

**Item 1. Cover Page**

**Form ADV Part 2A  
Firm Brochure**

**Genstar Capital Management LLC**

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**This brochure provides information about the qualifications and business practices of Genstar Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at 415-834-2350. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Genstar Capital Management LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Genstar refers to itself as a “registered investment adviser”. Registration does not imply a certain level of skill or training.**

**Item 2.   Material Changes**

This brochure contains the following material changes from the brochure dated as of March 30, 2015:

- Increase in assets under management
- Changes to ownership and structure and Investment Committee membership

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## **Item 4. Advisory Business**

### **General Information**

This brochure is prepared on behalf of Genstar Capital Management LLC, Genstar Capital Partners LLC, Genstar Capital LLC, and Genstar Capital, L.P. (together with their affiliates that provide advisory services to and or receive management fees from the Funds (as defined below), “**Genstar**” or the “**Firm**”), in accordance with the requirements of Rule 203-1 under the Investment Advisers Act of 1940 (“**Advisers Act**”) and Form ADV. Such affiliates may or may not be under common control with Genstar Capital Management LLC, but possess a substantial identity of personnel and/or equity owners with Genstar Capital Management LLC. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds (as defined below), or may serve as General Partners (as defined below) of the Funds. The information herein responds to specific information required by the rule, and Form ADV, and does not contain all of the terms of an investment in any of the Funds. Investors should refer to the information in the Fund Documents (as defined below) for additional information regarding an investment in any of the Funds.

### **Our Firm**

Genstar is a San Francisco-based private investment firm. The principal owners of Genstar Capital Management LLC, Genstar Capital LLC, and Genstar Capital Partners LLC are Jean-Pierre L. Conte and J. Ryan Clark. The principal owners of Genstar Capital, L.P. are Jean-Pierre L. Conte and Richard Paterson. Genstar has been in business for approximately 20 years.

Genstar makes private equity investments primarily in middle-market companies generally located in North America. Middle-market companies generally are companies having an enterprise value of approximately \$50 million to \$1 billion. The Firm has developed a sector focused approach in four primary industries: Healthcare; Financial Services; Software; and Industrial Technology. Genstar’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. Genstar may serve as the investment adviser or general partner to the Funds in order to provide such services.

### **Ownership and Structure**

Genstar is a Delaware limited liability company that is registered with the SEC as an investment adviser under the Advisers Act. Together with trusts for the benefit of their families, the Firm is owned by Jean-Pierre L. Conte J. Ryan Clark, Robert J. Weltman, Anthony J. Salewski, Robert S. Rutledge, and Eli P. Weiss.

## Nature of Our Clients

Genstar provides discretionary investment management services through affiliated General Partners of private investment funds (the “**Funds**”). The Funds are typically U.S. limited partnerships and other investment vehicles that are not registered or required to be registered under the U.S. Investment Company Act of 1940 (“**1940 Act**”) or the U.S. Securities Act of 1933 (“**Securities Act**”), and are privately placed to qualified investors in the United States and elsewhere.

The Funds are collectively referred to in this brochure as “**Clients**.” Persons and entities that invest in the Funds are referred to in this brochure as “**investors**” or “**limited partners**.” Genstar provides investment advice and other services directly to the Funds and not individually to the investors in the Funds.

Genstar does not currently participate as manager in any wrap fee programs.

## Types of Advisory Services Offered

Discretionary investment management services are provided to the Funds in accordance with the terms of private placement memoranda and relevant offering materials and governing documents, including limited partnership agreements, side letters and advisory agreements of the Funds (together, the “**Fund Documents**”).

Discretionary investment management services are provided directly to the Funds, subject to the discretion and control of the applicable general partner, and not individually to the investors in the Funds. The terms upon which the Firm or its affiliates serve as investment manager of a Fund are established at the time such Fund is established and are generally set out in the Fund Documents applicable to such Fund. These terms may vary among each Fund and potentially restrict investments in accordance with certain diversification provisions.

## Assets Under Management

As of September 30, 2015, Genstar managed \$4,567,494,317 of Client assets on a discretionary basis. This includes the committed capital that may be called by the Funds from their respective limited partners. The Firm does not manage Client assets on a non-discretionary basis.

## Item 5. Fees and Compensation

### Management Fees

Genstar, including affiliated General Partners of the Funds (the “**General Partners**”), generally receives management fees and carried interest allocations in connection with the investment management and other services the Firm provides to the Funds. Such fees paid by a Fund are indirectly borne by investors in such Fund.

The Funds generally pay annual management fees based upon aggregate commitments during the commitment period (i.e., period of time during which the Firm may draw upon the limited partners' capital commitments to make new investments) of the relevant Fund, and, following the commitment period, based upon funded commitments with respect to investments that have not been the subject of a disposition. Management fees are generally payable quarterly in advance or semi-annually partially in advance and are generally paid after the date payable.

When management fees are paid in advance with respect to a Fund, the Fund Documents of such Fund typically do not contemplate repayment of fees to the extent that Genstar's management services terminate prior to the end of the relevant payment period.

### **Other Fees and Offset of Management Fees**

Genstar may perform management, advisory, transaction-related, financial advisory and other services ("**Related Services**") for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions ("**Transaction Fees**"). Generally, under the terms of the applicable Fund Documents, these Transaction Fees are net of out-of-pocket costs and expenses incurred by Genstar in connection with consummated or unconsummated transactions or in connection with generating any such fees. These Transaction Fees may be substantial and may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise. Although these fees are in addition to the management fees, Genstar will generally apply all or a percentage of such fees to reduce the amount of management fees paid by the applicable Fund in connection with the receipt of such fees. The amount and manner of such reduction is set forth in the Fund Documents of the applicable Fund. As some Funds do not pay management fees, any such reduction will not benefit such Funds. Any such reduction of a Fund's management fees will be limited to the extent of such Fund's proportionate interest in any such portfolio company. There are also certain circumstances (such as the occurrence of an initial public offering or strategic exit) which may accelerate the payment of such fees. Since the management agreements with the portfolio companies providing for such fees may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), the effect of such acceleration may be substantial, particularly in the event such circumstances occur early in the life of the Fund's investment in such portfolio company. Additionally, a portfolio company may reimburse Genstar for expenses (including without limitation variable travel expenses, which may include expenses for chartered or first class travel; variable administrative expenses such as research; expenses related to recruitment of executive staff; and meals and entertainment expenses) incurred by Genstar in connection with its performance of services for such portfolio company; such reimbursed expenses are generally not included in the definition of "Transaction Fees" under the terms of the applicable Fund Documents, and such reimbursements are not subject to the sharing arrangements described above. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below.

From time to time, Genstar may (in its sole discretion), agree to pay a portion of a transaction or other fee received from an actual or prospective portfolio company to a third party (“**Third Party Fee**”), such as a consultant, advisor, finder, broker and/or investment bank. In such event, the Third Party Fee is not a fee that Genstar is entitled to retain and therefore, Genstar is not required under the terms of the applicable Fund Documents to share such Third Party Fee with the Funds.

Genstar also engages and retains operating partners, senior advisors, advisers, consultants, and other similar professionals who are not employees or affiliates of Genstar and who may, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, such amounts will not be deemed paid to or received by Genstar and such amounts will not be subject to the sharing arrangements described above.

The precise amount of, and the manner and calculation of, the management fees for each Fund are established by Genstar, as modified by negotiations with investors in the applicable Fund, and are set forth in such Fund’s Fund Documents received by each investor prior to investment in such Fund. The management fees and other fees and distributions described above are generally subject to waiver or reduction by Genstar in its sole discretion, both voluntarily and on a negotiated basis with selected investors. The fee structures described above may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

The management fees paid by a Fund will generally be reduced by the amount of fees paid by such Fund to persons acting as a placement agent in connection with the offer and sale of interests in such Fund to certain potential investors.

To the extent provided in the applicable Fund Documents, Genstar will pay out of management fees certain operating expenses, including expenses on account of rent, utilities, office supplies, office equipment, compensation of its partners and employees (other than Carried Interest described in Item 6 below) and other routine administrative expenses relating to the services and facilities provided by Genstar to the Funds. Consistent with the Fund Documents, each Fund, and its underlying investors, has and will pay expenses attributable to or in furtherance of the activities of such Fund. These expenses will vary, but typically will include legal, auditing, consulting and accounting fees and expenses (including costs of reports to the investors, financial statements, tax returns and schedule K-1s); expenses of meetings of such Fund’s limited partner advisory board (including the annual Leadership Conference among Advisory Board members, portfolio company CEOs, operating partners, and principals of Genstar and their spouses) and annual meetings of the investors; all insurance, indemnification and other expenses associated with the acquisition, holding and disposition of such Fund’s proposed or actual investments; all extraordinary expenses (such as litigation); interest on and fees and expenses arising out of all permitted borrowings made by such Fund; all third party expenses relating to unconsummated transactions (i.e., broken deal expenses); all expenses of liquidating such Fund; and, any

taxes, fees or other governmental charges levied against such Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of such Fund. In certain cases, a co-investment vehicle may be formed in connection with the consummation of a transaction. If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction would therefore be borne by the Fund or Funds selected by Genstar as proposed investors for such proposed transaction. The organizational expenses of each Fund (including legal, accounting, printing, consultation, administrative, travel, filing fees and expenses) are generally paid by such Fund. Investors in a Fund will typically receive a reduction in management fees with respect to organizational and offering expenses in excess of specific amounts as described in the Fund Documents of such Fund. In addition, Genstar may waive or reduce all or a portion of the management fee payable by a Fund in full or partial satisfaction of any obligation of Genstar and certain employees and affiliates of Genstar to invest in and/or alongside such Fund, which could result in acceleration of investor capital contributions. Waived or reduced management fees may not be subject to various offsets or the reductions described above. Due to waived or reduced management fees and/or the timing of receipt of compensation subject to offsets, Fund investors may not receive the full benefit of reductions or offsets.

In some cases expenses might be attributable to more than one Fund, or to Genstar and one or more Funds. In such cases Genstar will apply an expense allocation methodology that is believed to be fair to all affected Funds. Genstar may experience a conflict of interest when determining and applying an allocation methodology. Please see Item 11 below regarding “Conflicts of Interest” for information regarding the conflicts of interest that may arise in relation to Genstar’s expense allocation.

Additionally, please see Item 6 below regarding “Carried Interest” that Funds may pay.

Although Genstar does not generally utilize the services of broker-dealers to effect portfolio transactions for the Funds, when a broker is used in connection with an investment by a Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below. Neither Genstar nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

With respect to each Fund a portion of the profits of each Fund is distributed to its general partner, if any, as “carried interest” (the “**Carried Interest**”). Each general partner of a Fund is a related person of Genstar. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and investors in such Funds incur lower or no Carried Interest.

The payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Fund) may create an incentive for Genstar to disproportionately



allocate time, services or functions to Funds paying Carried Interest at a higher rate, or allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the Fund Documents of the Funds, this conflict is mitigated by (i) certain limitations on the ability of Genstar to establish new investment funds, (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth investment allocation requirements. Please also see Item 11 below regarding allocation for additional information relating to how conflicts of interests are generally addressed by Genstar.

### **Item 7. Types of Clients**

Genstar provides discretionary investment advice solely to private equity funds. Genstar does not have any requirements for opening or maintaining an account. Investment in the Funds is generally only available to “accredited investors” and/or “qualified purchasers,” within the meaning of the Securities Act, and the 1940 Act, respectively.

Genstar does not have a minimum size for a Fund, but minimum investment commitments may be established for investors in the Funds. The general partner of each Fund may in its sole discretion permit investments below the minimum amounts set forth in the offering documents of such Fund.

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

The Fund Documents for each Fund set forth the terms of such investment and identify such Fund’s investment objectives along with risk factors. The Fund Documents contain additional information on this risks associated with an investment in the respective Fund, and should be reviewed by any prospective investor.

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

Genstar’s investment strategy is to make investments in middle-market businesses that fit within the Firm’s investment focus and that the Firm believes can benefit from Genstar’s industry expertise, network and capital base. Typically, Genstar acquisition prospects have revenues of \$50 million to \$1 billion and enterprise values of \$50 million to \$1 billion. The Firm generally pursues platform companies producing positive cash flow, typically with a minimum of \$10 million of EBITDA. Genstar has experience structuring investments in a variety of ways, including (i) majority and minority investments in privately held businesses or public companies, (ii) carve-outs of corporate divisions, (iii) ownership restructuring/recapitalizations, (iv) growth equity financing, (v) public to private ownership, and (vi) partnerships with other strategic or financial investors. The Firm favors companies that are in stable industries that exhibit long-term growth potential but are underperforming relative to their peers.

Genstar invests in four primary industries, although it may invest in other industries under certain circumstances:

- Healthcare
- Financial Services
- Software
- Industrial Technology

Jean-Pierre L. Conte, Robert J. Weltman, J. Ryan Clark, Anthony J. Salewski, Robert S. Rutledge, and Eli P. Weiss (the “Managing Directors”) regularly develop specific, actionable investment themes that reflect their assessment of market prospects. Genstar believes that by investing in the continued growth of its knowledge base and industry networks, the Firm will continue to identify appropriate industries, sectors and acquisition prospects.

Genstar utilizes a rigorous and disciplined approach to evaluate potential acquisitions. The Firm leverages its domain expertise and networks to conduct due diligence on the relative risks and returns of an investment opportunity, including a comprehensive review of: (i) a target company’s management team; (ii) the quality and market perception of its products and services; (iii) its competitive position and prospects within its industry; (iv) market-sizing and industry momentum; (v) potential economic and regulatory risks; and (vi) the return profile of the investment. Genstar’s investment professionals lead this process, aided by industry consultants and the Firm’s network of contacts.

Genstar has a dedicated group of deal professionals with the mission of driving value creation by engaging in the investment diligence process and in the oversight of the portfolio investment. The scope of this group’s activities may be summarized as follows: (i) conduct sourcing and due diligence as described above, (ii) collaborate with portfolio management to seek to develop strategic initiatives, accelerate revenue growth, and improve operating performance, (iii) create a professional board to provide business performance oversight, and (iv) serve as interim executives, when necessary.

Genstar’s investment strategy does not include frequent trading.

### **Risk of Loss**

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include the following:

### **Business Risks**

**Illiquid and Long-Term Investments.** An investment in the Funds requires a long-term commitment, and limited partners should expect little or no near-term cash flow. Many of the Funds’ investments will be highly illiquid, and there can be no assurance that the Funds

will be able to realize such investments in a timely manner. Consequently, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment and may result in distributions in-kind to the limited partners. The Funds intend generally to seek controlling interests in the companies in which they invest, and such investments are inherently illiquid. While a portfolio company may be sold at any time, it is generally expected that the disposition of most of the Funds' portfolio companies will not occur for a number of years after such investments are made. In addition, the Funds may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144 promulgated under the Securities Act. In some cases, the Funds may be prohibited or limited by contract from selling certain securities or debt instruments for a period of time and as a result, may not be permitted to sell an investment at the time they might otherwise desire to do so.

Availability of Suitable Investments. The success of the Funds depends, in large part, on the identification and availability of a sufficient number of investment opportunities that fall within the Funds' investment objectives and the ability of the General Partners and Genstar to identify, negotiate, close, manage and exit those investment opportunities. The General Partners and Genstar believe that they will ultimately be able to locate sufficient investments suitable for the Funds, but the identification of attractive investment opportunities is a long and complex process and involves a high degree of uncertainty, especially with regard to timing. The Funds compete for the right to make investments with an ever increasing number of other parties, including other private investment funds as well as individuals, financial institutions and other institutions, some of which may have greater resources than the Funds. In addition, private investment funds with similar investment objectives may be formed in the future which may compete for investment opportunities. As a result, the Funds may have difficulty in making certain investments or, alternatively, be required to make investments on economic terms less favorable than anticipated. While the General Partners and Genstar plan to minimize such competition by relying on their extensive network of relationships, there can be no guarantee that the Funds will be able to fully invest their committed capital or that the General Partners and Genstar will be able to identify investment opportunities that satisfy the Funds' targeted investment objectives. If the Funds fail to make new investments or make investments on less favorable terms, their financial condition and results of operations could be materially and adversely affected. Regardless, limited partners will be required to pay management fees based on aggregate commitments during the Funds' investment periods.

High Degree of Leverage. The Funds' investments are expected to include portfolio companies whose capital structures may have significant leverage. The leveraged capital structure of such portfolio companies will increase the exposure of the portfolio companies to adverse economic factors, such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio company or its industry. As a result, such portfolio companies' flexibility to respond to changing business and economic conditions may be limited. In the event that a portfolio company is unable to generate sufficient cash flow to meet principal and/or interest payments on its indebtedness, the value of the

applicable Fund's investment in such portfolio company could be significantly reduced or even eliminated. Moreover, the Funds may invest in securities that are not protected by financial covenants or limitations on additional indebtedness. The General Partners may also obtain leverage at the fund level in order to fund a portion of the capital necessary for an investment.

Portfolio Company Management Risks. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. Although the General Partners and Genstar expect to monitor portfolio company management, management of each portfolio company will have day-to-day responsibility with respect to the business of such portfolio company. There can be no assurance that the existing management team of a portfolio company, or any new team, will be able to successfully operate the portfolio company or meet the applicable Fund's expectations.

General Economic Conditions. Changes in general economic conditions may affect the Funds' activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by the Funds or considered for prospective investment. Material changes and fluctuations in the economic environment, particularly of the type experienced since 2008 that caused significant dislocations, illiquidity and volatility in the wider global economy, may affect the Funds' ability to make investments and the value of investments held by the Funds. The short-term and the longer-term impact of these events are uncertain, but they could continue to have a material effect on general economic conditions, consumer and business confidence and market liquidity. Any economic downturn resulting from a recurrence of such marketplace events and/or continued volatility in the financial markets could adversely affect the financial resources of portfolio companies. The Funds' investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer and business confidence has increased market volatility and reduced liquidity, both of which could have a material adverse effect on the performance of the Funds' investments. No assurance can be given as to the effect of these events on the Funds' investments or investment objectives.

Geopolitical Risks. An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular portfolio investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on the Funds' returns. No assurance can be given as to the effect of these events on the value of or markets for portfolio investments.

Third-Party Involvement. The Funds may co-invest with third parties through jointly owned acquisition vehicles, partnerships, joint ventures or other structures. In such situations, a Fund's ability to control its equity investments will depend upon the nature of the joint investment arrangements with such partners and such Fund's relative ownership stake in such investments. A Fund may be a minority investor in these circumstances. In addition, such arrangements may restrict such Fund's ability to dispose of its investments for potentially significant periods of time. Such investments may involve risks not present in investments where a third party is not involved. A co-venturer or partner of a Fund may at any time have economic or business interests or goals which are inconsistent with those of such Fund and may be in a position to take (or block) action inconsistent with such Fund's investment objectives. The Funds may be liable for certain actions of their respective co-venturers or partners. Co-investments may also involve higher costs than other investments. Co-venturers or partners potentially may include the Funds' investors.

Foreign Investments. The Funds may make investments outside of the United States, including in U.S.-based businesses that have substantial foreign operations. Foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Funds' foreign investments may be denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; (iv) obtaining foreign governmental approvals and complying with foreign laws, (v) the possible imposition of foreign taxes on income and gains recognized with respect to such securities and (vi) less developed corporate laws regarding fiduciary duties and the protection of investors. The Funds' returns on domestic investments may not be indicative of the results they may achieve on investments located in foreign countries. Anti-fraud and anti-insider trading legislation in these countries may be rudimentary. There may be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a portfolio company's assets, or otherwise materially affect the value of the company without the consent of the company's shareholders. Anti-dilution protection also may be very limited. In certain of these countries, the concept of fiduciary duty on the part of the management or directors of companies to shareholders may be limited. The legal systems in these countries may offer no effective means for the Funds to seek to enforce their rights or otherwise seek legal redress or to seek to enforce foreign legal judgments.

Risk of Loss. Performance of any investment is not guaranteed and as a result, there is a risk of loss of the assets of the Funds that may be out of Genstar's control. Genstar cannot guarantee any level of performance or that investors will not experience a loss of their

account assets. Genstar can provide no assurance that the Funds will be able to generate returns or that the returns will be commensurate with the risks inherent in the Firm's investment strategy. The marketability and fair market value of any investment will depend upon a variety of factors beyond the control of the Funds and Genstar. The expenses of a Fund may exceed its income, and an investor in a Fund could lose the entire amount of its contributed capital. As a result, an investor should only invest in a Fund if the investor can withstand a total loss of its investment. Past performance of Genstar and the Funds is not indicative of future performance.

Equity Securities. The Funds are permitted to invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities. The Funds may experience a substantial or complete loss on individual equity securities.

Possible Hedging Activities. The Funds may, but are not required to, use certain hedging strategies in order to minimize the risk of a decrease in the value of one or more investments. The use of hedging strategies is a highly specialized activity and there can be no assurance that their use will achieve the intended result. These hedging strategies may limit the ability of the Funds to profit from the increase in the value of an investment above a certain price. While such hedging transactions may reduce certain risks, such transactions themselves may entail certain other risks, including (but not limited to) counterparty credit risk and market liquidity risk. In addition, if judgments made with respect to future stock prices, exchange rates, market conditions or trends are not correct, these hedging strategies could result in losses to the Funds.

Control Position. The Funds will generally seek investment opportunities that allow the Funds to either acquire control or exercise significant influence over the management, operations and strategic direction of the portfolio companies in which they invest. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The exercise of control and/or significant influence over a portfolio company could expose the assets of the Funds to claims by such portfolio company, its other security holders and its creditors. While the General Partners and Genstar intend to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Non-Controlling Investments. The Funds may make minority equity investments in portfolio companies where they may have limited influence. Such portfolio companies may have economic or business interests or goals that are inconsistent with those of the Funds, and the Funds may not be in a position to control the investment policies of such portfolio companies or otherwise protect the value of their investment in such portfolio companies. This could result in the Funds' investments being frozen in minority positions that incur substantial losses. In addition, if a Fund takes a minority position in publicly-traded securities as a "toehold" investment, such publicly-traded securities may fluctuate in value over the limited duration of such Fund's investment in such securities, which could potential reduce returns to limited partners. Therefore, there can be no assurance that the Funds will be able to realize the value of their investments and distribute proceeds in a timely manner. Furthermore, although the Funds generally seek board representation in connection with their minority investments, there is no assurance that such representation, if sought, will be obtained.

Board Participation. The Funds may be represented on the boards of directors of certain of their portfolio companies or have their representatives serve as observers to such boards of directors. Although such positions in certain circumstances may be important to the Funds' investment strategy and may enhance the General Partners' and Genstar's ability to manage the Funds' investments, they may also have the effect of impairing the General Partners' ability to sell the related securities when, and upon the terms, they may otherwise desire, and may subject the General Partners, Genstar and the Funds to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director related claims. In general, the Funds will indemnify the General Partners and Genstar from such claims.

Projections. The Funds may rely upon projections developed by Genstar or a portfolio company concerning a portfolio company's future performance, outcome and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of Genstar and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values, outcomes and cash-flow.

Valuation of Assets. There is no actively traded market for most of the securities owned by the Funds. When estimating fair value, Genstar will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of Genstar. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a Fund's assets. With respect to the Funds, the exercise of discretion in valuation by Genstar may give rise to conflicts of interest, as the performance allocation in certain Funds is calculated based, in part, on these valuations and such valuations affect performance calculations.

Risk of Limited Number of Investments. Since the Funds may make only a limited number of investments and since the Funds' investments will generally involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the limited partners. In the event a portfolio company fails to meet projections, the Funds may suffer a partial or total loss of capital invested in that portfolio company.

Diversification. The ability of a Fund to diversify its investments will depend upon the ultimate size of that Fund relative to the size of the available investment opportunities. To the extent the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies than anticipated and thus be less diversified. Furthermore, because a Fund's General Partner has the ability to concentrate its investments by investing a significant percentage of aggregate commitments in specific investments and an unlimited amount of its assets in a single industry, the overall adverse impact on a Fund of adverse performance of one portfolio company may be considerably greater than if its General Partner were not permitted to concentrate its investments to such an extent. As a result, poor performance by one or more of its investments could severely affect a Fund's total returns and profitability. The Funds expect to make multiple investments in diverse industries, but unforeseen circumstances may cause them to limit the number and diversity of their investments.

Liability for Return of Distributions. Under Delaware and other applicable law, if the Funds are otherwise unable to meet their obligations, the limited partners may be obligated to return cash distributions with interest previously received by them if such distributions are deemed to be wrongfully paid to them and such limited partners knew at the time of such distributions that they were wrongfully paid. In addition, a limited partner may be liable under applicable federal or state bankruptcy laws to return a distribution made during the Funds' solvency. The limited partners also may be required to return amounts distributed to them to fund the Funds' indemnity obligations.

Disclosure of Information. The General Partner of a Fund and/or certain investors in a Fund may be required by law, regulation or otherwise to disclose certain confidential information relating to a portfolio company of such Fund. Such disclosure may affect the ability of such Fund to realize its investment in such portfolio company, may affect the price that such Fund is able to obtain upon any subsequent realization or may otherwise adversely affect such Fund.

Disposition of Private Investments. Many of the Funds' investments will involve private securities, which are generally more difficult to sell than publicly traded securities, as there is often no liquid market which may result in selling interests at a discount. In addition, in connection with the disposition of an investment, the Funds may be required to make representations about the business and financial affairs of a portfolio company typical of those made in connection with the sale of any business or be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchaser of such investment or underwriter to the extent that any such



representations or disclosure document are determined to be inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the limited partners to the extent that the limited partners have received prior distributions from the Funds.

Litigation. Litigation can and does occur in the ordinary course of the management of an investment portfolio of securities. The Funds may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where the Funds exercise control or significant influence over a portfolio company's direction, including as a result of board participation. Such litigation can arise as a result of issuer defaults, issuer bankruptcies and/or other reasons. In certain cases, such issuers may bring claims and/or counterclaims against the Funds, the General Partners, Genstar and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant damages. The expense of defending against claims made against the Funds by third parties and paying any amounts pursuant to settlements or judgments would, to the extent that (i) the Funds have not been able to protect themselves through indemnification or other rights against the portfolio companies, (ii) the Funds are not entitled to such protections or (iii) the portfolio company is not solvent, be borne by the Funds pursuant to indemnification obligations and reduce net assets. Genstar, the General Partners and others may be indemnified by the Funds in connection with such litigation, subject to certain conditions. The costs associated with these indemnity obligations would be borne by the Funds.

Expedited Transaction. Investment analyses and decisions by the General Partners may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the General Partners at the time an investment decision is made may be limited, and the General Partners may not have access to detailed information regarding the investment. Therefore, no assurance can be given that the General Partners will have knowledge of all circumstances that may adversely affect an investment.

Follow-On Investments. Following an initial investment in a portfolio company, the Funds may be asked to provide additional funds to, or have the opportunity to increase their investment in, such portfolio company or to fund additional investments through such portfolio company. There is no assurance that the Funds will make follow-on investments, as such term is defined in the respective Fund's Fund Documents, or that the Funds will have sufficient sources to, or be permitted to, make all such investments. Any decision by the Funds not to make follow-on investments or their inability to make them may have a substantial negative impact on the portfolio company in need of such investment and may result in missed opportunities for the Funds or may result in the dilution of investments (in the event alternative capital is used to satisfy such additional funding needs). There can be no assurance that a follow-on investment will be successful.

Guarantees of Portfolio Companies. The Funds may guarantee the obligations of their portfolio companies. As a result, if any such portfolio company defaults on its obligations,

the applicable Fund will be required to satisfy such obligations. In order to do so, such Fund may call capital, recall distributions or liquidate some or all of the remaining investments prematurely at potentially significant discounts to fair value.

Valuation Risk. Given the nature of the Funds' proposed investments, the Funds may rely upon the General Partners and Genstar for valuation of certain of the Funds' assets, including, without limitation, in connection with any distribution of illiquid securities upon the liquidation of a Fund. The General Partners and Genstar may engage qualified valuation professionals to assist in this determination; however, it is not always required to do so. Given the nature of the proposed investment entities, valuation may be difficult. There may be a relative scarcity of market comparables on which to base the value of a Fund's assets. As such, any such valuations may be speculative.

Investments Longer than Term. A Fund may make investments that, due to various reasons, may not be capable of an advantageous disposition prior to the date such Fund is required to be dissolved, either by the expiration of such Fund's term or otherwise. Although the General Partners and Genstar expect that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution or retain or hold such investment during dissolution for an extended period of time, which will result in management fees being payable during such period. Further, investments distributed in-kind may be illiquid and there can be no assurance that any limited partner will be able to dispose of them at the value determined in accordance with the Fund Documents of the applicable Fund.

Borrowing. The Funds may, from time to time, borrow on a secured or unsecured basis. It is expected that this indebtedness, if incurred, will be secured primarily by the unfunded commitments of the limited partners of the applicable Fund. In addition, the General Partners intend to evaluate whether it is prudent and appropriate to incur this leverage and there can be no assurance that leverage will be incurred given that adverse economic factors, such as a significant rise in interest rates, may cause the General Partners, in their discretion, to elect not to incur such leverage. The extent to which a Fund or its subsidiaries (including investment entities) uses leverage may have important consequences to its limited partners, including, but not limited to, the following: (i) greater fluctuations in the valuation of such Fund's assets, (ii) use of cash flow (including capital contributions) for debt service and related costs and expenses, rather than for additional investments, distributions or other purposes, (iii) increased interest expense if interest rate levels were to increase, (iv) in certain circumstances, prematurely disposing of investments to service such Fund's debt obligations, and (v) limitation on such Fund's flexibility to make distributions to its limited partners or sell assets that are pledged to secure the indebtedness. There can be no assurance that the Funds will have sufficient cash flow to meet their debt service obligations. As a result, the Funds' exposure to losses may be increased due to the illiquidity of their respective investments generally. Finally, in the case of borrowings which are secured by unfunded commitments, a Fund's limited partners whose unfunded commitments have been pledged may be called upon to fund their entire unfunded commitments to repay

indebtedness and the failure of other limited partners of such Fund to honor their unfunded commitments may result in a limited partner's payment exceeding its pro rata share of the indebtedness that has been obtained by such Fund.

#### **Item 9. Disciplinary Information**

None.

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

##### **Clients**

Genstar serves as the investment manager to the following private funds:

- Genstar Capital Partners VII, L.P.
- Genstar Capital Partners VII (EU), L.P.
- Genstar Capital Partners VI, L.P.
- Genstar Capital Partners V, L.P.
- Genstar Capital Partners IV, L.P.
- Genstar Capital Partners III, L.P.
- Stargen VII, L.P.
- Stargen VI, L.P.
- Stargen V, L.P.
- Stargen IV, L.P.
- Stargen III, L.P.

##### **Related General Partners**

Various limited partnership serve as General Partners of the Funds, and general partners of Fund general partners. For a description of material conflicts of interest created by the relationship among Genstar and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

- Genstar Capital VII, L.P.
- Genstar Capital VI, L.P.
- Genstar Capital V, L.P.
- Genstar Capital IV, L.P.
- Genstar Capital III, L.P.

The General Partners of certain Funds have filed for an exemption from registration as commodity pool operators in accordance with Commodity Futures Trading Commission ("CFTC") Rule 4.13(a)(3) and Genstar has filed for an exemption from registration as a commodity trading advisor in accordance with CFTC Rule 4.14(a)(8).

##### **Broker-Dealers**

Genstar is not registered, nor does it have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

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

**Code of Ethics**

Genstar has adopted a Code of Ethics (the “**Code of Ethics**”) which applies to Genstar and its affiliates and sets forth standards of business conduct that Genstar requires of its supervised persons. The Code of Ethics is intended to assist Genstar and its supervised persons in complying with the requirements of Rule 204A-1 under the Advisers Act, as well as provisions of the federal securities laws pertaining to insider trading.

The Code of Ethics contains a section entitled Procedures and Policy Statement on Insider Trading to inform employees and covered persons of what constitutes material, nonpublic information and the laws and requirements relating to insider trading and confidentiality and Genstar’s policies in that area.

The Code of Ethics also sets forth personal trading policies applicable to employees and certain family members and affiliates that are designed to address actual or potential conflicts of interest (or appearances of conflicts) with the Funds (the “**Policies**”).

Employees may not trade for themselves or recommend trading in the securities of a public company while in possession of material, nonpublic information concerning such company, or disclose such information to any person not entitled to receive it. Each employee is required to inform the Firm’s Chief Compliance Officer whenever such employee believes that he or she may have obtained material, nonpublic information regarding a public company. In accordance with the Policies, employees are not permitted to effect transactions individually in public companies that are portfolio investments of any of the Funds without the approval of the Chief Compliance Officer.

The Policies require all employees of Genstar, as well as employees and associated persons of affiliates of Genstar, to report brokerage transactions to the Chief Compliance Officer. Transactions in certain financial products, including certain mutual fund shares, U.S. government securities, investment grade debt securities, and certain money market instruments may be excluded from such reporting requirements.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: Genstar Capital, Chief Compliance Officer, Four Embarcadero Center, Suite 1900, San Francisco, CA 94111-4191.

**Participation or Interest in Client Transactions**

As described in the responses to Items 5 and 6, Genstar and the General Partners are generally entitled to receive management fees and a carried interest from the Funds. The

General Partners also make capital commitments to the Funds. Further, certain employees and affiliates of Genstar may invest in and alongside the Funds, either through the General Partners, as direct investors in the Funds or otherwise. A Fund or its General Partner, as applicable, may reduce all or a portion of the management fee and Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below. In addition, Genstar and its affiliates may receive fees from the Funds’ portfolio companies for performing consulting and other services for, or serving as directors (or similar positions) of, such companies and may also receive securities of a Fund’s portfolio company that were granted or paid in the recipient’s capacity as a director of such portfolio company or an affiliate thereof. Each of the foregoing may represent a material financial interest in the securities that Genstar recommends to the Funds.

Due in part to the fact that potential investors in a Fund (including purchasers of a limited partner’s interests in a secondary transaction) or a co-investment opportunity (see below) may ask different questions and request different information, Genstar may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Conflicts of Interest**

Genstar and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing transaction-related, investment advisory, management and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Fund may conflict with the interests of Genstar, other Funds or their respective affiliates. Certain of these conflicts of interest, as well a description of how Genstar addresses such conflicts of interest, can be found below.

Genstar may, from time to time, establish certain investment vehicles through which certain employees of Genstar or its affiliates, certain business associates, other “friends of the firm,” or other persons may invest alongside one or more Funds in one or more investment opportunities. Such vehicles, referred to herein as “co-investment vehicles,” generally are contractually required, as a condition of investment, to purchase and sell each investment opportunity at substantially the same time and substantially the same terms as the applicable Fund that is invested in that investment opportunity. Each co-investment by a co-investment vehicle is required to be, subject to legal, tax, regulatory or other such considerations, on terms that are no more favorable to such co-investment vehicle than those received by the respective Fund. Third-party and limited partner co-investors may not always co-invest through a co-investment vehicle, and, therefore, are not subject to the “no more favorable” requirement found in the Funds’ Fund Documents. Further, a co-investment vehicle’s terms may still be considered not more favorable than the Fund’s terms even if such vehicle is not required to pay Carried Interest or a management fee.

### *Resolution of Conflicts*

In the case of all conflicts of interest, Genstar's determination as to which factors are relevant, and the resolution of such conflicts, will be made using Genstar's best judgment, but in its sole discretion. In resolving conflicts, Genstar may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless Genstar believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant Fund Documents for the Funds;
- (3) Many of the Funds have established an advisory board, consisting of representatives of investors not affiliated with Genstar. The advisory boards meet as required to consult with Genstar as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, Genstar will be guided by its good faith discretion;
- (4) Where Genstar deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- (5) Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

### *Conflicts*

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

### *Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*

In general, due to the sequential nature in which the Funds are formed, Genstar is generally actively pursuing new investment opportunities for a single Fund at any one time. As such, the Firm does not generally allocate investment opportunities, although Genstar may encounter situations in which it must determine how to allocate investment opportunities among various clients and other persons, which may include, but are not limited to, the following:

- The Funds;
- Any co-investment vehicles that have been formed to invest side-by-side with one or more Funds in all or particular transactions entered into by such Fund(s) (the investors in such co-investment vehicles may include employees, business associates and other “friends and family” of Genstar or its personnel; individuals and entities that are also investors in one or more Funds (“**Adviser Investors**”); and/or individuals and entities that are not investors in any Funds (“**Third Parties**”));
- Adviser Investors and/or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Fund(s); and
- Adviser Investors and/or Third Parties acting as “co-sponsors” with Genstar with respect to a particular transaction.

Genstar has adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently therewith.

The Funds are generally subject to investment allocation requirements (collectively, “**Investment Allocation Requirements**”), which will also apply directly or indirectly to certain co-investment vehicles with investments contractually tied to the Funds. Investment Allocation Requirements may be set forth in the instrument under which the Fund was established (such as a Fund’s limited partnership agreement or private placement memorandum), or in side letters. To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow Genstar discretion in making allocation decisions among the Funds, Genstar will follow the process set forth below.

Genstar must first determine which Funds will participate in an investment opportunity. Genstar assesses whether an investment opportunity is appropriate for a particular Fund(s), based on the Fund’s investment objectives, strategies and structure. A Fund’s investment objectives, strategies and structure typically are reflected in the Fund’s offering memoranda and Fund Documents. Prior to making any allocation to a Fund of an investment opportunity, Genstar determines what additional factors may restrict or limit the offering of an investment opportunity to the Fund(s). Possible restrictions include, but are not limited to:

- **Obligation to Offer:** Genstar may be required to offer an investment opportunity to one or more Funds. This obligation to offer investment opportunities may be set forth in a Fund’s offering documents and/or Fund Documents.
- **Related Investments:** Genstar may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) to the exclusion of, or resulting in a limited offering to, other Funds.

- Legal and Regulatory Exclusions: Genstar may determine that certain Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once the Funds that will participate in a particular investment have been identified, Genstar, in its discretion, decides how to allocate such investment opportunity among the identified Funds. In allocating such investment opportunity, Genstar may consider some or all of a wide range of factors, which may include, but are not necessarily limited to, the following:

- Each Fund's investment objectives and investment focus;
- Transaction sourcing;
- Each Fund's liquidity and reserves;
- Each Fund's diversification;
- Lender covenants and other limitations;
- Amount of capital available for investment by each Fund as well as each Fund's projected future capacity for investment;
- Each Fund's targeted rate of return;
- Stage of development of the prospective portfolio company or other investment;
- Composition of each Fund's portfolio;
- The suitability as a follow-on investment for a current portfolio company of a Fund;
- The availability of other suitable investments for each Fund;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the applicable offering and organizational documents of each Fund.

Genstar will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund. Such allocation processes are supervised by Genstar's Managing Directors, are reviewed by



the Investment Committee (as defined below) and may require the consent of the applicable Fund's limited partner advisory board.

Subject to any Investment Allocation Requirements, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of Genstar or its related persons or other participants in the applicable transactions, such as co-sponsors, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Funds, in the sole discretion of Genstar or its related persons, and (iv) where possible and appropriate, in the sole discretion of Genstar or its related persons, co-investment opportunities may be offered to certain persons other than investors in the Funds (e.g., Third Parties) (after making such opportunities available to limited partners), and (v) co-investors may purchase their interests in a portfolio company at the same time as the Funds or may purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer). Additionally, non-binding acknowledgements of interest in co-investment opportunities are not Investment Allocation Requirements and do not require Genstar to notify the recipients of such acknowledgements if there is a co-investment opportunity.

Genstar will determine if the amount of an investment opportunity exceeds the amount Genstar determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to Genstar and/or the Funds or management teams of the applicable portfolio company, members of Genstar's strategic advisory board, operating partners, introducers, lenders (or other capital providers) and other service providers (including consultants), persons serving as outside directors and other persons (which could include one or more limited partners, as applicable) with industry, geographic or other relevant expertise applicable to such investment, additional strategic investors and other investors whose allocation is determined by Genstar to be in the best interest of the applicable Fund), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such Funds' Fund Documents and as set forth in the following paragraphs.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the Funds and other potential co-investors, Genstar may consider some or all of a wide range of factors, which may include, but are not limited to, the following:

- Genstar's evaluation of the size and financial resources of the potential co-investment party and Genstar's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Fund(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case;

- Any confidentiality concerns Genstar may have that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- Genstar's perception of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by Genstar;
- Genstar's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- Genstar's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, (i) executives of public companies and certain other persons who provide knowledge with respect to targeted industries, including individuals with CEO-level individual experience, may be investors in certain co-investment vehicles as these persons are a potential source of ideas that could benefit the Funds or (ii) if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, then this may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity);
- Whether Genstar believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds; and
- Whether limited partners have expressed an interest in co-investing.

Genstar's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, potential co-investors, Adviser Investors and Third Parties, and in the manner discussed above may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While Genstar will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which Genstar may be subject, discussed herein, did not exist.

In addition, to the extent Genstar has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's Fund Documents, Genstar may consider the factors listed above in exercising such discretion. Subject to any restrictions in the Fund Documents of an applicable Fund, Genstar or its related persons may be asked to identify a limited number of Adviser Investors or Third Parties to potentially acquire the interest being transferred.

In the event Genstar determines to offer an investment opportunity co-investors, there can be no assurance that Genstar will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for the Fund or that expenses incurred by the Fund with respect to the syndication of the co-investment will not be substantial. In the event that Genstar is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, the Fund may consequently hold a greater concentration and have exposure in the related investment opportunity than was initially intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Moreover, an investment by the Fund which is not syndicated to co-investors as originally anticipated could significantly reduce the Fund's overall investment returns.

The appropriate allocation between Funds, Adviser Investors and Third Parties of expenses and fees generated in the course of evaluating potential investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by Genstar and its affiliates in their good faith discretion, consistent with the Fund Documents of the Funds, as applicable. As a general matter, such expenses and fees are allocated within a fund family based on committed capital. Across fund families, such expenses and fees are allocated based on capital invested in common transactions. Co-investors will typically bear their *pro rata* share of such expenses and fees. Although Genstar endeavors to allocate such expenses and fees on a fair and equitable basis, there can be no assurance that such expenses and fees will in all cases be allocated appropriately. In addition, co-investors may not agree to pay or otherwise bear expenses and fees related to unconsummated co-investments (and in certain circumstances, co-investors may not bear such expenses and fees because they have not been identified as of the time such potential investment ceases to be pursued). In such event, such expenses and fees will be considered operating expenses of and be borne by the applicable Fund. There may be occasions when one Fund (the "**Payor Fund**") pays an expense common to multiple funds (the "**Allocated Funds**") (e.g., legal expenses for a transaction in which all such funds participate). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. While highly unlikely, it is possible that one of the Allocated Funds could default on its obligation to reimburse the Payor Fund.

A Fund may sell down an interest in its portfolio companies to co-investors. Subject to the applicable Fund Documents, Genstar may charge (or may decide not to charge) a co-investor

(such as a Fund Investor or Third Party) interest costs for the time period between the closing of the applicable Fund's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor.

In exercising its discretion to allocate investment opportunities and fees and expenses, Genstar may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, Genstar may have an incentive to allocate investment opportunities to the Funds from which Genstar or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit.

In addition, principal executive officers and other personnel of Genstar invest indirectly in and may be permitted to invest directly in Funds and may therefore participate indirectly in investments made by the Funds in which they invest. Such interests will vary Fund by Fund. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

#### *Conflicts Related to Purchases and Sales*

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by other Funds, or in a transaction where another Fund has already made an investment. Investment opportunities may be appropriate for Funds at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in Funds that have invested in different securities within the same portfolio company. Certain clients of Genstar may invest in bank debt and securities of companies in which other clients hold securities, including equity securities. In the event that such investments are made by a Fund, the interests of such Fund may be in conflict with the interest of such other Fund, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by Genstar. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. Investments by more than one client of Genstar in a portfolio company may also raise the risk of using assets of a client of Genstar to support

positions taken by other clients of Genstar. Employees and related persons of Genstar have made or may make capital investments in or alongside certain Funds, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in 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.

A Fund may invest in opportunities that other Funds or clients of Genstar's affiliate have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds or clients of Genstar's affiliate have invested.

From time to time Genstar may, in its discretion, enter into transactions with investors in one or more Funds to dispose of all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, Genstar may consider some or all of the factors listed above under "*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*". The sales price for such transactions will be mutually agreed to by Genstar and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by Genstar. Although Genstar is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s). Any such transactions will comply with the Fund Documents of the applicable Fund(s).

### *Cross-Transactions*

Genstar is not affiliated with a registered broker-dealer and as such cannot engage in agency cross transactions. While unlikely, in certain cases, Genstar may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or Genstar might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, Genstar, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). Genstar and its affiliates may receive management or other fees in connection with their management of the relevant Funds involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Funds. To address these conflicts of interest, in connection with effecting such transactions, Genstar will obtain any required Client approvals, including

if required that of a Fund's limited partner advisory board in accordance with the terms of such Fund's limited partnership agreement.

### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with Genstar's management of the Funds, Genstar and its affiliates may engage in principal transactions. Although Genstar does not anticipate entering into principal transactions, Genstar has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including (i) obtaining any required approvals, including that of the applicable Fund's limited partner advisory board (as may be required) and (ii) making any disclosures to the applicable Fund(s) required by Section 206 of the Advisers Act.

### *Management of the Funds*

Genstar manages a number of Funds that may have investment objectives similar to each other. Genstar may in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*" above. In addition, it is expected that employees of Genstar responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by Genstar, including Funds that may be raised in the future. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

The Funds may enter into borrowing arrangements that require the Funds to be jointly and severally liable for the obligations. If one Fund defaults on such arrangement, the other Funds may be held responsible for the defaulted amount. The Funds will only enter into such joint and several borrowing arrangement when Genstar determines it is in the best interests of the Funds.

### *Follow-on Investments*

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has previously invested. In addition, a Fund

may participate in releveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

#### *Conflicts Relating to the General Partner and Genstar*

Genstar generally may, in its discretion, contract with any related person of Genstar (including but not limited to a portfolio company of a Fund) to perform services for Genstar in connection with its provision of services to the Funds. When engaging a related person to provide such services, Genstar may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Genstar generally may, in its discretion, recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) Genstar or a related person of Genstar (including but not limited to a portfolio company of a Fund) or (ii) an entity with which Genstar or its affiliates or a member of their personnel has a relationship or from which Genstar or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, Genstar may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Genstar, its affiliates, and members, officers, principals and employees of Genstar and its affiliates may buy or sell securities or other instruments that Genstar has recommended to Funds. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by Funds. Such transactions are subject to the policies and procedures set forth in Genstar's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees of Genstar have made large capital investments in or alongside the Funds they may have conflicting interests with respect to these investments.

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

#### *Fee Structure*

Because there is a fixed investment period after which capital from investors in the Funds may only be drawn down in limited circumstances and because management fees are, at

certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure may create an incentive to deploy capital when Genstar may not otherwise have done so.

Additionally, as discussed above in Item 6, the General Partners of the Funds are entitled to Carried Interest under the terms of the Fund Documents of such Funds. Such General Partners are affiliates of Genstar. The existence of the General Partners' Carried Interest may create an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

#### *Providers of Operations Support*

The General Partners and the portfolio companies will from time to time retain other companies and individuals ("**Operations Support Providers**"), which may be affiliates of the General Partners, employees of such affiliates, portfolio companies of other of Genstar's funds, third party consultants (including operating partners, specialized consultants, external executives, and industry advisory roundtable members), or "senior advisors". The Operations Support Providers are engaged to provide operational support, specialized operations and consulting services and similar or related services to, or in connection with, one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies ("**Operations Support Services**"). These services may include support to the General Partners or portfolio companies regarding, among other things, the company's management (including serving in management positions or participating in determining corporate strategy), the company's supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters.

Pursuant to the Fund Documents of the Funds, fees and expenses associated with Operations Support Services ("**Operations Expenses**") may be paid and/or reimbursed by portfolio companies and/or the Funds. Operations Expenses (including Operations Expenses incurred in connection with an affiliated Operations Support Provider) may be determined at the discretion of the General Partners taking into account the particular Operations Support Services, may include a profits or equity interest in the Funds and/or portfolio company or other incentive-based compensation to the Operations Support Provider, and may otherwise be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is



an Operations Support Service will be made by the General Partners, in their good faith discretion. Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of the investment. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to the Funds, such Operations Expenses will be allocated among the Funds as determined by the General Partners or manager, as applicable in a fair and equitable manner. To the extent any such Operations Expenses are payable to any affiliated Operations Support Provider by the Funds or a portfolio company, such Operations Expenses will not reduce any fees otherwise payable to the management company or its affiliates. The General Partners' good faith determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses shall be binding on the Fund and its investors.

### *Related Services*

As described in Item 5 above, Genstar and its affiliates may perform Related Services for, and will receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds. Such fees will be in addition to any management fees or Carried Interest paid by the Funds to Genstar. Consistent with the Funds' Fund Documents, Genstar may incur expenses, and a portfolio company may reimburse Genstar for such expenses (including without limitation variable travel expenses, which may include expenses for chartered or first class travel; variable administrative expenses such as research; expenses related to recruitment of executive staff; and meals and entertainment expenses) incurred by Genstar in connection with its performance of services for such portfolio company. Such reimbursements are not subject to the sharing arrangements described above. Additionally, since the term of the management agreements with portfolio companies may exceed ten years (and may be subject to automatic extensions and renewals), there are also certain circumstances (such as the occurrence of an initial public offering or strategic exit) which may accelerate the payment of such fees. These fees may be substantial, particularly in the event such circumstances occur early in the life of the Fund's investment in such portfolio company. This creates a conflict of interest between Genstar and its affiliates and the Funds and their investors because the amounts of these fees and reimbursements may be substantial and the Funds and their investors generally do not have an interest in these fees and reimbursements. Genstar determines the amount of these fees for Related Services and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements may not (except in connection with the reductions described below) be disclosed to investors in the Funds. Genstar and its affiliates will in some circumstances reduce the amount of management fees paid by the applicable Fund in connection with the receipt of the applicable Fund's share of such fees. The amount and nature of this reduction varies from Fund to Fund and is set forth in the Fund Documents of the applicable Fund. Entities other than Funds that participate in investments alongside the Funds (such as entities through which Genstar and certain employees and affiliates of Genstar invest alongside the Funds) may

have a right to share in such fees, and management fees will generally not be reduced in connection with the receipt of such entities' share of such fees.

In many cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other related terms in the applicable agreement with the portfolio company.

### *Diverse Membership*

The investors in the Funds 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 a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by Genstar or its affiliates, 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. In selecting and structuring investments appropriate for a Fund, Genstar and its affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually. The General Partners of the Funds may organize parallel investment vehicles to facilitate, from a legal, tax or regulatory standpoint, investments by certain foreign or other classes of investors, the structure and terms of which may differ from that of the Funds, but will invest proportionally in all transactions on effectively the same terms and conditions of the Funds.

### *Business with Portfolio Companies and Investors*

Given the collaborative nature of Genstar's business and the portfolio companies in which the Funds have invested, there are often situations where Genstar is in the position of recommending portfolio company services to other portfolio companies. Genstar may have a conflict of interest in making such recommendations, in that Genstar has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Funds.

Genstar may have an incentive to recommend the products or services of certain investors in the Funds, certain Third Parties, or their related businesses to the Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies.

Portfolio companies controlled by a Fund may provide services to certain Fund investors. Genstar may have an incentive to cause the portfolio company to favor those investors

relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Fund. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Fund.

Genstar may engage in business opportunities arising from a Fund's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company).

Genstar has service providers, including for example, investment bankers, outside legal counsel and pension consultants, who are investors in Funds and/or who provide services to businesses that are competitors of Genstar. Genstar may have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide Genstar information about markets and industries in which Genstar operates or is interested or will provide other services that are beneficial to Genstar. There is a possibility that Genstar, 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.

Certain members of a Fund's advisory board are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Fund. The general partner of a Fund may from time to time utilize the services of investors and their affiliates on an arm's length basis, as it deems appropriate.

#### *Positions with Portfolio Companies*

Employees of Genstar may serve as directors of portfolio companies. Such employees are required to remit any remuneration they may receive as directors to the applicable Funds. In addition, employees of Genstar may leave the employment of Genstar or its affiliates and become an officer or employee of a portfolio company.

#### *Side Letter Agreements*

A Fund may have entered, or in the future may enter, into letter agreements or other similar agreements, so-called "side letters," with one or more of such Fund's investors which provide such investor(s) with additional, different and/or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights. However, the Fund Documents of a Fund generally provide investors with the right to elect the benefits of any other investor's side letter to the extent applicable.

#### *Other Potential Conflicts*

Genstar and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, Genstar and/or its affiliates, the parties may engage separate counsel in the sole discretion of Genstar and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, Genstar and the Funds and the portfolio companies of the Funds may engage other common service providers. In such circumstances, there may be a conflict of interest between Genstar, on the one hand, and the Funds and portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that Genstar may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies.

Genstar may, in its discretion, have, and may, in its discretion, cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of Genstar. The Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between Genstar and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that Genstar may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

If a Fund purchases in the secondary market at a discount debt securities of a company in which a Fund has, for example, a substantial equity interest, (a) a court might require a Fund to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Fund might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

The General Partner of each Fund may cause such Fund to distribute such General Partner's share of securities resulting from an investment disposition by such Fund to such General Partner or its affiliates (including managing directors and employees) in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the General Partners and the limited partners of the applicable Fund, because the General Partner may have an incentive to cause the Fund to exit an investment at a time that may result in limited partners receiving a lesser return on such investment than would be the case if the General Partner was prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as limited partners). Furthermore, the General Partner, or its affiliates, may receive distributions in kind from an investment disposition. In the event the General Partner, or its

affiliates, receive such a distribution, the General Partner may act in its own interest with respect to its share of securities and may determine to sell the distributed securities, or hold on to the distributed securities for such time as the General Partner shall determine. The ability of the General Partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the General Partner or affiliate, as an adviser to the Fund, and the Fund.

The General Partner of each Fund, or its affiliates, may lend money to the applicable Fund. Such lending arrangements create conflicts of interest between the applicable General Partner or affiliate and the Fund acting as borrower.

The General Partner of each Fund, or its affiliates, may withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, information may be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The General Partner may elect to withhold certain information to such limited partners for reasons relating to the General Partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Please see the discussion above under the sub-heading "Resolution of Conflicts" for a description of the means by which Genstar and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

*Mezzanine Provider.* Genstar has granted, and may in the future grant, particular funds (the "**Mezz Providers**"), exclusive positions as preferred providers of mezzanine debt for investments made by certain Funds. In connection with such agreements, Genstar may receive fees and carried interest from or in respect of the Mezz Providers, the receipt of which could create conflicts of interest when Genstar selects the provider of mezzanine debt for its investments. As a result, Genstar may have an incentive to choose the Mezz Providers over other mezzanine debt providers. In addition, the Mezz Providers may have a conflicting interest with other Funds in certain circumstances due to holding different tranches of portfolio company securities (*e.g.* in a default scenario). Further, conflicts may arise in determining the terms of investments, as the Funds and the Mezz Providers will likely invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest. In the event that investments are made by the Mezz Providers, the interests of a Fund may be in conflict with the interests of the Mezz Providers, particularly in circumstances where the underlying company is facing financial distress. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds and the Mezz Providers may or may not provide such additional capital, and if provided, the Funds and the Mezz Providers will supply such additional capital in such amounts, if any, as determined by the

Mezz Providers. Genstar believes this potential conflict of interest is mitigated by the fact that (i) Genstar is under no obligation to use the Mezz Providers (ii) investment decisions for the Mezz Providers are not made by Genstar and (iii) Genstar will, in all circumstances, select lenders for its investments solely on the basis of the terms offered by such lender to the applicable portfolio company and in a manner consistent with its fiduciary duties.

## **Item 12. Brokerage Practices**

As Funds invest primarily in private equity ventures, Genstar anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, Genstar has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### **Selection of Brokers and Dealers**

From time to time, the Firm may use a broker to effect transactions in public securities resulting from, or in connection with, portfolio investments. For each of the Funds, Genstar has full discretionary authority over the purchase and sale of investments (including the size of such transactions), the broker or dealer, if any, to be used to effect transactions and commissions paid to such broker or dealer. In placing each transaction for a Fund involving a broker-dealer, Genstar will seek “best execution” of the transaction. “Best execution” means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Firm takes into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, the range quality of service rendered by the broker or dealer in other transactions, the broker or dealer’s responsiveness to the Firm, and the value to the Firm of research provided, if any. In addition, Genstar may consider the use of Electronic Communications Networks (“ECNs”) when placing trades on behalf of the Funds. When purchasing or selling over-the-counter securities with market makers, Genstar generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the Firm, will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of Genstar and each Fund.

Genstar does not currently receive soft dollar benefits or client referrals from broker-dealers in connection with Client transactions.

### **Aggregation of Trades**

Genstar and its affiliates may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. Genstar and its affiliates may combine orders on behalf of Funds with orders for other Funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, Genstar and its affiliates generally aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction. Genstar will only aggregate orders for multiple Funds, as long as aggregating would be in the best interests of each participating Fund.

If an order for more than one Fund for a publicly traded security cannot be fully executed, allocation shall be made based upon Genstar's procedures for allocation of investment opportunities, as described in Item 11 above.

### **Item 13. Review of Accounts**

Genstar has an investment committee comprised of senior investment professionals that is responsible for oversight of the investment process and for the Funds' investment decisions (the "**Investment Committee**"). The Investment Committee meets as required by the investment portfolios and its members are Jean-Pierre L. Conte, J. Ryan Clark, Robert S. Rutledge, Anthony Salewski, Eli P. Weiss, Roman A. Margolin, David J. Golde and Robert J. Weltman. All of Genstar's investment professionals meet weekly to review all potential new and existing portfolio investments, and any issues raised during the weekly meeting requiring the Managing Directors' review will be brought to the Investment Committee.

Limited partners in the Funds are provided with audited annual financial reports and unaudited quarterly reports. Limited partners are also provided with written tax information for the preparation of U.S. federal income tax returns. Genstar and the applicable General Partner, if any, may from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

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

Genstar and its affiliates do not directly or indirectly compensate any person who is not a supervised person of the Firm for client referrals. However, Genstar or its affiliates may utilize a placement agent to assist in the placement of investor interests in the Funds. The fees paid to any such placement agent generally would be in the form of a percentage of capital committed by investors. Any placement agent would generally be a broker-dealer registered under the Securities Exchange Act of 1934.

For details regarding economic benefits provided to Genstar by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, Genstar may, in certain instances, receive discounts on products and services provided by portfolio companies of Funds and/or the customers or suppliers of such portfolio companies.

#### **Item 15. Custody**

Item 15 is not applicable to Genstar.

#### **Item 16. Investment Discretion**

Genstar, including its affiliated investments managers, has entered into an investment management agreement with each Fund. Each such agreement, together with the management authority granted to each Fund's General Partner pursuant to the Fund's limited partnership agreement, provides Genstar with full discretion to determine investments to be purchased and sold on behalf of the Funds and the terms of the related transactions. Limitations on Genstar's investment discretion are set forth in the investment management agreements with, and the limited partnership agreements of, the Funds.

#### **Item 17. Voting Client Securities**

While the securities evidencing the private equity investments made by the Funds are not typically the subject of proxies, there could be certain circumstances where Genstar, having discretionary authority over the Funds, may be asked to vote the securities of the Funds on restructuring or other corporate matters. Genstar will ensure that a record of each securities position held by each Fund is maintained and, where any such vote is to occur, the Firm will ensure that it receives all relevant information, disclosure materials and such proxies or consents as are necessary for it to be able to cast votes in a timely manner.

Genstar will also determine whether there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interest of a Fund. If Genstar determines that there is no material conflict of interest, then it will make the voting determination and take the required voting action. If Genstar determines that, due to a conflict of interest, it is not capable of making an independent determination as to the voting decision, then Genstar will seek to resolve such conflict in an appropriate manner which may include soliciting input from the applicable Fund's limited partner advisory board. Genstar will also determine whether there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interests of a Fund. The Funds cannot direct Genstar's vote in a particular solicitation. Each Fund is controlled by its General Partner (Genstar's affiliate) and, as such, each Fund is aware of how the Firm voted with respect to such Fund's securities.

A copy of the Firm's proxy voting policies and procedures will be provided to any Client and prospective Client upon request. In addition, any investor may obtain specific



information as to how certain proxies for securities held in a Fund were voted upon the request of such information.

**Item 18. Financial Information**

Genstar does not believe that it has any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients and has never filed for bankruptcy.

**Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to Genstar.