of Primus Capital's principals (the "**Principals**") and other individuals employed by Primus Capital and its affiliates. Investors will be relying entirely on such persons to manage the business of the relevant Fund. There can be no assurance that the Principals or the other key investment professionals will continue to be associated with or employed by Primus Capital or its affiliates throughout the life of any Fund. The loss of one or more of these individuals could have a material adverse effect on the performance of any such Fund.

*Difficulty of Locating Suitable Investments; Competitive Marketplace.* The success of each Fund will depend on Primus Capital's ability to identify suitable investments, to negotiate the purchase of these investments at a price and on terms acceptable to such Fund, to arrange the closing of appropriate transactions, and to arrange the timely disposition of investments on favorable terms. Although Primus Capital has historically been successful in identifying suitable investments in North America, there can be no assurances that there will be a sufficient number of suitable lower middle market investment opportunities to enable any Fund to invest all of its committed capital in opportunities that satisfy such Fund's investment objective, or that such investment opportunities will lead to completed investments by such Fund. Additionally, identification of attractive investment opportunities generally will be subject to market conditions. A Fund may also face increasing competition for such opportunities over time.

*Nature and Illiquidity of Investments.* Most of a Fund's investments will be highly illiquid, and there can be no assurances that any Fund will be able to realize a positive return on such investments. The illiquidity of a Fund's investments is the result of several factors, including the following:

- Each Fund will generally invest in illiquid securities of privately held companies. A Fund will often seek to generate returns by selling these securities in a private sale to a strategic buyer or to another private equity firm. There can be no assurances that any Fund will be able to complete sales of portfolio company securities at attractive prices and otherwise on acceptable terms and conditions.

- A Fund may also attempt to sell portfolio company securities in a public offering. Any such public offering of securities would require a substantial investment of time and attention by Primus Capital and a substantial cash expense by the portfolio company whose securities are being registered, in part because the laws of the U.S. and the various countries in which such securities may be offered, and the regulations of applicable securities exchanges, can be quite burdensome and complex. There can be no assurance a market for the securities of any company held by a Fund would exist even following a public offering.
- The cultivation of an investment for disposition, together with the disposition itself, may involve a substantial amount of time. Even when an investment is successfully disposed, some of the consideration may be deferred through the use of lock ups, earn-outs, promissory notes, escrows, holdbacks and other similar arrangements.

A substantial portion of each Fund's investments will be in equity or equity-related investments which, by their nature, involve business, financial, market, and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that Primus Capital will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. A variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a Fund's activities. As a result, Fund performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

A portion of each Fund's investments may involve turnaround or under-performing companies or companies identified by Primus Capital as being in need of additional capital. The financial condition of such companies may be weak or their balance sheets highly leveraged, and any investments in them may involve additional risk.

*Current Market Conditions.* General economic and other market conditions, including interest rates, the availability of financing, the price of securities, and participation by other investors in the financial markets, may affect any Fund's activities, including the value and number of investments made by such Fund. Moreover, the securities of the portfolio companies could be adversely affected by changes in the general economic climate or the economic factors affecting a particular industry, changes in tax law, or specific developments within such companies or interest rate movements. Each Fund will generally invest in equity securities, which will be among the more junior securities in a portfolio company's capital structure, and, thus, may be subject to greater risk of loss.

*Leverage.* Each Fund generally will use leverage when making investments in portfolio companies. In addition, a Fund may increase the leverage of a portfolio company by using promissory notes or other indebtedness issued by the portfolio company as part of the purchase consideration. Although each Fund will seek to use leverage in a manner the Principals believe is prudent, the leveraged capital structure of portfolio companies will increase the exposure of those companies to adverse economic factors such as rising interest rates, downturns in the economy, or deterioration in the condition of the portfolio company or its industry. Because the securities in which a Fund will invest will likely be among the most junior in a portfolio company's capital

structure, the inability of a portfolio company to service its debt obligations could result in a loss of such Fund's investment.

*Need for Additional Capital, Support Equity and Follow-on Investments.* A Fund may be called upon to provide follow-on funding for its portfolio companies for support equity or to finance follow-on investments. There can be no assurance that any Fund will have sufficient funds to do so. Any decision by a Fund not to invest additional capital, or its inability to invest additional capital, may have a substantial negative impact on a portfolio company in need of such an investment or may diminish such Fund's ability to influence the portfolio company's future development.

*Portfolio Concentration.* Although, in general and as required by the relevant Partnership Agreement, no more than a specified percentage of the Commitments to a Fund will be invested in any one portfolio company (including follow-on investments), a Fund's portfolio may include a small number of large positions. While this portfolio concentration may enhance total returns to such Fund's investors, if any large position has a material loss, then returns to such Fund's investors may be lower than if they had invested in a more diversified portfolio.

*General Business Risks.* The investment results of each Fund will depend on the performance of the portfolio companies. These portfolio companies could pursue incorrect business strategies or encounter operating difficulties that could lead to losses in a Fund's investments.

*Unspecified Use of Proceeds.* Purchasers of interests in the Funds will not have an opportunity to evaluate for themselves the relevant economic, financial, and other information regarding the investments to be made by any Fund and, accordingly, will be dependent upon the judgment and ability of the relevant General Partner and the Principals in investing and managing the capital of such Fund. No assurance can be given that any Fund will be successful in obtaining suitable investments, or that if such investments are made, the objectives of such Fund will be achieved.

*Diverse Limited Partner Group.* The Funds' investors are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax, and other interests with respect to their investments in the Funds. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the relevant Fund, the structuring of the acquisition of investments, and the timing of the disposition of investments and the various tax laws applicable to various investors. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partner and Primus Capital, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. Subject to provisions specifically included in the applicable Partnership Agreement, the relevant General Partner generally will consider the investment and tax objectives of a Fund and its investors as a whole in making investments.

## **Conflicts of Interest**

Primus 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, management and other services to Funds and portfolio companies. In the ordinary course of Primus Capital conducting its activities, the interests of a Fund may conflict with the interests of Primus 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 Primus Capital through such Fund, subject to certain limited exceptions. Without limitation, the Primus 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. Primus Capital's Principals and investment staff will continue to manage and monitor such investments until their realization. Such other investments that the Principals may manage and/or control may potentially compete with companies acquired by a Fund. Following the commitment period of the relevant Fund, Primus 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, Primus Capital will be presented with investment opportunities that would be suitable not only for one Fund, but also for other Funds operated by advisory affiliates of Primus Capital. In determining which investment vehicles should participate in such investment opportunities, Primus Capital and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of Primus Capital in a portfolio company may also raise the risk of using assets of a client of Primus Capital to support positions taken by other clients of Primus Capital. When and to the extent that employees and related persons of Primus Capital and its affiliates make capital investments in or alongside certain Funds, Primus Capital and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

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.

As a result of the Funds' controlling and other interests in portfolio companies, Primus Capital and/or its affiliates typically have the right to appoint board members to such portfolio



companies, 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 Primus Capital and/or its affiliates. Such amounts will be in addition to any Management Fees or carried interest paid by a Fund to Primus Capital.

Additionally, a portfolio company typically will reimburse Primus Capital or service providers retained at Primus Capital's discretion for expenses (including without limitation travel expenses) incurred by Primus Capital or such service providers in connection with its performance of services for such portfolio company. This subjects Primus 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. Primus 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 Primus Capital's valuation of the reimbursing portfolio company contained in each Fund's audited financial statements, and any fee paid or expense reimbursed to Primus 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.

Primus Capital generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) Primus Capital or a related person of Primus Capital (which may include a portfolio company of such Fund), (ii) an entity with which Primus Capital or its affiliates or current or former members of their personnel has a relationship or from which Primus Capital or its affiliates or their personnel otherwise derives financial or other benefit, including without limitation financial institutions or other market participants such as managers of private funds, banks and brokers, in certain cases who have previously invested in a Fund, are affiliated with an existing investor or are engaged in transactions with and/or provide services (including services at reduced rates) to, Primus Capital and/or its affiliates, and/or the Funds or other investment vehicles they advise. This subjects Primus Capital to conflicts of interest, because although Primus 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, Primus Capital may have an incentive to recommend the related or other person because of its financial or other business interest. Similarly, Primus Capital may have a conflict of interest with a Fund in recommending such service providers and other persons if the recommendation is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Primus Capital information about markets and industries in which Primus Capital operates (or is contemplating operations) or will provide other services that are beneficial to Primus Capital. Primus Capital may have a conflict of interest in making such recommendations, in that Primus Capital has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund. Given these incentives, there is a possibility that Primus Capital may favor such retention or continuation even if a better price and/or quality of service could (or could arguably) be obtained from another person. Whether or not Primus 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.

Primus 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 Primus Capital and/or its affiliates; conversely, former personnel or executives of Primus Capital and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by Primus Capital.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by Primus Capital, are reimbursed by a Fund and/or its portfolio companies, Primus 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, compensation paid by portfolio companies to operating partners may not offset the Management Fee as described herein. Operating partners may make use of Primus Capital resources or otherwise be associated with Primus Capital. Although the use of operating partners and the allocation of compensation paid to them by Primus Capital, its affiliates and/or the portfolio companies may subject Primus Capital and/or its affiliates to potential conflicts of interest, Primus 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 partner is lower than market rates for the services provided and/or if the quality of the services of the operating partner makes a greater contribution to the success of the portfolio company. Although Primus 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. Primus Capital also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Primus Capital believes will align such persons' interests with those of the Funds' limited partners.

Because Primus Capital's carried interest is based on a percentage of net realized profits, it may create an incentive for Primus 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 Primus Capital may not otherwise have done so. Since Primus Capital is permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation.

Primus 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.

Any of these situations subjects Primus Capital and/or its affiliates to potential conflicts of interest. Primus Capital attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Primus Capital's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent

that an investment or relationship raises particular conflicts of interest, Primus Capital will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Primus Capital consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

#### **DISCIPLINARY INFORMATION**

Neither Primus Capital nor its management persons have been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

Primus Capital is affiliated with the General Partners, other investment advisers registered with the SEC under the Advisers Act pursuant to Primus Capital Partners Inc.'s registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with Primus Capital Partners Inc. and serve as managers or general partners of private investment funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

Primus Capital has adopted the Primus Capital Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of Primus Capital principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Primus Capital personnel to report their personal securities transactions, prohibits or requires pre-clearance for Primus Capital personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering or a limited offering without first obtaining approval from the Primus Capital Chief Compliance Officer, and prohibits Primus Capital personnel from directly or indirectly acquiring beneficial ownership of securities on a restricted list. A copy of the Code will be provided to any investor or prospective investor upon request to Steven Rothman, the Primus Capital Chief Compliance Officer, at (440) 684-7300. 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.

Primus Capital and its affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Primus 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 Primus Capital.

Accordingly, should Primus Capital or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, Primus Capital would be prohibited from communicating such information to clients, and Primus 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 Primus Capital personnel serving as directors of public companies and may restrict trading on behalf of clients, including any Fund.

Principals and employees of Primus Capital and its affiliates may directly or indirectly own an interest in the Funds, including an Executive Fund or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds. Co-investment opportunities may also be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company. Additionally, the Funds may invest together with other private investment funds advised by an affiliated adviser of Primus Capital in the manner set forth in the Partnership Agreement. Primus Capital will determine the allocation of investment opportunity in a manner that it believes is fair and equitable to its clients consistent with Primus Capital's obligations and may take into consideration factors such as the following: the client's investment restrictions and objectives (including those set forth in the relevant client's governing documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition and cash level and applicable regulatory restrictions. In the case of co-invests, the Advisers may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in portfolio companies or otherwise to have priority in co-investment opportunities.

Primus Capital and its affiliates, 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, a Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

### **BROKERAGE PRACTICES**

Primus 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, Primus 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 Primus 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 Primus 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 Primus Capital. In such event, Primus Capital will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Primus 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.

Primus 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 Primus 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 Primus Capital seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although Primus Capital generally does not make use of such services at the current time and has not made use of such services since its inception.

### **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, Primus Capital closely monitors companies in which the Funds invest, and the Primus Capital Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

Each Fund will provide to its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Fund investor’s tax return and (iii) unaudited semi-annual reports providing a summary status of each portfolio company.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

Primus 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 Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the relevant 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, Primus 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 Primus 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(s).

## **CUSTODY**

Primus Capital maintains custody of the Funds' assets held in the name of the relevant Fund(s) with the following qualified custodians:

- Key Bank, 127 Public Square, Cleveland, OH 44114
- Silicon Valley Bank, 3003 Tasman Drive, Santa Clara, CA 95054
- Pershing, LLC, One Pershing Plaza, Jersey City, NJ 07399; and
- Piper Jaffray & Co., 800 Nicollet Mall, Minneapolis, MN 55402

## **INVESTMENT DISCRETION**

Primus Capital has discretionary authority to manage investments on behalf of the Funds. As a general policy, Primus Capital does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, Primus Capital may enter into "side letter" arrangements with certain investors whereby the terms applicable to such investors' 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. Primus Capital assumes this discretionary authority pursuant to the terms of the Partnership Agreement and powers of attorney executed by the limited partners of the relevant Fund.

## **VOTING CLIENT SECURITIES**

Primus Capital has adopted the Primus Capital Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for the Funds' portfolio investments. The Proxy Policy seeks to ensure that Primus Capital votes proxies (or similar instruments) in the best interest of the relevant Fund(s), including where there may be material conflicts of interest in voting proxies. Primus Capital generally believes its interests are aligned with those of a Fund's investors 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 Primus Capital may address the conflict using several alternatives, including by seeking the approval or concurrence of the Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board may approve Primus Capital's vote in a particular solicitation. Primus Capital does not consider service on portfolio company boards by Primus Capital personnel or Primus 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 Primus Capital when voting proxies on behalf of a Fund. If you would like a copy of the Primus Capital's complete Proxy Policy or information regarding how Primus Capital voted proxies for particular portfolio companies, please contact Steven Rothman, the Primus Capital Chief Compliance Officer, at (440) 684-7300, and it will be provided to you at no charge.

## **FINANCIAL INFORMATION**

Primus 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.