

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

LEVINE LEICHTMAN STRATEGIC CAPITAL, LLC

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Levine Leichtman Strategic Capital, LLC (“LLSC”). If you have any questions about the contents of this Brochure, please contact us at 310-275-5335. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

Additional information regarding LLSC is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 MATERIAL CHANGES

LLSC filed its most recent Form ADV on March 27, 2018. This amendment updates this Brochure to reflect the sale of a non-controlling minority interest in LLSC and its affiliates to a third party.

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ITEM 4 ADVISORY BUSINESS

Levine Leichtman Strategic Capital, LLC (“LLSC”), a Delaware limited liability company and a registered investment adviser, provides investment sub-management services to CNL Strategic Capital, LLC (the “Client”) and its external manager, CNL Strategic Capital Management, LLC (“CSCM”). LLSC commenced operations in 2017.

The Client is organized as a holding company that primarily seeks to acquire controlling equity stakes and loan positions in durable and growing middle-market companies. Subject to the overall supervision of a board of directors (which approves all investments of the Client), the Client is managed by CSCM pursuant to a management agreement between CSCM and the Client. CSCM has engaged LLSC as a sub-manager to the Client pursuant to a sub-management agreement between LLSC, the Client and CSCM (the “**Sub-Management Agreement**”). Under the Sub-Management Agreement, LLSC is responsible for the day-to-day management of the Client’s assets and will provide support to certain of CSCM’s management activities, among other items. CSCM and LLSC are collectively responsible for sourcing potential acquisition and debt financing opportunities, and monitoring and managing the businesses acquired and/or financed on an ongoing basis for the Client. LLSC is primarily responsible for analyzing and conducting due diligence on prospective acquisitions and debt financings, as well as the overall structuring of transactions for the Client.

LLSC’s advisory services to the Client and CSCM are detailed in the offering memorandum or other offering documents for the Client (each, a “**Memorandum**”) and the Sub-Management Agreement and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.”

As of June 30, 2018, LLSC managed \$78,227,212 in client assets on a non-discretionary basis.¹ LLSC is controlled by Arthur E. Levine and Lauren B. Leichtman.

LLSC is under common control with Levine Leichtman Capital Partners, LLC (“LLCP”) and its advisory affiliates (collectively, the “**Firm**”). LLCP is a separately registered investment adviser that provides investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere and to managed accounts.

From time to time, the Firm may identify a particular investment opportunity that is most suitable for a client (including funds), but the size of which exceeds the client’s desired amount in view of the client’s stated investment objectives and strategy, operating documents and agreements, investment and operating guidelines, diversification and concentration limitations (including the potential for follow-on investments), portfolio construction considerations, tax and regulatory considerations, minimum dollar limitations, risk considerations, leverage availability, liquidity constraints and other relevant factors (“**Allocation Factors**”). In such cases, the Firm may offer an allocation of the investment opportunity to committed or agreed co-invest funds, or vehicles or other accounts managed or sub-managed by the Firm, including the Client. Such

¹ Based upon investment portfolio value reported by CNL Strategic Capital, LLC in its Form 10-Q for the quarterly period ended June 30, 2018. Does not include any uninvested cash balances.

allocation shall be determined by the Firm in order to facilitate certainty of and timely execution (including potential requests for follow-on investment and/or capacity for additional funding in the underlying investments) by the client and to meet other objectives benefiting the client or determined appropriate by the Firm and shall take into account the Allocation Factors and all other relevant factors for such vehicle or account. The Firm may also in its sole discretion offer an allocation of the investment opportunity (a “**Syndicated Co-Investment**”) to (a) existing limited partners of other funds taking into account applicable agreements, conflicts and the Allocation Factors; or (b) other co-investors selected by the Firm, including lenders and other strategic or other parties selected on a case-by-case basis and taking into account a wide range of factors. The Firm may also organize one or more co-investment funds to invest in clients or to co-invest alongside clients to facilitate personal investments by such persons or firms and by partners, officers and employees and their related parties and associates of the Firm or of control entities. The Firm may charge a management fee to or receive carried interest from such co-investment funds, vehicles and accounts.

ITEM 5 FEES AND COMPENSATION

In general, LLSC receives management fees and a total return incentive fee in connection with advisory services. LLSC or its affiliates may also charge businesses owned by the Client transaction fees in connection with management and other services performed for portfolio companies of the Client, subject to certain limits and/or payment obligations to the Client. Certain expenses of LLSC will also be reimbursed. The specifics of the fee arrangement are fully described in the Sub-Management Agreement.

Management Fees

LLSC receives a base management fee (the “**Management Fee**”) equal to a percentage of the Client’s average gross assets, payable monthly in arrears. The percentage is based upon the Client’s relative average adjusted capital attributable to “founder shares” versus “non-founder shares,” and ranges from 0.5% to 1% on an annual basis. Average gross assets is calculated on a monthly basis in accordance with the Client’s valuation policy, excludes cash, and reflects changes in fair market value of assets (including both realized and unrealized capital appreciation).

Other Management Fee Information

In the course of performing its sub-management services, LLSC may charge the Client’s businesses transaction fees including, without limitation, investment banking fees, financing fees, capital fees, arrangement fees, structuring fees, acquisition advisory fees, disposition fees, liquidation fees, break-up fees and other similar fees in connection with services customarily performed in connection with the management of the Client’s businesses (“**Transaction Fees**”). In accordance with the terms of the Sub-Management Agreement, however, Transaction Fees may not be charged until the effectiveness of a registration statement for shares of the Client in a continuous public offering and the sale of shares in such public offering. Once Transaction Fees may be charged, LLSC will pay to the Client all Transaction Fees per year that exceed the applicable amount specified in the Sub-Management Agreement. All Material Transaction Fees

(as defined in the Sub-Management Agreement) shall be subject to the approval of the Client's board of directors, including a majority of the independent directors.

If Transaction Fees are paid by a portfolio company in which there are co-investors, a portion of such fees will be deemed to be on the account of such co-investors, and the portion of such fees related to co-investors will not potentially be subject to payment to either CSCM or the Client. Depending upon the Firm's arrangements with such other investors, a portion or all of such fees may be retained by the Firm.

Total Return Incentive Fee

LLSC also receives a total return incentive fee (the "**Incentive Fee**") based on the total return to shareholders of the Client (which is based upon the change in net asset value of the applicable share class from the highest prior year end net asset value of such share class (subject to certain adjustments for distributions) plus the total distributions to the applicable share class) in any calendar year, payable annually in arrears. The share of the total return to shareholders to be paid to LLSC varies depending upon the share class, and ranges between 5% and 10%. No total return incentive fee will be paid on a share class unless a specified preferred return hurdle is met (but LLSC is entitled to "catch up" payments after the hurdle is met, as further described in the Memorandum and the Client's management and sub-management agreement).

Other Information

The Client is expected to generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid over the Client's life (which may be perpetual). Investors generally are not permitted to withdraw or redeem interests in the Client, although the Client's board of directors may (but is not required to) implement a share repurchase program if it does not pursue a public offering for the Client.

Principals or other current or former employees of LLSC generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, Incentive Fee or other compensation received by LLSC or its affiliates.

The Client will also directly or indirectly bear certain expenses of LLSC. As set forth in the Sub-Management Agreement, LLSC shall be reimbursed for all third party out-of-pocket expenses incurred by LLSC at the request of or on behalf of CSCM or the Client, including without limitation, all fees, costs, expenses, liabilities and obligations relating to the Client's activities, acquisitions, dispositions, financings and business (to the extent not borne or reimbursed by a subsidiary of the Client or a potential acquisition target), including:

- (i) fees payable to third parties relating to or associated with due diligence, investment banking fees, professional fees, legal fees, fees associated with organizing, acquiring, consummating, financing, refinancing, restructuring, hedging, taking public or private the Client's assets or the Client itself, including the fees and expenses associated with performing due diligence reviews of prospective acquisitions, including, subject to the Client's investment policy, those opportunities not consummated (including legal,

accounting, auditing, insurance, travel, meals and entertainment, consulting, brokerage, finders', financing, appraisal, filing, printing, real estate title, survey, reverse breakup, termination and other fees and expenses);

(ii) fees, costs and expenses associated with the management, advising, operating, holding of the Client's assets, including legal, accounting, custodian, depositary, auditing, insurance (including directors and officers liability insurance), travel, meals and entertainment, litigation and indemnification costs and expenses, judgments and settlements, consulting, brokerage, finders', financing, appraisal, Bloomberg listing, pricing, data, marketing and similar services, investment banking fees, filing, printing, title, transfer, registration, compliance, reporting, oversight and other fees and expenses (including fees, costs, and expenses associated with the preparation or distribution of the Client's financial statements, tax returns, tax estimates, and Schedule K-1s or any other administrative, regulatory or other Client-related reporting or filing);

(iii) all fees, costs, expenses, liabilities and obligations attributable to liquidating, selling or disposing of the Client's businesses or investments or the Client itself, including expenses and fees in connection with identifying and evaluating purchasers, and negotiating and finalizing terms of a sale, disposition or liquidation;

(iv) fees associated with valuing assets, including expenses and fees payable to third parties with respect to the valuation of the Client's investments;

(v) subject to the Client's investment policy, all fees, costs, expenses, liabilities and obligations incurred by LLSC relating to acquisition and disposition opportunities for the Client not consummated (including legal, accounting, auditing, insurance, travel, meals and entertainment, consulting, brokerage, finders', financing, appraisal, filing, printing, real estate title, survey, reverse breakup, termination and other fees and expenses);

(vi) brokerage commissions for the Client's assets; and

(vii) all fees, costs and expenses incurred in connection with the organization, management, operation, monitoring, dissolution, liquidation and final winding-up of any special purpose vehicles authorized by the Sub-Management Agreement, as well as any organization and offering expenses, to the same extent as such expenses would be reimbursable to CSCM had such expenses been incurred by CSCM. Organizational and offering expense reimbursements are subject to certain caps described in the Sub-Management Agreement.

LLSC and CSCM have entered into an Expense Support and Conditional Reimbursement Agreement with the Client, pursuant to which LLSC and CSCM have jointly agreed to reduce the payment of management fees, incentive fees and expense reimbursement by the Client to the extent that its regular cash distributions to shareholders exceed its annual net income (with certain specified adjustments). If there are any available operating funds at the Client at the end

of the year, they shall be used to repay all or part of the amounts waived pursuant to the foregoing sentence, subject to certain conditions.

The Client likely bears additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the practices set forth in “Brokerage Practices.”

The Firm may have other committed funds or co-investors invested alongside the Client with the approval of the board of directors of the Client (and, where applicable, the independent directors on such board). Any such co-investment vehicle will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Client. In the event that a transaction in which a Syndicated Co-Investment was planned, including a transaction for which a Syndicated Co-Investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all fees and expenses relating to such unconsummated transaction will be borne by the Client, and not by any prospective syndicated co-investors that were to have participated in such transaction, unless otherwise agreed to by such prospective syndicated co-investors. LLSC may consult with CSCM and the board of directors of the Client (and/or the independent directors of such board) as appropriate to approve any conflict caused by the proposed allocation of expenses.

In certain cases, multiple investment vehicles may benefit from expenses incurred by the Firm. Such expenses will be allocated among investment vehicles consistent with the governing documents of such investment vehicles and the Firm’s expense allocation policy. In the event that the governing documents and/or expense policy do not outline a procedure for allocation of a particular expense, LLSC, together with any other applicable advisers, will determine the allocation of such expense in a fair and equitable manner. Generally speaking, such expenses will be allocated pro rata among investment vehicles participating or proposing to participate in the related transaction. In circumstances where a proposed transaction is terminated prior to the determination by LLSC and related advisers of the allocation of such transaction among investment vehicles, consistent with its fiduciary obligations, LLSC together with its related advisers will determine if it is more likely than not, based on the facts known at such time, whether a co-investment opportunity in the related transaction would have been offered to a committed co-investment fund or other committed vehicle managed by affiliates of LLSC had the transaction moved forward and, if so, allocate expenses among such vehicles according to the Firm’s expense allocation policy, which allocation may be a fixed percentage.

In certain cases, LLSC, subject to approval by CSCM that the opportunity meets the Client’s investment objectives and final approval of the Client’s board of directors (and, where applicable, the independent directors on such board), may determine it is appropriate for the Client to participate in an acquisition opportunity alongside one or more vehicles managed by the Firm. Generally speaking, such expenses will be allocated pro rata among investment vehicles participating or proposing to participate in the related transaction. In the event the proposed acquisition opportunity is terminated before the Firm determines the Client’s allocation to such opportunity, expenses incurred prior to the termination of the opportunity may be allocated to the

Client in accordance with the Firm's policy, which may apply a fixed percentage based upon the Firm's good faith review of historical allocations, relative client size and other Allocation Factors.

ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under "Fees and Compensation," LLSC receives incentive fees on certain realized and unrealized increases in the asset value of the Client's shares.

The existence of performance-based compensation has the potential to create an incentive for LLSC to recommend more speculative investments for the Client than it would otherwise make in the absence of such arrangement, although LLSC generally considers performance-based compensation to better align its interests with those of its clients.

ITEM 7 TYPES OF CLIENTS

LLSC provides investment advice to the Client and CSCM. The Client is organized as a holding company that primarily seeks to acquire controlling equity stakes and loan positions in durable and growing middle-market companies. CSCM is the administrator and manager of the Client, and is a registered investment adviser.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

The significant investment strategies and investment process utilized by LLSC on behalf of the Client are set forth below. Investments in the Client are not guaranteed. The instruments in which the Client invests may lose value. An investment in the Client involves a risk of loss that an investor in the Client should be prepared to bear.

Investment Strategy

LLSC seeks to create long-term value for the Client by identifying durable, middle-market businesses for acquisition and growth thereafter. LLSC's strategy for the Client is to acquire controlling equity stakes in combination with loan positions (typically in the form of senior and subordinated notes) in durable and growing, middle-market companies, which will become the Client's majority-owned subsidiaries and from which the Client is expected to receive current income through interest income and distributions from equity ownership. This business strategy seeks to provide current income and long-term appreciation, while protecting invested capital through ownership of durable and growing, middle-market businesses. LLSC plans to manage and grow the businesses acquired by the Client to create value over a long-term time horizon. LLSC intends for the acquisitions of long-term controlling equity stakes, in combination with loan positions in such businesses, to comprise a significant majority of the Client's total assets.

In addition and to a lesser extent, LLSC intends to recommend that the Client acquire other debt and minority equity positions, which may include acquiring debt in the secondary market and minority equity stakes in combination with funds managed by LLCP from co-investments with other partnerships managed by LLCP or its affiliates. These positions are expected to comprise a minority of the Client's total assets.

The principal components of LLSC's investment strategy with respect to the Client include:

Focus on Durable and Growing, Middle-Market Businesses. LLSC anticipates recommending for acquisition businesses with established market positions, experienced management teams and a proven ability to grow through different market cycles, including, without limitation, providers of well-established consumer products, business services and light manufacturing companies. For example, affiliates of LLSC have acquired businesses in the following industries: healthcare products and services, education, safety companies, restaurants, manufacturing, consumer products, franchising and aerospace. LLSC does not intend to recommend businesses in industries that it believes are not stable or predictable, including, but not limited to, oil and gas, commodities, start-ups, high technology, internet and ecommerce. LLSC does not intend to recommend businesses that at the time of acquisition are distressed or companies in the midst of a turnaround.

Capitalize on Sourcing Network. LLSC anticipates leveraging its network of over 2,000 referral sources for acquisition and financing opportunities.

Long-term Value Creation Through Tailored Acquisitions. LLSC intends to employ a consistent strategy that can be tailored to the capital structure required to meet the needs of entrepreneurial management teams who require a long-term strategic solution. For example, LLSC expects to recommend the acquisition of controlling equity stakes in businesses which it expects will provide the Client with a high level of operational control of the business. LLSC will seek to have the Client partner with management teams that will have a meaningful equity ownership stake in their businesses and therefore be highly incentivized to support the growth and profitability of the Client's investment. LLSC believes the Client's capital and the sophisticated financial and strategic advice that CSCM and LLSC are able to provide to such businesses will provide the opportunity for long-term value creation.

Create Current Income. LLSC anticipates recommending the Client acquire controlling equity positions in businesses for long-term growth and distributions from its equity ownership. In connection with these acquisitions, LLSC also anticipates recommending that the Client also provide debt financing in the form of senior, subordinated and/or mezzanine debt to these businesses from which the Client can expect to receive current income through interest income. The high free cash flow nature of the businesses that LLSC anticipates recommending to the Client affords them the ability to make interest payments without impeding the business. LLSC believes that the Client's financing activities will provide income for regular distributions to its shareholders.

Mitigate Risk Through Less Third-Party Leverage. LLSC intends to create for the Client what it believes to be a capital structure that mitigates downside risk by concurrently acquiring controlling equity stakes with concurrent loan positions in the businesses it acquires. LLSC expects that the Client will provide the businesses it acquires with the senior, subordinated and/or mezzanine debt they need, resulting in companies with less external third-party debt. By doing so, LLSC expects to secure a stream of income for the Client that can provide for distributions to its shareholders as well as prevent influence by third-party investors and/or debt providers that may have different business objectives and priorities.

Rely on the Skills and Experience of CSCM and LLSC to Provide Value-Added Expertise. The respective affiliates of CSCM and LLSC have significant experience in acquiring, managing and financing middle-market companies, and LLSC expects they will offer sophisticated financial and strategic advice to the businesses acquired by the Client (and adding value) while respecting the management team's operating autonomy. LLSC intends to meet regularly with senior management of the businesses acquired by the Client in an operating committee format to discuss a business's strategic, financial and operating performance. In addition, LLSC believes that CSCM's and its proactive assistance to the businesses acquired by the Client will help mitigate risks and will create value for the Client's shareholders.

Investment Process

Initial Screening. LLSC has developed criteria for selecting quality businesses for acquisition:

- Focus on Middle-Market Businesses
- Strong Entrepreneurial Management with a Significant Equity Stake Post-Acquisition
- Market-Leading Businesses with Proven Historical Performance
- Sustainable Capital Structure

Once a potential acquisition has been identified, the members of the acquisition team working on the transaction will gather initial business and financial information regarding an opportunity and develop a preliminary financial model for review with at the acquisition team's weekly meeting. After initial review by the acquisition team, LLSC's management committee will make a preliminary determination of whether to proceed with a more comprehensive due diligence review. Upon preliminary approval by LLSC's management committee, LLSC will present the opportunity to CSCM for approval as within the suitability parameters of the Client. Once CSCM gives or is deemed to have given preliminary approval for LLSC to move forward, the acquisition and financing team meets weekly to evaluate the due diligence process.

LLSC has developed specific, detailed criteria that are used at this step in the process to review potential acquisition opportunities. LLSC intends to analyze a business both from the "top-down" and the "bottom-up." The top-down analysis involves a macroeconomic analysis of relative asset valuations, long- term industry trends, business cycles and technical factors to

target specific industry sectors and asset classes. The bottom-up analysis includes a rigorous analysis of the businesses' fundamentals and capital structure of each business considered for acquisition and a thorough review of the impact of market and industry trends on a potential acquisition.

Due Diligence and Acquisition Analysis. After preliminary approval, LLSC expects to perform extensive due diligence focused on understanding the critical success factors and major risks associated with the opportunity. In doing so, LLSC intends to evaluate the operations of the target business as well as the outlook for the industry in which the target business operates. During the course of the due diligence review, LLSC's management committee will meet with the members of the acquisition team conducting the review to evaluate the results and make recommendations on the process.

Factors evaluated by LLSC include but are not limited to:

- Detailed analysis of management which may include on-site interviews, management strengths and capabilities and corporate questionnaires and background checks;
- Extensive reference checks of board members, customers, suppliers and service providers;
- Critical success factors analysis including developing operating metrics to measure performance;
- Due diligence of financial statements, conditions and prospects, including analysis and review of historical revenues, margins and earnings, working capital, capital spending requirements, projections and related sensitivities and accounting working papers;
- Industry segmentation analysis including competition, positioning, trends and opportunities and, if necessary, consultation with industry experts or operating executives with relevant expertise; and
- Legal due diligence including corporate formalities, contract review, litigation, employment matters, insurance and environmental reviews.

A critical component of the evaluation of potential target businesses is LLSC's assessment of the capability of the existing management team along with the financial and operational information systems. In businesses where these areas need improvement, ownership of a controlling interest in the business is an important factor in implementing necessary changes. When applicable, LLSC may engage third party due diligence providers.

In addition to due diligence, LLSC believes that appropriately structuring a transaction is a critical factor in producing successful outcomes. Accordingly, LLSC intends to consider a wide range of structures and seek to negotiate terms that provide opportunities for risk mitigation while still addressing the financing and business needs of the prospective target business.

Relevant transaction features may include the percentage of equity retained by the business' management, seniority of debt, collateral packages, frequency of interest payments, redemption features, maturity dates, covenants, default penalties and lien protection, among other items specific to the specific transaction. LLSC's acquisition team will seek to structure each transaction in a manner that manages risks, properly matches pro forma capitalization with the business and creates incentives for the target business to achieve its business plan and improve profitability. LLSC intends to structure acquisitions to align the Client's interests with those of the operating management through (i) understanding and supporting management's overall strategic vision and objectives and (ii) ensuring that management shares meaningfully in the future equity value.

Final Review and Approval. In connection with the acquisition team's due diligence review and acquisition analysis and structuring, the acquisition team will prepare a highly detailed financial model along with a preliminary structure for the acquisition. The acquisition team then presents the final financial model and proposed acquisition structure to LLSC's management committee for its preliminary approval. Upon the approval of LLSC's management committee, the final financial model and proposed acquisition structure is presented to CSCM's management committee for its approval that the acquisition meets the Client's investment objectives. Upon the preliminary approval of CSCM's management committee, the acquisition team will deliver a letter of intent to the target business.

Once the acquisition team has completed their due diligence review, the members assigned to the transaction will draft an evaluation presentation that is submitted to LLSC's management committee for approval.

Any acquisition or financing transaction must be approved by an affirmative vote from the majority of members of LLSC's management committee and CSCM's management committee must conclude that such opportunity meets the Client's investment objectives. The Client's board of directors (and, where applicable, the independent directors on such board) shall have the right to approve each proposed acquisition.

Management of Portfolio Companies

LLSC intends to be integrally involved with the Client's portfolio companies. LLSC's administration and compliance group employs a "hands on" approach to day-to-day management with regular reporting and constant communication with the management teams of the Client's portfolio companies and CSCM's management committee. The same team from LLSC's administration and compliance group that is involved initially after the acquisition will continue its relationship with the applicable portfolio companies as long as the Client holds an interest in the business. This continuity of knowledge fortifies the business relationship between LLSC and the portfolio companies.

LLSC intends to add value to the existing management team of portfolio companies by offering financial and strategic advice while respecting their operating autonomy. LLSC intends to assist senior management in the following areas:

- strategic direction and planning,
- introduction to acquisition opportunities and new business contacts,
- follow-on growth and acquisition capital and financing,
- capital market strategies, and
- optimization of working capital.

Exit Strategy

The Client's policy is to acquire middle-market businesses with the expectation of operating these businesses over a long-term basis that will involve a minimum holding period of four to six years. Actual holding periods for many portfolio companies are expected to exceed this minimum holding period, but each business will be acquired with the expectation of an eventual exit transaction after a reasonable time frame to allow for the realization of shareholder appreciation. In limited circumstances in order to manage liquidity needs, meet other operating objectives or adapt to changing market conditions, the Client may also exit businesses prior to the expected minimum holding period. Exit decisions will be made with the objective of maximizing shareholder value and allowing the Client to realize capital appreciation to the extent available from individual businesses. LLSC will also assess the impact that any exit decision may have on the Client's exclusion from registration as an investment company under the Investment Company Act of 1940, as amended. In selecting the form of exit transaction, LLSC expects to assess prevailing market conditions, the timing and cost of implementation, whether the Client will be required to assume any post-transaction liabilities and other factors determined by CSCM and LLSC. No assurance can be given relating to the actual timing or impact of any exit transaction on the Client's business.

Risks of Investment

The Client and its investors bear the risk of loss that LLSC's investment strategy entails. The risks involved with LLSC's investment strategy with the Client include, but are not limited to:

Private Company Risks. The Client's investment portfolio is expected to consist primarily of controlling interests in privately-held, middle-market businesses, which by their nature pose certain incremental risks as compared to public companies, including: reduced access to the capital markets, limited financial resources (leading to an inability to meet debt obligations and a deterioration in the value of any collateral), shorter operating histories, narrower product lines and smaller market shares than larger businesses (which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns), greater reliance on the management talents and efforts of a small group of persons and less predictable operating results. Such investments involve a high degree of business and financial risk that can result in substantial losses. In addition, interests in private companies tend to be less liquid. The reduced liquidity of these interests may make it difficult

for the Client to dispose of them at a favorable price, and, as a result, the Client may suffer losses. Finally, little public information generally exists about private companies and these companies may not have third-party credit ratings or audited financial statements. The Client must therefore rely on the ability of CSCM and LLSC to obtain adequate information through due diligence to evaluate the creditworthiness and potential returns from these business opportunities. If CSCM and LLSC are unable to uncover all material information about these companies, they may not make a fully informed business decision, and the Client may lose money.

Portfolio Company Intellectual Property Risks. The steps portfolio companies have taken to protect their intellectual property rights may not prevent third parties from using their intellectual property and other proprietary information without their authorization or independently developing intellectual property and other proprietary information that is similar. In addition, the laws of foreign countries may not protect the intellectual property rights of these companies effectively or to the same extent as the laws of the United States. Stopping unauthorized use of their proprietary information and intellectual property, and defending against claims that they have made unauthorized use of others' proprietary information or intellectual property, may be difficult, time-consuming and costly. The use of their intellectual property and other proprietary information by others, and the use by others of their intellectual property and proprietary information, could reduce or eliminate any competitive advantage they have developed, cause them to lose sales or otherwise harm their business.

In addition, some of the businesses the Client acquires may become involved in legal proceedings and claims in the future either to protect their intellectual property or to defend allegations that they have infringed upon others' intellectual property rights. These claims and any resulting litigation could subject them to significant liability for damages and invalidate their property rights. In addition, these lawsuits, regardless of their merits, could be time consuming and expensive to resolve and could divert management's time and attention. The costs associated with any of these actions could be substantial and could have a material adverse effect on their financial condition, business and results of operations.

Offshoring Risk. Some portfolio companies may be potentially at risk of losing business to competitors operating in lower cost countries. An additional risk is the movement offshore of some customers of the portfolio companies, leading them to procure products or services from more closely located companies. Either of these factors could negatively impact the Client's financial condition, business and results of operations.

Future and Past Performance. The performance of LLC's prior investments is not necessarily indicative of the Client's future results. LLSC may experience difficulty in evaluating potential target businesses as the information concerning these businesses may not be publicly available. In addition, in certain circumstances, the business analyses and decisions by CSCM and LLSC may be required to be undertaken on an expedited basis to take advantage of acquisition opportunities. Therefore, no assurance can be given that CSCM and LLSC will have knowledge of all circumstances that may adversely affect such decision. In addition, CSCM and LLSC expect often to rely upon independent consultants in connection with its evaluation of

proposed acquisitions. No assurance can be given as to the accuracy or completeness of the information provided by such independent consultants and the Client may incur liability as a result of such consultants' actions. Therefore, LLSC's estimates and assumptions used to evaluate the operations, management and market risks with respect to potential target businesses may be subject to various risks. On any given investment, loss of principal is possible. In addition, the Client may incur substantial broken deal costs in connection with acquisition opportunities that are not consummated.

In addition, LLSC may have difficulty effectively managing the businesses acquired by the Client. The management or improvement of the Client's portfolio companies may be hindered by a number of factors including limitations in the standards, controls, procedures and policies of such acquisitions. Further, the management of an acquired business may involve a substantial reorganization of the business's operations resulting in the loss of employees and customers or the disruption of ongoing businesses. Some of the businesses the Client acquires may have significant exposure to certain key customers, the loss of which could negatively impact the Client's financial condition, business and results of operations. The Client may experience greater than expected costs or difficulties relating to such acquisition, in which case, the Client might not achieve the anticipated returns from any particular acquisition, which may have a material adverse effect on its financial condition, business and results of operations.

Investment in Junior Securities. The securities in which the Client will invest may be among the most junior in a portfolio company's capital structure, and thus subject to the greatest risk of loss.

Debt Investments. The Client may invest in debt, debt-related, and other securities of companies. These securities may be unsecured, subordinated to senior indebtedness, or unprotected by covenants or limitations on additional indebtedness.

Debt securities are subject to both credit and interest rate risks. If an issuer is unable to make principal and interest payments on its indebtedness, the Client may suffer a partial or total loss of capital invested in the company. Declines in revenues or increases in expenses may significantly affect the ability of an issuer to pay, and these risks may change over the life of an investment. Interest rates are subject to risks associated with changes in the market. Interest rate changes directly affect the value of adjustable rate securities, and indirectly affect the value of fixed rate securities.

When the Client acquires senior debt, it will generally seek to take a security interest in the available assets of a business, including equity interests in any of its subsidiaries. There is a risk that the collateral securing such loans may decrease in value over time or lose its entire value, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the business to raise additional capital. Also, in some circumstances, the lien could be subordinated to claims of other creditors. In addition, deterioration in such business's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact

that a loan is secured does not guarantee that the Client will receive principal and interest payments according to the loan's terms, or at all, or that the Client will be able to collect on the loan.

The rights the Client may have with respect to the collateral securing the debt it acquires in businesses with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements. Under such an intercreditor agreement, at any time obligations that have the benefit of the first priority liens are outstanding, certain actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens. The Client may not have the ability to control or direct such actions, even if its rights are adversely affected.

Acquisitions of subordinated and/or mezzanine debt will generally be subordinated to senior debt and will generally be unsecured, which may result in a heightened level of risk and volatility or a loss of principal, which could lead to the loss of the entire investment. These acquisitions may involve additional risks that could adversely affect returns as compared to senior debt. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject the Client and its shareholders to non-cash income.

The Client may invest in convertible debt and equity-related securities. There is no minimum credit standard that is a prerequisite to the Client's investment in any security and the debt securities acquired by the Client may be non-investment grade. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Client is called for redemption, the Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Client's ability to execute its business strategy.

Portfolio companies could experience adverse business conditions that could result in a default on all or part of their obligations to the Client. A portfolio company's ability to satisfy its obligations to the Client could be impacted by market or industry conditions, national or international economic or political factors or other developments beyond the company's control. Defaults could ultimately result in the loss of investment principal.

If one of the Client's portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which the Client, CSCM or LLSC provided managerial assistance to such company or sat on the board of directors of such company, a bankruptcy court might re-characterize the Client's debt in a business and subordinate all or a portion of its claim to that of other creditors. In situations where a bankruptcy carries a high degree of political significance, the Client's legal rights may be subordinated to other creditors. In addition, a number of U.S. judicial decisions have upheld judgments obtained by borrowers against lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair

dealing, or a similar duty owed to the borrower or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or members. Because of the nature of its assets in businesses, the Client may be subject to allegations of lender liability. Furthermore, certain Client assets could be subject to federal bankruptcy law and state fraudulent transfer laws, which vary from state to state, if the debt obligations relating to such assets were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such debt obligations. If a court were to find that the issuance of the debt obligations was a fraudulent transfer or conveyance, the court could void or otherwise refuse to recognize the payment obligations under the debt obligations or the collateral supporting such obligations, further subordinate the debt obligations or the liens supporting such obligations to other existing and future indebtedness of the issuer or require the Client to repay any amounts received with respect to the debt obligations or collateral.

Under certain circumstances, payments to the Client and Client distributions to its shareholders may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, assets involving restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.

Investment in Non-Investment Grade Debt. The Client may from time to time directly or indirectly invest in non-investment grade loans or interests in non-investment grade loans and high-yield debt securities which are subject to liquidity, market value, interest rate, reinvestment and certain other risks. It is anticipated that such investments generally will be subject to greater risk than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio of individual investments is concentrated in one or more particular types of obligations. In addition, to the extent the Client directly or indirectly makes CLO investments, such investments may have capital structures with significant leverage. Direct and indirect investments in debt instruments may be in companies that also have significant leverage, thus increasing the exposure of the underlying companies to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of such companies or their industries.

Bank Loans and Participations. The Client may from time to time invest in significant amounts of bank loans and participations. These obligations are subject to significant risks, including (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) lender-liability claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations and (iv) limitations on the ability of the Client to directly enforce its rights with respect to participations.

PIK and OID. The Client's investments may include OID and PIK instruments. To the extent OID and PIK constitute a portion of the Client's income, it will be exposed to risks associated with such income being required to be included in income for financial reporting purposes in accordance with U.S. generally accepted accounting principles, or GAAP, and taxable income prior to receipt of cash, including the following:

- OID instruments may have unreliable valuations because the accruals require judgments about collectability;
- OID instruments may create heightened credit risks because the inducement to the borrower to accept higher interest rates in exchange for the deferral of cash payments typically represents, to some extent, speculation on the part of the borrower;
- For GAAP purposes, cash distributions to shareholders that include a component of OID income do not come from paid-in capital, although they may be paid from the offering proceeds;
- The presence of OID and PIK creates the risk of non-refundable cash payments to CSCM and LLSC in the form of incentive fees related to income based on non-cash OID and PIK accruals that may never be realized; and
- In the case of PIK "toggle" debt (debt for which the issuer may defer an interest payment by agreeing to pay an increased coupon in the future, provided that all deferred payments must be made by the instrument's maturity), the PIK election has the simultaneous effects of increasing the investment income, thus increasing the potential for realizing incentive fees.

Concentration of Investments. The Client will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment, or within a short period of time. As a result, the Client's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Client may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private company transactions is highly competitive and involves a high degree of uncertainty. Many of the Client's competitors are substantially larger and have considerably greater financial, technical and marketing resources. For example, LLSC believes some competitors may have access to funding sources that are not available to the Client. In addition, some competitors may have higher risk tolerances or different risk assessments. These characteristics could allow competitors to consider a wider variety of acquisition opportunities, establish more relationships and offer better pricing and more flexible structuring. The Client may lose acquisition opportunities if it does not match competitors' pricing, terms or structure. If the Client is forced to match competitors' pricing, terms and structure, it may not be able to

achieve acceptable risk-adjusted returns on its businesses or may bear risk of loss, which may have a material adverse effect on its business, financial condition and results of operations. In addition, if the Client loses an acquisition opportunity, it may still incur broken deal costs related to the review of an opportunity that is not consummated, which could be substantial.

Dynamic Investment Strategy. LLSC may pursue investments outside of the industries and sectors in which it or its affiliates have previously made investments or have internal operational experience.

Illiquidity; Lack of Current Distributions. An investment in the Client should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Client (including the Management Fee) may exceed its income, thereby requiring that the difference be paid from the Client's capital.

The Client is dependent upon the ability of its portfolio companies to generate earnings and cash flow and distribute them to the Client to enable it to satisfy its financial obligations and to make distributions to its shareholders. This ability may be subject to limitations under laws of the jurisdictions in which they are incorporated or organized. As a consequence of these various restrictions, the Client may be unable to generate sufficient receipts from its investments, and therefore, it may not be able to declare, or may have to delay or cancel payment of, distributions to shareholders.

Leveraged Investments. The Client may make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Client's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Client's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Client may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect its returns. Furthermore, should the credit markets be limited or costly at the time CSCM and LLSC determines that it is desirable to sell all or a part of a portfolio company, the Client may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover,

the companies in which the Client will invest generally will not be rated by a credit rating agency, and, even if it is rated, the credit rating assigned to a particular instrument may not fully reflect the true risks of an investment in such instrument.

The Client may also borrow money. The use of leverage by the Client also will result in interest expense and other costs to it that may not be covered by distributions made to it or appreciation of its investments. The amount of leverage that the Client will employ will depend on CSCM's and LLSC's and the Client's board of directors' assessment of market and other factors at the time of any proposed borrowing. There can be no assurance that leveraged financing will be available on favorable terms or at all. However, to the extent that leverage is used to finance investments, financing costs will be borne solely by the Client's shareholders and will reduce cash available for distributions to shareholders. Moreover, the Client may not be able to meet its financing obligations and, to the extent that it cannot, it risks the loss of some or all of its assets to liquidation or sale to satisfy the obligations. In such an event, the Client may be forced to sell assets at significantly depressed prices due to market conditions or otherwise, which may result in losses.

Reliance on the Manager and Sub-Manager. Control over the operation of the Client will be vested largely with CSCM and LLSC, and the Client's future profitability will depend largely upon the business and investment acumen of such advisers. The loss or reduction of service of one or more of CSCM and/or LLSC's management could have an adverse effect on the Client's ability to realize its investment objectives. In addition, LLSC's services to the Client and CSCM are not exclusive, and the staff of LLSC currently, and may in the future, manage other investment vehicles besides the Client and may need to devote substantial amounts of their time to the investment activities of such other vehicles, which may pose conflicts of interest. In addition, certain changes in the management of the Client may have an adverse effect on the Client or one or more of its portfolio companies.

Although LLSC will monitor the performance of the Client's investments, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day to day basis. Although the Client generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Client's objectives.

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

Conflicting Investor Interests. Investors may have conflicting investment, tax, and other interests with respect to their investments in the Client, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the Client's manager or sub-manager regarding an investment that may be more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, management generally will consider the investment and tax objectives of the Client and its investors as a whole, not the investment, tax, or other objectives of any investor individually.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, the Client may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that the Client will make follow-on investments or that it will have sufficient funds to make all or any of such investments. The Client's ability to make follow-on investments may also be limited by CSCM's and LLSC's allocation policies. Any decision by the Client not to make follow-on investments or its inability to make such investments may have a substantial negative impact on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for the Client to increase its participation in a successful portfolio company or the dilution of its ownership in a portfolio company if a third party invests in such portfolio company.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of the Client's investments and hence, most of its investments will be difficult to value.

Non-U.S. Investments. The Client may invest in companies that are organized and/or have substantial sales or operations outside of the United States, its territories and possessions. Investments in non-U.S. securities or instruments involve certain factors not typically associated with investing in U.S. securities and instruments, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Client's non-U.S. investments are denominated (including risks associated with potentially rapid inflation), and costs associated with conversion of investment principal and income from one currency into another; (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which the Client invests; (iii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iv) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (v) the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements, and less government supervision and regulation; (vi) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic, governmental or social instability, including the risk of sovereign defaults, regulatory change, and the possibility

of expropriation or confiscatory taxation; (vii) the possible imposition of non-U.S. taxes on income, gains and gross sales or other proceeds recognized with respect to such securities or instruments; (viii) the application of complex U.S. and non-U.S. tax rules to cross-border investments; (ix) possible non-U.S. tax return filing requirements for the Client and/or its members; (x) differing and potentially less well-developed or well-tested corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors; (xi) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (xii) political hostility to investments by foreign or private equity investors; and (xiii) less publicly available information.

Hedging Arrangements. The Client may (but is not obligated to) endeavor to manage its or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Client may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. Further, hedging transactions may reduce cash available to service debt or pay distributions to shareholders.

In some cases, particularly in OTC contexts, hedging arrangements will subject the Client to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Client to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the Client's manager and sub-manager and/or one of their respective affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption.

Public Company Holdings. The Client's investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject it to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Client to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' board members, and increased costs associated with each of the aforementioned risks.

Non-controlling Investments. The Client may hold meaningful debt and/or minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, the Client at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that the Client may hold will have neither the control characteristics of majority stakes nor the valuation premiums

accorded majority or controlling stakes. Where the Client holds a minority stake, it may be more difficult for it to liquidate its interests than it would be had it owned a controlling interest in such company. Even if the Client has contractual rights to seek liquidity of its minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to it, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals. In addition, the management of such businesses may take risks or otherwise act in ways that do not serve the best interests of the Client. As a result, such businesses may make decisions that could decrease the value of its investment.

Joint Ventures. The Client may acquire interests in joint ventures with third parties. In addition to the risks associated with non-controlling investments described above, there may be a potential risk of impasse in some business decisions because the Client may not be in a position to exercise sole decision-making authority. In such situations, it is possible that the Client may not be able to exit the relationship because it may not have the funds necessary to complete a buy-out of the other partner or it may be difficult to locate a third-party purchaser for its interest. In addition, there is the potential of the joint venture partner becoming bankrupt and the possibility of diverging or inconsistent economic or business interests between the Client and the JV partner. These diverging interests could result in, among other things, exposing the Client to liabilities of the joint venture in excess of its proportionate share of these liabilities. If any of the foregoing were to occur, the Client's business, financial condition and results of operations could suffer as a result.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Client and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Client and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon portfolio companies.

General Market and Economic Conditions. The success of the Client's investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by LLSC or the Client. The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the

market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities and may affect the Client's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Client's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The Client's performance can be affected by deterioration in the capital markets and by market events, including events similar to the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Client's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Client to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the Client to pay break-up, termination or other fees and expenses in the event it is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Client to dispose of investments at prices that CSCM and LLSC believe reflect the fair value of such investments. The impact of market and other economic events may also affect the Client's ability to raise funding to support its investment objective. Any of the foregoing events could result in substantial or total losses in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure.

Without limiting the foregoing, U.S. debt ceiling and budget deficit concerns together with signs of deteriorating sovereign debt conditions in Europe continue to present the possibility of a credit-rating downgrade, economic slowdowns, or a recession for the United States. The impact of any downgrades to the U.S. government's sovereign credit rating or downgraded sovereign credit ratings of European countries or the Russian Federation, or their perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. These developments, along with any further European sovereign debt issues, could cause interest rates and borrowing costs to rise, which may negatively impact the Client's ability to access the debt markets on favorable terms. Also, in October 2014, the Federal Reserve announced that it was concluding its bond-buying program. It is unknown what effect, if any, the conclusion of this program will have on credit markets and the value of the Client's investments. These and any future developments and reactions of the credit markets toward these developments could cause interest rates and borrowing costs to rise, which may negatively impact the Client's ability to obtain debt financing on favorable terms. On December 16, 2015, the Federal Reserve raised the target range for the federal funds rate to a range from 0.25% to 0.5%. On December 14, 2016, the Federal Reserve raised the target range for the federal funds rate to a range from 0.5% to 0.75%. On March 15, 2017, the Federal Reserve raised the target range for the federal funds rate to a range from 0.75% to 1.0%. On June 14, 2017, the Federal Reserve raised the target range for the federal funds rate to a range from 1.0% to 1.25%, and announced plans to start gradually reducing its bond holdings by not reinvesting proceeds from such bond holdings. However, if key economic indicators, such as the unemployment rate or inflation, do not progress at a rate consistent with the Federal Reserve's objectives, the target

range for the federal funds rate may increase and cause interest rates and borrowing costs to rise, which may negatively impact the Client's ability to access the debt markets on favorable terms.

Limited Capital Sources. Any working capital reserves the Client maintains may not be sufficient for business purposes, and the Client may require additional debt financing or equity capital to operate. These sources of funding may not be available due to unfavorable economic conditions, which could increase the Client's funding costs, limit its access to the capital markets or result in a decision by lenders not to extend credit. Consequently, if the Client cannot obtain further debt or equity financing on acceptable terms, its ability to fund the acquisition of businesses and to expand its operations will be adversely affected. As a result, the Client would be less able to execute its business strategy, which may negatively impact its results of operations and reduce its ability to make distributions to shareholders. Moreover, to the extent that economic conditions are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Client to realize its investments at favorable times or for favorable prices.

Unfunded Pension Liabilities of Portfolio Companies. Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Client intends to manage its investments to minimize any such exposure, the Client may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where it may own an 80% or greater interest in such a portfolio company. If the Client (or other 80%-owned portfolio companies of the Client) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Client and the companies in which it invests. This discussion is based on current court decisions, statute and regulations regarding ERISA control group liability as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

Valuation of Investments. There is not expected to be an actively traded market for most of the securities owned by the Client. The Client's board of directors is ultimately responsible for the determination, in good faith, of the fair value of its assets. The determination of fair value is subjective, and CSCM and LLSC have a conflict of interest in assisting the Client's board of directors in making this determination. The Client's board of directors, including a majority of its independent directors and its audit committee, has adopted a valuation policy that provides for the methodologies to be used to estimate the fair value of its assets for purposes of its net asset value calculation. The Client's board of directors will make this determination on a quarterly basis and any other time when a decision is required regarding the fair value of its assets. The Client's board of directors intends to retain an independent valuation firm to assist CSCM and LLSC in preparing their recommendations with respect to the Client's board of directors' determination of the fair values of assets for which market prices are not readily available. Because such valuations, and particularly valuations of private companies, are inherently uncertain, the valuations may fluctuate significantly over short periods of time due to changes in

current market conditions. The determinations of fair value by the Client's board of directors may differ materially from the values that would have been used if an active market and market prices existed for these assets. The Client's net asset value could be adversely affected if the determinations regarding the fair value of its assets were materially higher than the values that are ultimately realized upon the disposal of such assets.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the Client, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at LLSC, or one of its service providers holding its financial or investor data, LLSC, its affiliates or the Client may also be at risk of loss. The procedures and controls used to monitor these threats and mitigate exposure may not be sufficient to prevent cybersecurity incidents. The results of these incidents could include misstated financial data, theft of trade secrets or other intellectual property, liability for disclosure of confidential customer, supplier or employee information, increased costs arising from the implementation of additional security protective measures, litigation and reputational damage, which could materially adversely affect the Client's and/or its portfolio companies' financial condition, business and results of operations.

Conflicts of Interest

LLSC and its related entities engage in a broad range of advisory and non-advisory activities. LLSC will devote such time, personnel and internal resources as are necessary to fulfill its obligations to the Client and CSCM as required by the Sub-Management Agreement and related agreements. In the ordinary course of LLSC conducting its activities, the interests of the Client and/or CSCM may conflict with the interests of LLSC, the Firm and/or their related entities, including one or more other investment vehicles or portfolio companies managed by such entities. Certain of these conflicts of interest are discussed herein.

LLCP Vehicles and Allocation of Investment Opportunities

The Firm currently manages, and expects in the future to manage and/or form, investment vehicles (each, an "**LLCP Vehicle**") that will, in certain circumstances, have overlapping strategies that target companies in the same revenue range as those targeted by the Client. In addition, the Firm currently manages, and expects in the future to manage, portfolio company investments similar to those in which the Client will be investing, and may direct certain relevant investment opportunities to those investments. Such other investments may potentially compete

with companies acquired by the Client. The Firm's principals and investment staff will continue to manage and monitor the LLC Vehicles and investments until their dissolution or realization, as applicable. LLSC believes that its principals' interest in the Incentive Fee operates to align, to some extent, the interest of LLSC's principals with the interest of the Client, although LLSC's principals have or may have economic interests in LLC Vehicles as well and receive management fees and carried interests relating to those interests; some or all of such interests are greater in the LLC Vehicles than in the Client.

The Client and CSCM have acknowledged that LLSC, the Firm and their affiliates may (i) give advice and take action with respect to any of its other clients that may differ from advice given or the timing or nature of action taken with respect to the Client, so long as it is consistent with the provisions of LLSC's allocation policy and its obligations under the Sub-Management Agreement, and (ii) subject to an exclusivity agreement between CSCM and LLSC, engage in activities that overlap with or compete with those in which the Client and its subsidiaries, directly or indirectly, may engage.

Conflicts of interest may arise when the financial or other benefits available to the Firm differ according to the particular vehicle that is being advised. For example, as a general rule, and in accordance with the Firm's investment allocation policy in effect from time to time, investment opportunities are presented first to the investment vehicle for which the opportunity is most in line with its Allocation Factors. LLSC may determine that an opportunity is more appropriate for another client managed by the Firm than it is for the Client and present such opportunity exclusively to the other client. Such determination may change over the course of due diligence investigation.

In certain cases, LLSC, subject to approval by CSCM that the opportunity meets the Client's investment objectives and final approval of the Client's board of directors, may determine it is appropriate for the Client to participate in an acquisition opportunity alongside one or more LLC Vehicles. These investment opportunities may give rise to conflicts of interest or perceived conflicts of interest among the Client and the LLC Vehicles. To the extent LLSC identifies such investment opportunities, it has developed an allocation policy that covers both co-investment and sole investment opportunities designed so that the Client is treated fairly and equitably. LLSC and its affiliates will utilize this allocation policy to determine how to allocate opportunities that may be appropriate for the Client and/or one or more LLC Vehicles. As part of this policy, the Firm will consider the Allocation Factors in making allocation decisions. As a result, LLSC and its affiliates may determine, in its discretion, that it is appropriate to allocate opportunities to other clients in whole or in part as co-investment opportunities. In determining which investment vehicles should participate in such investment opportunities and in what amounts, the Firm will exercise its subjective judgment and is subject to conflicts of interest when exercising such judgment. The Client's board of directors has adopted its own allocation policy, which incorporates LLSC's allocation policy by reference. The independent directors of the Client's board of directors will be responsible for oversight of the allocation process. However, there can be no assurance that acquisition opportunities will be allocated to the Client fairly or equitably in the short-term or over time.

Investments by the Client and one or more LLC Vehicle in a portfolio company may also raise the risk of using assets of the Client to support positions taken by one or more LLC Vehicles. When and to the extent that employees and related persons of the Firm and its affiliates make capital investments in or alongside certain LLC Vehicles, the Firm and its affiliates may be subject to conflicting interests in connection with these investments. There can be no assurance that the Client's return from a transaction would be equal to and not less than that of an LLC Vehicle in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Co-Investments

Subject to consent by CSCM and the Client's board of directors (and, where applicable, the independent directors on such board) where appropriate, to the extent the amount of an investment opportunity exceeds the amount that the Firm determines would be appropriate for the Client and LLC's committed capital vehicles, and taking into account the operating documents, investment and operating guidelines, diversification, portfolio construction, risk allocation factors and position limitations (including the potential for follow-on investments), tax, regulatory and other relevant factors for such entities, such excess may be offered to one or more co-investors selected by the Firm, as determined by the applicable operating agreements, side letters and investment allocation policies in effect at such time. Such co-investment opportunities will be offered to persons and entities after taking into account some or all of a wide range of factors, which may include expertise of the prospective co-investor in the industry to which the co-investment opportunity relates; perceived ability to quickly execute on transactions; regional convenience considerations, tax, regulatory and/or securities law considerations (e.g., qualified purchaser or qualified institutional buyer status); and other appropriate factors determined by the Firm in accordance with its co-investment policy. The Firm may grant certain LLC Vehicle limited partners and/or third-party investors the opportunity to evaluate specified amounts of such prospective co-investments in portfolio companies or otherwise to have priority in such co-investment opportunities. Co-investment opportunities may, and typically will, be offered to some and not to other investors in LLC Vehicles and/or the Client accordance with the procedures described in the preceding paragraphs. The allocation of investment opportunities among the persons and in the manner discussed herein 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 others.

Fees and Expenses

Subject to any relevant restrictions or other limitations contained in the governing documents of the applicable LLC Vehicles and the Client, the Firm will allocate fees and expenses in a manner that it in good faith believes is fair and equitable to its clients under the circumstances consistent with its fiduciary obligations and considering such factors as it deems relevant, but in its sole discretion, subject to applicable legal, contractual or similar restrictions. In exercising such discretion, the Firm may be faced with a variety of potential conflicts of interest.

In the event that the governing documents of the applicable LLC Vehicles and the Client do not outline a procedure for allocation of a particular expense, the Firm will determine the allocation of such expense in a fair and equitable manner in accordance with its allocation policy. Generally speaking, such expenses will be allocated pro rata among investment vehicles participating or proposing to participate in the related transaction. In circumstances where a proposed transaction is terminated prior to the determination by the Firm of the allocation of such transaction among investment vehicles, consistent with its fiduciary obligations, the Firm will determine if it is more likely than not, based on the facts known at such time, whether a co-investment opportunity in the related transaction would have been offered to a committed co-investment fund of LLC or other committed vehicle advised by LLC had the transaction moved forward, and, if so, allocate expenses among such vehicles according to the Firm's expense allocation policy, which allocation may be a fixed percentage.

As described under "Fees and Compensation" above, LLSC is entitled to charge the Client's portfolio investments certain Transaction Fees, subject to limitations specified in the Sub-Management Agreement. As a result, LLSC could have a conflict of interest to the extent that it has the power to approve transactions resulting in Transaction Fees and set the size of such fees. Also, because Management Fees are based upon average gross assets excluding cash, this fee structure may create an incentive to deploy capital and to borrow funds when LLSC may not otherwise have so recommended.

Portfolio Companies

The Client and LLC Vehicles may invest in portfolio companies that have competing business interests. Further, certain portfolio companies or subsidiaries in which the Client or an LLC Vehicle invests may be actively engaged in the business of investing in securities (collectively, the "**Underlying Vehicles**"). Accordingly, the Firm may have conflicts of interests in allocating potential securities investments among the Underlying Vehicles.

As a result of the Client's interests in portfolio companies, LLSC and/or its affiliates typically have the right to appoint board members to such portfolio companies (including current or former LLC personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members may approve compensation, monitoring fees and/or other amounts payable to LLSC and/or its affiliates.

Additionally, a portfolio company of the Client typically will reimburse LLSC or service providers retained at LLSC's discretion for expenses (including without limitation travel expenses) incurred by LLSC or such service providers in connection with its performance of services for such portfolio company. This subjects LLSC and its affiliates to conflicts of interest because the Client generally does not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. LLSC determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices and, in certain cases, the approval of the Client's board of directors (and, where applicable, the independent directors on such board). Although the amount

of individual reimbursements typically is not disclosed to investors in the Client, their effect is reflected in the Client's audited financial statements, and any fee paid or expense reimbursed to LLSC or such service providers generally is subject to: agreements with or review by sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; third party co-investors in its transactions; and/or in certain cases, the Client's board of directors (and, where applicable, the independent directors on such board). LLSC believes that these factors, along with its interest in the Management Fee and the Incentive Fee, help to mitigate related conflicts of interest.

Industry Relationships

LLSC generally exercises its discretion to recommend to the Client or to a portfolio company thereof that it contract for services with (i) subject to certain limitations set forth in the governing documents and/or code of business conduct of the Client, if any, LLSC or a related person of LLSC (which may include a portfolio company of an LLC Vehicle) or (ii) an entity with which LLSC or its affiliates or current or former members of their personnel has a relationship or from which LLSC or its affiliates or their personnel otherwise derives financial or other benefit. This subjects LLSC to conflicts of interest, because although LLSC selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the Client, LLSC may have an incentive to recommend the related or other person because of its financial or other business interest. There is a possibility that LLSC, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not LLSC has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost. However, LLSC believes that the Firm's interest in the Incentive Fee, significantly mitigates the potential conflict of interest highlighted in this paragraph.

LLSC and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Client or other vehicles managed by the Firm. Additionally, LLSC, its affiliates and/or personnel may maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities may invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, LLSC and/or its affiliates, and/or the investment vehicles they advise, and/or portfolio companies of such investment vehicles. LLSC may have a conflict of interest with the Client in recommending the retention or continuation of a third-party service provider to the Client or its portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more LLC Vehicles, will provide the Firm information about markets and industries in which it

operates (or is contemplating operations) or will provide other services that are beneficial to the Firm. LLSC may have a conflict of interest in making such recommendations, in that LLSC has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Client, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Client.

LLSC, its affiliates, and equityholders, officers, principals and employees of LLSC and its affiliates may buy or sell securities or other instruments that LLSC has recommended to the Client. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of the Client.

In addition, portfolio companies typically pay certain fees to third party consultants (including consultants introduced or arranged by an LLSC and/or its affiliates that may regularly provide services to one or more portfolio companies of the Client), and such fees will not reduce the Management Fee or be limited by any restrictions on the Transaction Fees as described herein.

Relationships with Investors; Diverse Investor Interests

The unaffiliated investors of the Client are expected to include persons or entities organized in various jurisdictions, which may have conflicting investment, tax and other interests in respect of their investments in the Client. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the Client, the structuring of the acquisition of portfolio investments, and the timing of disposition of investments. Such structuring of portfolio investments and other factors may result in different returns being realized by different investors in the Client. As a consequence, conflicts of interest may arise in connection with decisions made by LLSC, including in respect of the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially in respect of investors' individual tax situations.

Relationship with Client Board of Directors

The Client's board of directors is composed of five directors, three of which are independent. LLSC has designated one of the non-independent directors, nominated an independent director and mutually agreed upon and nominated a second independent director together with CSCM. The independent directors were initially appointed to the Client's board of directors by the Client's non-independent directors. Accordingly, LLSC has exercised influence over the Client's board of directors, and could exercise such influence in a manner not in the best interests of the Client's equityholders.

Affiliate Transactions

The Firm reserves the right, to the extent permitted under the applicable agreements and policies of the Client, to engage in principal and agency cross transactions. Principal transactions generally include transactions in which an investment adviser directly, or through an affiliate, is acting as principal for its own account and buys securities from, or sells them to, an

advisory client. Agency cross transactions generally involve sales between clients and/or certain subsidiaries of clients, including the purchase or sale of securities from the Client to another investment vehicle managed or sub-managed by the Firm, or co-investors or co-investment vehicles. The Client's code of business conduct, however, prohibits personnel of LLSC providing services to the Client from engaging in any transaction that involves an actual conflict of interest with the Client without the approval of the Client's board of directors.

Although the Firm generally structures investment vehicles to avoid cross-guarantees and other circumstances in which one vehicle bears liability for all or part of the obligations of another vehicle, in certain infrequent circumstances lenders and other market parties negotiate for the right to face only select vehicles, which may result in a single vehicle being solely liable for other vehicles' share of the relevant obligation and/or joint and several liability among vehicles. In such situations, the Firm intends to cause the relevant other vehicles to enter into a back-to-back guarantee, indemnification or similar reimbursement or other arrangement, although the vehicle undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

Resolution of Conflicts

On any matter involving a conflict of interest not contemplated by the applicable governing documents or herein, LLSC and/or its affiliates shall be guided, in their sole discretion, by their determination as to the best interests of the Client, and shall take such actions as are determined in the sole discretion of LLSC to be necessary or appropriate to ameliorate such conflicts of interest, and to the extent advisable shall obtain the consent of the Client's board of directors (and, where applicable, the independent directors on such board) and/or CSCM.

ITEM 9 DISCIPLINARY INFORMATION

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

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

LLSC is affiliated with LLCP and its related advisory entities, each of which is separately registered or deemed registered as an investment adviser with the SEC under the Advisers Act. More information regarding LLCP and its affiliated investment advisers can be found on those entities' Form ADV Part 2As.

LLSC is also affiliated with LLCP Europe, LLP, a limited liability partnership incorporated under the laws of England, and LLCP Netherlands, B.V., a private limited company under Dutch law (each, an "**Unregistered Adviser**"). Personnel of the Unregistered Advisers provide advice to LLCP and its related advisory entities on behalf of their clients. None of the Unregistered Advisers are required to be registered under the Advisers Act, but each operates in compliance with certain related requirements and undertakings as prescribed by the SEC.

A non-controlling minority interest of less than 20% in the Firm is indirectly owned by a third party passive institutional investor (the “**Investor**”). The Investor does not have authority over the day-to-day operations or investment decisions of the Firm, although it has negotiated certain minority protection and consent rights.

ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

LLSC has adopted the Levine Leichtman Capital Partners, LLC Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of the Firm’s principals and employees and addresses conflicts that arise from personal trading. The Code requires certain LLSC personnel to report their personal securities transactions, prohibits or requires pre-clearance for LLSC personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits LLSC personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from LLSC’s Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to LLSC’s Chief Compliance Officer, at 310-275-5335. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

LLSC and its affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, LLSC and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of LLSC.

Accordingly, should LLSC or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, LLSC generally would be prohibited from communicating such information to clients, and LLSC will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of LLSC personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Client.

Principals and employees of LLSC and its affiliates may directly or indirectly own an interest in the Client. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Client. Co-invest opportunities may also be presented to certain affiliates of LLSC, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

Although principals, employees and officers of LLSC and its affiliates may buy and sell securities for their own account or the account of others, designated senior personnel may not, without the consent of the Client's board of directors, buy securities from or sell securities to the Client, nor may they hold any securities held by the Client except as set forth in the applicable governing document.

As discussed in "Fees and Compensation," LLSC or its affiliates or their respective employees may receive Transaction Fees in connection with the making of a portfolio company investment and may retain such fees. As a result, LLSC and/or its employees may be considered to have a material financial interest in the consummation of the portfolio company investment.

LLSC and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Client, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Client even though their investment objectives may be the same or similar, subject in each case to any limitations imposed by the operative documents and investment programs of the Client and such other accounts or persons.

ITEM 12 BROKERAGE PRACTICES

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

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

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

Consistent with LLSC seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them or a designated third party, as well as for services rendered in the execution of orders by such broker or dealer, although LLSC generally does not make use of such services at the current time. As a general matter, research provided by these brokers would be used to service all of the Firm's clients. LLSC will employ no agreement or formula for the allocation of brokerage business on the basis of research services, or attempt to put a specific dollar value on services rendered.

LLSC may periodically determine which brokers have provided research that has been helpful in the management of investments. To the extent consistent with LLSC's goal to obtain best execution for its clients, LLSC may seek to place a portion of the trades that it directs with the brokers who are identified through this process.

Certain brokers may also provide investment banking services to LLSC or its affiliates. The provision of such services is not taken into account in allocating client brokerage to such firm.

LLSC does not anticipate engaging in significant public securities transactions; however, to the extent that LLSC engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. From time to time, the Firm may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched"; however, the Firm generally does not expect to do so. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

ITEM 13 REVIEW OF ACCOUNTS

The investments made by LLSC on behalf of the Client and CSCM are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, pursuant to the Sub-Management Agreement, LLSC shall make reports to the Client's board of directors of its performance of services upon the reasonable request of the Client's board of directors or CSCM.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

LLSC and/or its affiliates may provide certain business or consulting services to the Client's portfolio companies and may receive compensation from these companies in connection with such services. This compensation may, in many cases, be subject to limitations, as set forth in the Sub-Management Agreement or other applicable governing document of the Client. See "Fees and Compensation."

The Client compensates distribution parties engaged by it or by its distributor(s), and in certain cases LLSC may pay a portion of such compensation.

ITEM 15 CUSTODY

LLSC does not have custody over Client cash or securities.

ITEM 16 INVESTMENT DISCRETION

LLSC has discretionary authority to manage investments on behalf of the Client, subject to any limitations set forth in the operative documents for the Client. Without limiting the foregoing, the board of directors of the Client has the right to approve each of the Client's investments and CSCM has the right to approve that each of the Client's investments complies with the Client's investment policy.

ITEM 17 VOTING CLIENT SECURITIES

CSCM has, by written agreement, delegated responsibility for proxy voting on behalf of the Client to LLSC. LLSC has adopted the Levine Leichtman Capital Partners, LLC Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, for the Client's portfolio investments. The Proxy Policy seeks to ensure that LLSC votes proxies (or similar instruments) in the best interest of its client, including where there may be material conflicts of interest in voting proxies. LLSC will not seek investor approval or direction when voting proxies.

LLSC may occasionally be subject to material conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. LLSC and/or its employees may also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships. In the event that there is or may be a conflict of interest in voting proxies, LLSC may address the conflict using several alternatives, including by seeking the approval or concurrence of CSCM as the Client's manager, the board of directors of the Client or through other alternatives set forth in the Proxy Policy. LLSC does not consider service on portfolio company boards by LLSC personnel or receipt of transaction or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by LLSC when voting proxies on behalf of the Client. Clients or investors that would like a copy of LLSC's complete Proxy Policy or information regarding how LLSC voted proxies for particular portfolio companies may contact LLSC's Chief Compliance Officer, at 310-275-5335, and it will be provided at no charge.

ITEM 18 FINANCIAL INFORMATION

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