

Milestone Partners Management Co., L.P. doing business as Milestone Partners Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Milestone Partners Management Co., L.P., d/b/a Milestone Partners. If you have any questions about the contents of this brochure, please contact us at 610-526-2700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Milestone Partners is also available on the SEC's website at: www.adviserinfo.sec.gov.

We refer to ourselves as a "registered investment adviser". Registration does not imply a certain level of skill or training.

Item 2 Material Changes

This Item 2 of the Brochure discusses only specific material changes that have been made to the Brochure since our last annual update and provides clients with a summary of those changes. The last annual update of our Brochure was on March 31, 2014.

Since our last annual update, we have revised Item 10 of the Brochure to disclose our relationship with PeakEquity Partners Management Company, L.P. (“PeakEquity”), an investment adviser recently formed and registered with the SEC. Milestone and PeakEquity share certain employees and have shared office space.

We have also revised Item 11 of the Brochure to disclose potential conflicts that Milestone funds could have with the PeakEquity fund with respect to allocation of investment opportunities, and how we address any such conflicts.

Item 10 – Other Financial Industry Activities and Affiliations

Milestone Partners is under common control with PeakEquity Partners Management Company, L.P. (“PeakEquity Partners”) Milestone Partners and PeakEquity Partners share the same principal office and place of business. PeakEquity Partners is also an investment adviser to private funds. Affiliates of Milestone Partners and PeakEquity Partners serve as the general partners of the Milestone Partners and PeakEquity Partners funds.

Milestone Partners may be subject to various conflicts of interest arising from its relationship with PeakEquity Partners and its affiliates. Milestone Partners may on occasion invest in a portfolio company of a PeakEquity Partners fund or co-invest with a PeakEquity Partners fund. Such transactions are generally subject to requirements agreed by the investors and set out in the applicable limited partnership agreements, which may include a requirement to obtain the consent of the limited partner advisory committee (“LPAC”) of the applicable funds. Additional information regarding how Milestone Partners addresses conflicts of interest is provided in Item 11 below.

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

Conflicts of Interest: *Allocation of Investment Opportunities.*

Milestone Partners and PeakEquity Partners are both pursuing new investment opportunities for funds they each manage, but the investment mandates of the Milestone Partners and PeakEquity Partners funds differ. PeakEquity Partners seeks to invest in control buyouts and minority recapitalizations of intellectual property-driven, lower middle-market enterprise software and solutions (“Enterprise Software and Solutions”) businesses. Milestone Partners seeks to invest in a broader range of lower middle-market business, which also includes Enterprise Software and Solutions businesses. The funds’ limited partnership agreements set forth terms with respect to the allocation of investment opportunities and generally provide that, from the date of closing of a fund

until the expiration of its investment period, all prospective investment opportunities (other than follow-on investments related to a predecessor fund) that we identify, are within the scope of the fund's investment objectives and are in excess of a threshold amount specified in the fund's limited partnership agreement, will be made available to that fund before being offered to any other person. Notwithstanding the foregoing, in the event an Enterprise Software and Solutions investment opportunity arises that is appropriate for both Milestone and PeakEquity funds, we will allocate such investment opportunity among the Milestone and PeakEquity funds on a basis that we believe is fair and equitable and with the approval of the applicable funds' LPAC. PeakEquity Partners will lead pursuit of Enterprise Software and Solutions opportunities, and it is anticipated that Milestone Partners may occasionally co-invest alongside of PeakEquity Partners. Notwithstanding the foregoing, subject to a negotiated cap, we do reserve the right to allocate investment opportunities to certain individuals (including certain employees) who provide services to, or have a relationship with, our funds or, who in our judgment, can add value to our funds' activities by virtue of their association with our funds.

(Most recent Annual Updating Amendment: 3/31/2014)

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting the Chief Compliance Officer at (610) 526-2700.

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Item 4 Advisory Business

Milestone Partners is an investment manager of private investment funds specifically focused on lower middle market buyouts. Founded in 1995, Milestone Partners is based in the greater Philadelphia area. The principal owners of Milestone Partners are W. Scott Warren and John P. Shoemaker.

Milestone Partners provides discretionary investment advice solely to private investment funds that seek to generate significant capital appreciation primarily through private equity investments in portfolio companies that are generally in established industries. The investment management services that we provide to our funds primarily consist of investigating, structuring and negotiating investments and dispositions, monitoring the performance of investments and performing certain administrative services. These services are provided pursuant to investment management agreements with our funds and as a result of a delegation of authority by the general partner of each fund (an affiliate of ours). We provide tailored advice to each fund that takes into account its investment objectives and the investment restrictions contained in its limited partnership agreement.

Wrap Fee Programs

We do not participate in wrap fee programs.

Assets Under Management

As of December 31 2014, we managed approximately \$557 million of client assets on a discretionary basis. Such figure includes capital that may be called by our funds from their limited partners. We do not manage client assets on a non-discretionary basis.

Item 5 Fees and Compensation

Management Fee

Milestone Partners receives an annual management fee (the “Management Fee”) from each fund with respect to each investor that may differ from fund to fund but is generally 2.00% of each investor’s commitment during the fund’s investment period or for a specific period of years. Management Fees are payable quarterly in advance and are deducted from the account of each fund. After the investment period or a specific period of years, the fund pays a Management Fee based on each Investor’s pro rata share of a fund’s invested capital, which generally equals the declining balance of the acquisition cost of the portfolio investments held by the fund, taking into account any permanent impairments of portfolio assets. Milestone Partners may waive all or a portion of its Management Fee.

Other Fees

We may also receive monitoring, transaction, consulting, directors and other fees in connection with the activities of our funds (“Other Fees”). In addition, we may be reimbursed by our funds’ portfolio companies for expenses we incur in connection with our performance of the services that give rise to Other Fees. The monitoring fees that we receive with respect to a portfolio investment are determined with reference to the adjusted EBITDA and revenues upon which the purchase price for such portfolio investment is based. The transaction fees that we receive with respect to

a portfolio investment are determined with reference to the enterprise value of the portfolio investment at the time of acquisition. Both monitoring fees and transaction fees are agreed to with the applicable portfolio companies at the closing of the funds' investments in such portfolio companies.

In general, the aggregate management fee that a fund pays us is reduced by a portion of any Other Fees received by us in connection with the activities of the fund.

If we cease to serve as the investment manager of a fund, the management fee payable by the fund for such period will be pro-rated based on the number of days during such period that we served as investment manager and we will refund any excess.

Additional fees and expenses for which a fund may be responsible are described in the limited partnership agreement of such fund. Generally, each fund pays all costs and expenses relating to its operations, including but not limited to: legal, auditing, consulting and accounting fees and expenses; expenses of meetings of its limited partner advisory committee and of limited partners; indemnification and insurance expenses; expenses associated with the acquisition, holding and disposition of its proposed or actual investments (including related due diligence other than travel-related due diligence expenses of our personnel); extraordinary expenses such as litigation; interest on and fees and expenses arising out of any permitted borrowing; expenses relating to unconsummated transactions; expenses of liquidating the fund; and any taxes, fees or other governmental charges levied against the fund and any expenses incurred in connection with any tax audit, investigation, settlement or review of the fund. Expenses associated with the acquisition, holding and disposition of an investment may also include the expenses of brokers or dealers to the extent that any such person is engaged in connection with a transaction. See Item 12 - Brokerage Practices. Such expenses may also include commissions, custodian fees, rating agency fees and other transaction expenses.

Neither we nor any of our "supervised persons" accepts compensation for the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-by-Side Management

The general partner of each fund (in each case our affiliate) is generally entitled to a "carried interest" on the fund's profits in accordance with the provisions of the fund's limited partnership agreement. The "carried interest" is generally equal to a percentage of the investment proceeds distributable by the fund in excess of the capital invested by the fund's limited partners and their allocable share of fees and expenses, and is subject to a preferred return. The general partner of each fund is subject to a "clawback" of "carried interest" previously received to the extent that it has received cumulative distributions in excess of amounts otherwise distributable or anticipated to be distributed to the general partner by each fund as "carried interest", applied on an aggregate basis covering all transactions of the applicable fund. In no event will the general partner of a fund be required to restore more than the cumulative distributions received by such general partner as "carried interest" determined on an after-tax basis. The "carried interest" received by the general partner of a fund is negotiated at the time such fund is formed.

Item 7 Types of Clients

We provide discretionary investment advice solely to private investment funds. We do not have any requirements for opening or maintaining an account.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies and Methods of Analysis

We generally seek investment opportunities for our fund clients where we can play a role in enhancing the target company's value through two complementary strategies. First, we seek growth for portfolio companies through evaluating and executing strategic acquisitions, as well as supporting the implementation of value-added strategies, such as internal capital investment, geographic expansion, product line extension and management team enhancement. Second, we seek to identify a compelling value proposition within an established industry and then assemble a knowledgeable management team led by a CEO to build a business around the investment conviction.

We generally source investment opportunities consistent with these strategies through our differentiated origination networks, including the relationships of our investment professionals and our strategic alliances with our affiliate partners (*i.e.*, third parties who assist us in sourcing portfolio investments). We believe that such networks may allow us to source investments on a proprietary basis.

We generally seek to identify investments that we believe are at appropriate valuations, are in quality businesses in established industries, have a knowable and sustainable value proposition, that are leaders in their markets and for which there exists a vision for achieving profit, improvement and growth. Furthermore, we seek investment opportunities for which exit alternatives exist for the realization of value created. We also typically seek to ensure that adequate protections are in place to protect our fund's investment. We primarily focus on investments in the U.S. and in other regions through our strategic alliances.

In screening potential investment opportunities, we seek to implement a due diligence process that is aimed at assessing and quantifying the opportunities for, and challenges to, value creation faced by such potential portfolio companies. Such process typically involves research of a prospective portfolio company's markets served, competitive position, capabilities, customer relationships, environment, potential for future growth and ultimate realization of value, but may vary depending on the facts and circumstances relating to the particular investment opportunity, including the type of information available to us. Our efforts are typically augmented by outside industry advisors, accountants, lawyers and other relevant experts that we determine are necessary.

In executing investments, we seek to invest at attractive valuation levels, maintain price discipline and differentiate between market overreactions or cyclical valuation peaks and long-term sustainable valuations. In particular, we seek to implement capital structures that support value-creation strategies and future growth, with a preference for entirely private capital structures and

avoiding excessive leverage. We also work closely with management of our portfolio companies to assess whether a strategic acquisition, internal capital investment, geographic expansion or product line extension provide a clear strategy for creating long-term value.

Post-investment, we monitor portfolio companies closely, regularly speaking with management and regularly receiving performance reports. Furthermore, our personnel may serve on the board of directors of our funds' portfolio companies. This regular contact is intended to permit us to assess opportunities for portfolio company growth, identify the optimal realization point and find suitable exits.

Risk Factors

Investing involves the risk of loss that an investor in a fund should be prepared to bear. The discussion below of risks associated with an investment in our funds does not purport to be an exhaustive list of all such risks. Please see the confidential offering memoranda of our funds for a more detailed discussion of risks.

Risk of Loss of Capital. Investing in securities involves the risk of loss of capital. Investors that cannot bear the loss of their entire investment in one of our private investment funds should not make such an investment. While we believe that our investment processes, strategy and research techniques mitigate the investment risk through a careful selection of investment opportunities, no guarantee or representation is made that we will achieve a fund's investment objectives or that we will be successful.

Leverage. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Our funds' investments may be highly leveraged and therefore may be more sensitive to adverse business or financial developments or economic factors. Moreover, rising interest rates may have a more pronounced effect on the profitability or survival of such companies. If for any of these reasons a portfolio company in which we invest on behalf of a fund is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of the investment in such portfolio company could be significantly reduced or even eliminated.

Illiquid and Long-Term Investments; Lack of Transferability. Although our funds' investments may generate current income, the return of capital and the realization of gains, if any, from such investments is expected to occur upon their disposition. Such investments are typically held for a number of years before they are sold. Furthermore, it is unlikely that there will be a public market for such investments and their securities generally may not be sold publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases, the sale of such investments may be prohibited or limited by contract for a period of time, and as a result, we may not be permitted to sell such investments at a time we might otherwise desire to do so.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing on attractive private equity investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that we will be able to identify and complete investments that satisfy our funds' investment objective, or realize the value of their portfolio

investments, or that we will be able to fully invest their commitments. Nevertheless, our clients will be required to pay our management fees based on aggregate commitments during the fund's investment period.

Portfolio Company Management Risks. It is common for the portfolio companies in which our funds invest to 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. While we monitor each portfolio company's management team, each such team will ultimately have day-to-day responsibility for the business of such portfolio company.

Concentration of Investments. Each fund generally invests in a limited number of portfolio companies and, as a result, its returns may be affected by the performance of a single investment. Furthermore, because we have broad discretion to invest a considerable portion of a fund's assets in a single investment, and all of the fund's assets in a particular industry, adverse movements in the value of a single investment or the health of a particular industry could have a considerably greater negative impact on such fund than would be the case if we were not permitted to concentrate investments to such an extent.

Control Position. The exercise of control over portfolio companies may expose our funds to additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability that generally characterizes business operations may be ignored. While we intend to manage our funds so as to minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Board Participation. Our funds may be represented on the boards of directors of certain of their portfolio investments. Although such positions may be important to our investment strategy and may enhance our ability to manage the investment, they may also impair our ability to sell the investment when, and upon the terms, we may otherwise want. It may also subject us and our funds to claims we would not otherwise be subject to, including claims of breach of duty of loyalty, securities claims and other director-related claims.

Non-U.S. Investments. Our funds may invest globally. Foreign securities involve risks not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters, (ii) differences between the U.S. and foreign securities markets, (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (iv) certain economic and political risks, (v) obtaining foreign governmental approvals and complying with foreign laws and (vi) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. Furthermore, the legal systems in these countries may offer no effective means for our funds to seek to enforce their rights or otherwise seek legal redress.

Item 9 Disciplinary Information

None.

Item 10 Other Financial Industry Activities and Affiliations

We are not registered, nor do we have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

We are also not registered, nor do we have any application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

Milestone Partners is under common control with PeakEquity Partners Management Company, L.P. (“PeakEquity Partners”) Milestone Partners and PeakEquity Partners share the same principal office and place of business. PeakEquity Partners is also an investment adviser to private funds. Affiliates of Milestone Partners and PeakEquity Partners serve as the general partners of the Milestone Partners and PeakEquity Partners funds.

Milestone Partners may be subject to various conflicts of interest arising from its relationship with PeakEquity Partners and its affiliates. Milestone Partners may on occasion invest in a portfolio company of a PeakEquity Partners fund or co-invest with a PeakEquity Partners fund. Such transactions are generally subject to requirements agreed by the investors and set out in the applicable limited partnership agreements, which may include a requirement to obtain the consent of the limited partner advisory committee (“LPAC”) of the applicable funds. Additional information regarding how Milestone Partners addresses conflicts of interest is provided in Item 11 below.

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

Code of Ethics. Our code of ethics is documented in our Policies and Procedures Manual, a copy of which (and any amendments) is provided to each employee. Each employee must certify that he or she has read, understands and agrees to comply with our Manual. Furthermore, each employee must certify annually that he or she has complied with the Manual. We also hold annual compliance training sessions and attendance at such sessions is mandatory for all employees.

Our Manual requires all of our employees to conduct themselves with integrity and dignity and act in a professional and ethical manner in all dealings on our behalf; act with competence and strive to maintain and improve their competence; use proper care and exercise independent professional judgment in the execution of their duties; avoid actions or relationships that might conflict, or appear to conflict with, job responsibilities or the interests of Milestone Partners and our clients; and comply with all applicable federal securities laws.

Our Manual also requires all of our employees (“Access Persons”) to disclose each account in which they have a beneficial interest and the capability to hold or trade individual securities. These accounts are linked to our compliance software which allows us to monitor their personal trading from pre-clearance authorization of trade requests through post-trade reconciliation and reporting. Furthermore, we require that each Access Person re-affirm the accuracy of his or her list of accounts on record with us at least annually.

Our Manual also requires that employees obtain our approval before investing in any initial public offering of securities or in any private placement of securities.

A copy of our Code of Ethics will be provided to any client or prospective client upon request.

Conflicts of Interests.

Participation or Interest in Client Transactions. As described in Items 5 and 6 above, we are generally entitled to receive management fees and a carried interest from our funds. The general partners of our funds also make capital commitments to such funds. Furthermore, we and our members and employees may receive fees from our funds' portfolio companies for performing consulting and other services for, or serving as directors (or similar positions) of, such companies. Each of the foregoing may represent a material financial interest in the securities that we recommend to our client accounts.

As described in Item 5 above, the management fees that we receive from our funds after the termination of their investment periods are based on their "invested capital". To the extent that an investment is written down to below cost, for purposes of calculating our management fee, the invested capital in such investment would be reduced by the amount that the investment has been written down and would result in us receiving a reduced management fee. The foregoing, which could incentivize us to refrain from writing down investments, is mitigated by the fact that, annually, our valuations are reviewed by our funds' independent public auditors.

Our entitlement to performance fees from our funds may incentivize us to cause our funds to make more speculative investments than would be the case in the absence of such performance fee arrangement. However, the significant capital commitments made by Milestone Partners and other investment professionals through the general partner of each fund (which capital commitments are invested pro rata with the commitments of each fund's limited partners), as well as each such general partner's "clawback obligation" (as described in Item 6), may mitigate the effects of such conflict of interest.

Our ability to receive fees (and related expense reimbursements) from our funds' portfolio companies for performing consulting and other services for, or serving as directors (or similar positions) of, such companies represents a potential conflict of interest since we generally have substantial control or influence over such companies. This potential conflict of interest is mitigated by the fact that the amount of such fees are typically negotiated with the applicable portfolio company's management team and/or any roll-over equity holders, as well as the fact that all such fees are disclosed to our funds' investors and a portion of such fees generally offset management fees otherwise payable by our funds (as described in Item 5 above).

Allocation of Investment Opportunities.

Milestone Partners and PeakEquity Partners are both pursuing new investment opportunities for funds they each manage, but the investment mandates of the Milestone Partners and PeakEquity Partners funds differ. PeakEquity Partners seeks to invest in control buyouts and minority recapitalizations of intellectual property-driven, lower middle-market enterprise software and solutions ("Enterprise Software and Solutions") businesses. Milestone Partners seeks to invest in

a broader range of lower middle-market business, which also includes Enterprise Software and Solutions businesses. The funds' limited partnership agreements set forth terms with respect to the allocation of investment opportunities and generally provide that, from the date of closing of a fund until the expiration of its investment period, all prospective investment opportunities (other than follow-on investments related to a predecessor fund) that we identify, are within the scope of the fund's investment objectives and are in excess of a threshold amount specified in the fund's limited partnership agreement, will be made available to that fund before being offered to any other person. Notwithstanding the foregoing, in the event an Enterprise Software and Solutions investment opportunity arises that is appropriate for both Milestone and PeakEquity funds, we will allocate such investment opportunity among the Milestone and PeakEquity funds on a basis that we believe is fair and equitable and with the approval of the applicable funds' LPAC. PeakEquity Partners will lead pursuit of Enterprise Software and Solutions opportunities, and it is anticipated that Milestone Partners may occasionally co-invest alongside of PeakEquity Partners. Notwithstanding the foregoing, subject to a negotiated cap, we do reserve the right to allocate investment opportunities to certain individuals (including certain employees) who provide services to, or have a relationship with, our funds or, who in our judgment, can add value to our funds' activities by virtue of their association with our funds.

Principal Transactions. We do not anticipate entering into principal transactions where we or any of our affiliates purchases or sells any securities for our own accounts from or to the account of any fund. In the event that we or any of our affiliates do engage in a principal transaction, we will seek the approval of the applicable fund's LPAC in accordance with the terms of such fund's limited partnership agreement and such transaction will be undertaken only in compliance with Section 206(3) under the Investment Advisers Act of 1940, as amended.

Cross Transactions. As neither we nor any of our affiliates is registered as a broker-dealer, we do not engage in agency cross transactions where one fund purchases or sells any securities for its account from or to the account of another fund. In the event that we cause funds to enter into any cross transaction, we will seek the approval of the applicable funds' limited partner advisory committees in accordance with the terms of such funds' limited partnership agreements.

Item 12 Brokerage Practices

We do not make regular use of brokers for the purposes of purchasing or selling securities on behalf of the funds because the securities that we typically purchase or sell on behalf of our funds are acquired and/or disposed of in privately negotiated purchase and sale transactions. If we determine to engage a broker, we will select the broker considering the range and quality of its brokerage services, its execution capability, commission rate, financial responsibility and responsiveness to us, and the value to us of research provided, if any. We will negotiate the commission rates and other transaction costs relating to broker services.

We do not receive soft dollar benefits or client referrals from broker-dealers in connection with client transactions.

If we dispose of any investment in securities that is owned by more than one fund, we may sell the securities in an aggregated order, in which case, the aggregated order will be allocated among the funds on a pro rata basis, unless in our good faith judgment a different allocation method is more

appropriate under the circumstances. Such a pro rata allocation will be adjusted for and take into account to the extent applicable, specific guidelines, objectives and restrictions of each fund's account, the total amount of funds under management (including drawn and undrawn commitments) and the availability of or need for cash. A pro rata allocation should result in each client receiving the average price.

Item 13 Review of Accounts

Milestone Partners' Senior Professionals generally meet weekly to evaluate both current and prospective investments. Milestone Partners monitors and reviews the performance of each portfolio company investment and typically distributes weekly reports to Milestone Partners' Senior Professionals. Milestone Partners' investment professionals conduct in-depth quarterly reviews of the performance and outlook for each portfolio company. Milestone Partners' Senior Professionals monitor all cash inflows and outflows from Milestone Partners' funds.

Milestone Partners holds annual meetings at which Milestone Partners' Senior Professionals provide investors in the funds with comprehensive reviews of the performance of the funds and portfolio companies. At least quarterly, Milestone Partners' investment professionals prepare a review of each fund's investments for investors. In addition, the financial statements of the funds are distributed quarterly and audited annually.

Milestone Partners may review a client account on other than a periodic basis upon the occurrence of material events that, based on the reasonable business judgment of the responsible Senior Professional, require consideration by the Investment Committee or the senior deal team before the next scheduled meeting of the Investment Committee.

Milestone Partners provides such reports (and at such frequency) as will be required by the applicable limited partnership agreements for each fund. Each quarter Milestone Partners issues an unaudited quarterly report which typically includes the following: a summary of portfolio holdings; contributions; distributions; unaudited financial statements, including a balance sheet, statement of changes in Investors' capital, and statement of operations; and a description of some or all of the fund's portfolio companies, which may include updates on the financial performance of the companies and relevant news. Investors receive audited financial statements within 120 days of the end of each fiscal year. Milestone Partners or its affiliates may by agreement provide additional information or reports to certain investors.

Each fund has a LPAC that shall serve as the advisory committee for the fund and shall make decisions and recommendations with respect to the fund, to the extent provided by the limited partnership agreement.

Item 14 Client Referrals and Other Compensation

Milestone Partners or its affiliates may use a placement agent in connection with fund offerings. CSP Securities, LP ("Capstone Partners"), a broker-dealer registered with the SEC under the Securities Exchange Act of 1934, was retained by Milestone Partners as placement agent to certain prospective investors.

Capstone Partners generally receives a placement fee with respect to the investors it solicits and that invest, consisting of a cash fee. Such placement fees may be paid by the fund but will reduce management fees payable to Milestone Partners.

Various potential and actual conflicts of interest may exist or arise from Capstone Partners' business activities and relationships with its clients, investors whom it solicits for funds and portfolio companies of the funds or other funds not affiliated with Milestone Partners. Capstone Partners has provided, and may continue to provide, a number of services to Milestone Partners, the funds, and certain portfolio companies, has a number of relationships with Milestone Partners, the funds, and may have various relationships with potential portfolio companies. Please refer to Item 11 for a discussion of how we address conflicts of interest that arise in the context of business relationships.

Item 15 Custody

Pursuant to applicable regulation, Milestone Partners is considered to have custody of its funds' cash and securities. Milestone Partners maintains the funds' cash and certificated securities with independent qualified custodians. Milestone Partners arranges for each fund's financial statements to be prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and audited at least annually by an independent public accountant that is registered with, and subject to regular inspection as of the commencement of the professional engagement period, and as of each calendar year-end, by, the Public Company Accounting Oversight Board in accordance with its rules. Milestone Partners makes those audited financial statements available to all Investors in the fund within 120 days of the end of the fund's fiscal year. Upon liquidation of a fund, Milestone Partners will distribute its audited financial statements prepared in accordance with GAAP to all investors in the fund promptly after the completion of such audit. Because Milestone Partners' clients are the funds and the funds are subject to the foregoing audits, a qualified custodian is not required to send account statements to clients or investors.

Item 16 Investment Discretion

We have 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 funds' limited partnership agreements, provides us with full discretion to determine investments to be purchased and sold on behalf of the fund and the terms of the related transactions. Limitations on our investment discretion are set forth in the investment management agreements with, and the limited partnership agreements of, our funds.

Item 17 Voting Client Securities

In connection with Milestone Partners' management of its private equity fund clients, Milestone Partners may exercise voting authority with respect to its clients' securities (each such situation, a "Voting Opportunity"). In each instance in which Milestone Partners exercises voting authority with respect to a client's securities, it shall exercise such authority in the best interests of such client. In determining the manner in which it should exercise its voting authority with respect to

a client's securities, Milestone Partners shall consider the factors that it reasonably determines to be relevant in light of the particular Voting Opportunity.

The following procedures are designed to ensure that (a) Voting Opportunities are properly identified, (b) material conflicts of interest, if any, with respect to Voting Opportunities are identified and addressed, (c) Milestone Partners exercises its voting authority with respect to its clients' securities in a timely manner and (d) Milestone Partners maintains adequate records regarding its exercise of voting authority with respect to its clients' securities.

Each time a Voting Opportunity is identified by an employee of Milestone Partners, such employee should promptly notify the Chief Compliance Officer of such Voting Opportunity and provide him with background information regarding such Voting Opportunity. The Chief Compliance Officer shall consider such background information and determine whether a material conflict of interest exists with respect to the Voting Opportunity.

If the Chief Compliance Officer determines that no material conflict of interest exists, the Chief Compliance Officer shall exercise (or authorize another Milestone Partners employee to exercise) voting authority with respect to the applicable client's securities in connection with such Voting Opportunity.

If the Chief Compliance Officer determines that a material conflict of interest exists with respect to such Voting Opportunity, he will convene a meeting of members of Milestone Partners' senior management to discuss such conflict. At such meeting, the Voting Opportunity and such material conflict of interest will be discussed by the Chief Compliance Officer and such members of Milestone Partners' senior management until a decision is reached as to how (a) such material conflict of interest will be addressed and (b) the applicable client's securities will be voted.

Milestone Partners may abstain from exercising its voting authority with respect to a client's securities if it determines that such abstinence is in such client's best interest.

Each time Milestone Partners exercises voting authority with respect to a client's securities, the Chief Compliance Officer (or a designee thereof) shall document, in writing, (a) the name of such client, (b) the manner in which Milestone Partners exercised its voting authority, (c) the employee(s) of Milestone Partners responsible for the determination as to how to exercise such voting authority and (d) a description of any material conflict of interest identified with respect to such Voting Opportunity and the manner in which such conflict was addressed.

The Chief Compliance Officer shall ensure that appropriate disclosure regarding the foregoing Voting Opportunity policies and procedures are included in Milestone Partners' brochure (Form ADV Part 2). A client of Milestone Partners (or such client's limited partners) may obtain from Milestone Partners information regarding how Milestone Partners voted with respect to such client's securities subject to the terms of the governing documents of such client.

Milestone Partners generally does not disclose to its clients (or their limited partners) how Milestone Partners expects to exercise its voting authority with respect to such clients' securities in the future.

Item 18 Financial Information

Milestone Partners has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.