

## **Item 1 – Cover Page**

### **Sole Source Capital LLC**

#### **Part 2A of Form ADV The Brochure**

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**April 17, 2019**

**This brochure provides information about the qualifications and business practices of Sole Source Capital LLC and its affiliates (collectively “SSC” or the “Firm”). If you have any questions about the contents of this brochure, please contact Bruno Adoric at 310-929-2389. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**SSC is a registered investment adviser 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 and no inference to the contrary should be made.**

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

## **Item 2 – Material Changes**

On April 17, 2019 SSC filed its initial application to register with the Securities and Exchange Commission. Therefore, this is the first time that SSC is submitting the Form ADV Part 2A (the “Brochure”). In the future, when SSC amends its Brochure for its annual update (or otherwise) and the amended version contains material changes from the prior version, SSC will identify and discuss those changes either on this page or as a separate document accompanying the Brochure.

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## **Item 4 – Advisory Business**

SSC is an independent private investment firm founded in 2016 and formed under the laws of the State of Delaware as a limited liability company. SSC is primarily owned and controlled by David Fredston, the Managing Partner. SSC is also primarily owned by Rochelle Fredston, through a trust entity as disclosed on SSC's Schedule A of Form ADV 1A. Bruno Adoric serves as SSC's Chief Compliance Officer. References to the "Investment Committee" retain the meaning and identification found in the applicable private placement memorandums for the respective private funds managed by SSC.

SSC serves as an investment manager and provides discretionary advisory services to a number of pooled investment vehicles, including investment funds privately offered to qualified investors in the United States and elsewhere (each, a "Fund," and together with any future pooled investment vehicles to which SSC or its affiliates provide investment advisory services, the "Funds"). Currently, these include the following pooled investment vehicle clients:

- SSC Partners Cantium LP
- SSC Partners I LP
- SSC Partners I-A LP

Each Fund is governed by a limited partnership agreement, limited liability company agreement, or similar document (as applicable) that sets forth the specific investment guidelines and restrictions applicable to such Fund (each, a "Partnership Agreement"). In addition, Investors (defined below) in each Fund are provided with confidential private placement memoranda or other offering documents (each, a "Memorandum," and together with the applicable Partnership Agreement, the "Governing Documents") prior to their investment, which also contain information regarding the intended investment program for such Fund. See also "Methods of Analysis, Investment Strategies and Risk of Loss" below.

The Funds are currently organized to make investments primarily in industrial, energy, and basic materials sectors in North America. SSC is an operationally intensive firm that targets companies in growth industries at value multiples. SSC's primary focus is on proprietary transactions and founder-led businesses that have not been professionalized; where SSC's operational expertise can create meaningful value. Companies SSC Funds invest in are defined herein as "Portfolio Companies." From time to time, the senior principals or other personnel of SSC or its affiliates generally serve on such Portfolio Companies' respective boards of directors or otherwise act to influence control over management of Portfolio Companies in which the Funds have invested.

Affiliates of SSC serve as the general partner, manager and/or managing member (or similar capacities) of each Fund (each, a "General Partner," and together, the "General Partners"). The following General Partners are affiliated with SSC:

- SSC Partners GP Cantium LP
- SSC Partners I GP LP

Each of the General Partners is subject to the Advisers Act pursuant to SSC's registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with SSC. As such, references to SSC in this Brochure should also be considered to include references to the General Partners as appropriate.

In providing services to the Funds, SSC formulates each Fund's investment objective, and directs and manages the investment and reinvestment of each Fund's assets. Investment advice is provided directly to the Funds and not individually to the limited partners, members, or shareholders of the Funds (the "Investors"). SSC generally has broad and flexible investment authority with respect to the investment portfolios that it manages for the Funds, subject to the investment guidelines and restrictions set forth in the applicable Governing Documents.

SSC neither tailors its advisory services to the individual needs of Investors in the Funds, nor accepts Investor-imposed investment restrictions; provided that an Investor may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement. The Funds generally invest on a long-term basis. Except in limited circumstances, Investors are not permitted to withdraw from a Fund prior to such Fund's dissolution.

In certain cases, the Funds or the General Partners have entered into side letter agreements ("Side Letters") with certain Investors in a Fund that have the effect of establishing rights under, or supplementing or altering the terms of, the applicable Governing Documents (including without limitation, "most favored nations" rights, economic terms, excuse rights, transfer rights, transparency rights, reporting rights, capacity rights, and approval rights and certain other protections, acknowledgments, confirmations and agreements). Once invested in a Fund, Investors generally cannot impose additional investment guidelines or restrictions on such Fund.

Shares or limited partnership or member interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the Funds are not registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Accordingly, interests or shares in the Funds are offered and sold exclusively to Investors satisfying applicable eligibility and suitability requirements.

In certain situations and as permitted by the relevant Partnership Agreement, if SSC determines that the purchase of an investment in its entirety would be too large or not appropriate for certain of the Funds, SSC may offer the opportunity to "co-invest" to certain Investors in the Funds and/or third-parties (including other sponsors, market participants, finders, consultants and other service providers, SSC's personnel, members of the operations group and the SSC Board of Advisors and/or certain other persons associated with SSC and/or its affiliates) (collectively "Co-Investment Partners"). These co-investment opportunities may be offered as interests in a limited partnership, limited liability company, or other similar entity formed for each investment (a "Co-Investment Entity"). Co-investments typically involve investment and disposal of interests in the applicable Portfolio Company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may

purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the Portfolio Company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in SSC's sole discretion, SSC is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund. Please refer to Item 8 and Item 10 for additional information with respect to SSC's use of Co-Investment Entities.

SSC does not participate in wrap fee programs.

As of December 31, 2018, SSC managed \$305,574,749 of regulatory assets under management on behalf of the Funds, on a discretionary basis. SSC only manages assets on a discretionary basis.

## **Item 5 – Fees and Compensation**

### General

SSC and/or its affiliates provide discretionary investment advisory services to each of the Funds pursuant to the Governing Documents and/or separate investment advisory agreements (the "Agreements"). The Governing Documents and/or Agreements for each Fund set forth in detail the fee structure relevant to each such Fund. The terms of the Agreements are generally established at the time of the initial closing of the applicable Fund.

SSC and/or its affiliates typically receive compensation from fees based on a percentage of committed capital/assets under management, carried interest allocations and certain other compensation in connection with management and other services performed for Portfolio Companies of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to SSC. In addition, in certain circumstances SSC may receive compensation for management and other services performed in connection with co-investments made in Portfolio Companies of the Funds. Investors in a Fund also bear certain expenses.

Current and potential Investors in a Fund should refer to the detailed information found in each Fund's Governing Documents for specific information about the compensation earned by SSC, including the fees and expenses charged to such Fund.

### Management Fees

SSC receives an investment management fee (the "Management Fee") of 1.50 - 1.75% per annum of aggregate commitments, payable quarterly in advance and subject to certain reductions for dispositions and write-offs outlined in the Governing Documents. The Management Fee is negotiable and established at the time of the closing of an investment commitment by an Investor and is generally paid by the Fund out of capital contributions called from Investors, or out of

amounts withheld from distributions to Investors. The Management Fee assessed for each Fund is described in further detail in each Fund's Governing Documents and/or Agreements.

Certain Partnership Agreements permit SSC, in its sole discretion, to waive or agree to reduce, in whole or in part, the Management Fee for certain Investors (including employees, strategic partners, or affiliates of SSC). Certain waived portions of the Management Fee are treated by the Partnership Agreement as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf, and operates to reduce the amount of capital such General Partner would otherwise be required to contribute to a Fund. The Investors of a Fund may be required to make a *pro rata* contribution according to their respective capital commitments to fund any contribution that would otherwise be required of SSC in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of Investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by SSC and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will be delayed or not be fully realized by investors in a Fund, resulting in a net additional benefit to SSC.

The Management Fee for a Fund typically is also reduced by the amount of excess Organizational Expenses and Transaction Fees paid by Investors in the Fund, as well as by other amounts relating to certain fees received by SSC, as described below. The Management Fee for any Management Fee period of a Fund is generally pro-rated for the number of days in such period, and in the case of the last Management Fee period, SSC will refund to each electing Investor the amount of the Management Fee paid by such Investor allocable to that portion of such period which is subsequent to the date of the final distribution of such Fund.

#### Carried Interest Allocations

Carried interest is a share of the net profits (typically 20%) realized on the disposition of investments that is paid to each Fund's General Partner. The General Partner's carried interest allocation is in addition to any profits allocation the General Partner receives in connection with any investment it has in the Fund.

In order to receive its carried interest allocation, SSC and its affiliates must first return all capital contributed by the Investors with respect to realized investments, plus an additional 8% preferred return, calculated and distributed in accordance with the specific provisions outlined in each Fund's Governing Documents. The carried interest allocation is subject to a General Partner catch-up as well as a General Partner clawback detailed in the Governing Documents of each Fund.

SSC, in its sole discretion, has the authority to waive or agree to reduce, in whole or in part the carried interest allocation with respect to certain Investors (including employees, strategic partners or affiliates of SSC).

SSC is permitted to exempt certain "affiliated partner" investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including SSC and any other person

designated by SSC. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by SSC and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where a SSC professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, certain SSC affiliates have the right to permit investors, affiliated with SSC or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

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

#### Organizational Expenses

Each Fund will bear all reasonable legal and other organizational and offering expenses incurred in the formation of each Fund and related entities (“Organizational Expenses”). Typically, organizational expenses in excess of a certain threshold, as detailed in each such Fund’s Governing Documents, will reduce the Management Fee otherwise payable by Investors on a dollar-for-dollar basis.

#### Transaction Fees

The Management Fee will be reduced by an amount equal to 100% of Transaction Fees attributable to Partners not designated as “affiliated partners” by the General Partner. “Transaction Fees” include 100% of any: (i) directors’ fees, financial consulting fees, advisory fees or monitoring fees (collectively, “Monitoring Fees”) paid to the General Partner and its partners with respect to Fund investments during any fiscal year in excess of the sum of (x) \$2,400,000 plus (y) the amount of any unapplied offset credits with respect to Monitoring Fees carried forward from prior fiscal years; (ii) transaction fees, including commitment fees, closing fees, investment banking fees and placement fees, paid to the General Partner and its partners with respect to any Fund investment; and (iii) break-up fees, including litigation proceeds, with respect to Fund transactions not completed that are paid to the General Partner and its partners, in each case net of certain expenses (including those described below) as set forth in the Fund Governing Documents.

SSC may be paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which have the potential to be significant. Additionally, as further described below and in the applicable Governing Documents of each Fund, it is the Advisers’ practice to retain certain operating partners to provide services to (or with respect to) certain Portfolio Companies in which one or more Funds invest. Such operating partners generally receive compensation and other amounts described herein, but no such amounts will result in additional offsets to the Management Fee.



### Overhead Expenses

SSC and the General Partners will pay all of their respective ordinary administrative and overhead expenses in managing Fund investments, including salaries, benefits and rent, except as described below and within the applicable Governing Documents of each Fund. Such expenses borne by SSC and the General Partners will not offset the Management Fees described above.

### Fund Expenses

In addition to the Management Fee and carried interest, and as set forth more fully in the applicable Governing Documents of each Fund, each Fund will pay, or reimburse SSC for, all other fees, costs, expenses, liabilities and obligations relating to the Fund's and/or its subsidiaries' activities, business, Portfolio Companies or actual or potential investments and/or actual or potential investments of any alternative investment vehicle (to the extent not borne or reimbursed by a Portfolio Company or potential Portfolio Company), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals or databases) acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving, or otherwise disposing of, as applicable, the Fund's Portfolio Companies and the its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including reimbursement of expenses and costs of, any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-Investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Management Company, the Fund, the General Partner or any "affiliated partner" on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository (including a depository appointed pursuant to the EU Alternative Investment Fund Managers Directive), Swiss representative and paying agent (pursuant to the Swiss Collective Investment Schemes Act (as amended) including any law, rule or regulation to the implementation thereof), trustee, record keeping, account and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with any third-party administrator and administration, tracking or reporting software), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees, consultants performing investment initiatives or providing services related to environmental, social, and governance investment considerations and policies, and other similar consultants), tax and other professional services; (vii) reverse breakup, termination and other similar fees; (viii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other

insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles; (ix) filing, title, transfer, registration and other similar fees and expenses, and expenses incurred in connection with the formation of alternative investment vehicles as permitted by the applicable Fund Governing Documents; (x) printing, communications, marketing and publicity; (xi) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, other communications with Investors, or any other administrative, compliance or regulatory filings or reports (including Form PF), and any administrative, regulatory, reporting, filing, or other compliance requirements (other than the initial registrations, filings and compliance) contemplated by the EU Alternative Investment Fund Managers Directive or any similar law, rule or regulation, or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the Investors; (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xiv) to the extent provided in the applicable Fund Governing Documents, or otherwise approved by the General Partner in its sole discretion, activities or proceedings of the Limited Partner Advisory Committee (including any reasonable out-of-pocket costs and expenses incurred by the Limited Partner Advisory Committee members, representatives of the General Partner and permitted observers and other persons in attending or otherwise participating in meetings of the Limited Partner Advisory Committee); (xv) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any Investor or other person pursuant to the applicable Fund Governing Documents and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the applicable Fund Governing Documents), except as otherwise set forth in the Governing Documents; (xvi) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xvii) any annual Investor meeting or other periodic, if any, meetings of the Investors and any other conference or meeting with any Investor(s); (xviii) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, Portfolio Companies or actual or potential investments (to the extent not borne or reimbursed by a Portfolio Company of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund to the extent not paid by the Investors investing in such entities and any other costs and expenses related to any structuring or restructuring of the Fund entities; (xix) the termination, liquidation, winding up or dissolution of the Fund; (xx) defaults by Investors in the payment of any capital contributions; (xxi) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner and related entities and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (xxii) complying with any law, regulation or policy related to the activities of the Fund (including any legal fees and expenses related thereto, any regulatory expenses of the General Partner incurred in connection with the operation of the Fund and any costs and expenses related to

compliance with any environmental, social and governance investor considerations and policies of the General Partner or the Fund); (xxiii) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the applicable Fund Governing Documents; (xxiv) any third-party experts, including independent appraisers, engaged by the General Partner in connection with the Fund considering, making or holding an investment in the same entity as one or more other affiliates of the Fund of the General Partner; (xxv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a Limited Partner; (xxvi) any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed therefor by an Investor or such tax, fee or charge is treated as having been distributed to the Investors pursuant to the applicable Fund Governing Documents); (xxvii) distributions to the Investors and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses; (xxviii) unreimbursed expenses and unpaid fees of certain operations partners or professionals providing operational analysis or services to the Fund; (xxix) compliance or regulatory matters related to the Fund, except as set forth in the applicable Fund Governing Documents; (xxx) any travel, lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxi) any Organizational Expenses and the most-favored-nations process; (xxxii) any placement fees; and (xxxiii) any other fees, costs, expenses, liabilities or obligations approved by the Limited Partner Advisory Committee.

As is typical for private funds, the Funds likely bear 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 general practices set forth in "Brokerage Practices."

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While SSC believes such circumstances to be highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, SSC is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in Portfolio Companies alongside one or more Funds, subject to SSC's related policies and the relevant Partnership Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all

obligations, liabilities and out-of-pocket expenses and/or breakup fees, costs and expenses relating to such unconsummated transaction relating to such proposed transaction may be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction.

SSC and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a Portfolio Company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and SSC and/or its affiliates on the other hand.

In making allocations of expenses related to investment opportunities, SSC will generally adhere to the following procedures:

- Expenses will be allocated among expense parties consistent with the Governing Documents of each expense party.
- In the event that an expense party's Governing Documents do not outline a procedure for allocating a particular expense among expense parties or between an expense party and SSC, SSC will determine the allocation of such expense in a fair and equitable manner, consistent with its fiduciary obligations, consistent with the following:
  - Unless unusual circumstances apply that would call for a different result, SSC will typically allocate expenses across Funds based on each Fund's *pro rata* participation in an investment opportunity, subject to any applicable Fund restrictions.
- SSC will track and allocate fees and expenses associated with each investment opportunity (by use of deal codes or other appropriate methods).

The allocation determination for expenses will generally be made by the Managing Partner (subject to any additional review and approval of expenses).

#### Operating Partners

Additionally, as further described herein and in the applicable Governing Documents of each Fund, it is SSC's practice to retain certain operating partners and other professionals with operational expertise to provide services to (or with respect to) one or more Funds or certain current or prospective Portfolio Companies in which one or more Funds invest. Such operating partners generally provide services including operational analyses, establishment of best practices, service as an executive or similar officer of a Portfolio Company or subsidiary thereof, service as a director of a Portfolio Company or subsidiary thereof, assistance with due diligence reviews of prospective investments or other similar services. In certain circumstances, these services also include serving in management or policy-making positions for Portfolio Companies. Operating partners receive compensation, including, but not limited to cash fees, retainers, transaction fees, a profits or equity interest in a Portfolio Company, profits or equity interests in one or more Funds or General Partners, remuneration from SSC and/or its Funds or affiliates or other compensation, which typically are determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such operating partners, a

percentage of the value of the Portfolio Company, the invested capital exposed to such Portfolio Company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Operating partners also generally will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset the Management Fee. The use of operating partners subjects SSC to conflicts of interest, as discussed herein.

**IT IS IMPORTANT THAT INVESTORS REFER TO THE RELEVANT GOVERNING DOCUMENTS FOR EACH FUND IN WHICH IT INVESTS FOR A COMPLETE UNDERSTANDING OF EXPENSES AND FEES THEY MAY PAY OR BEAR AS A RESULT OF AN INVESTMENT IN SUCH FUND. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY AND QUALIFIED IN ITS ENTIRETY BY SUCH DOCUMENTS.**

## **Item 6 – Performance Based Fees and Side-by-Side Management**

As described above under “Fees and Compensation,” SSC or its affiliates receive performance-based compensation in the form of “carried interest,” which calculation is based on the profits generated on the sale or disposition of Fund assets together with the current income generated by such assets, subject to the limitations more fully set forth in each Fund’s Governing Documents (including the attainment of a preferred internal rate of return (compounded annually) by the Investors). The fact that a significant portion of SSC’s compensation (including the compensation of its investment professionals) is directly computed on the basis of profits generated by the sale or disposition of Fund assets creates an incentive for SSC to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation arrangements, although SSC generally considers performance-based compensation to better align its interests with those of its Investors.

## **Item 7 – Types of Clients**

SSC’s clients are pooled investment vehicles that are privately offered to qualified investors and exempt from registration under the Investment Company Act. SSC provides discretionary investment advisory services to the Funds directly, subject to the direction and control of the General Partner of each Fund. Investors in the Funds may include, but are not limited to, high net worth individuals, pension and profit-sharing plans (corporate, state and foreign), sovereign wealth funds, university endowments, foundations, banks or thrift institutions, family offices, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities and may include, directly or indirectly, principals or other employees of SSC and its affiliates and members of their families, operating partners or other service providers retained by SSC.

Subject to certain limitations and as set forth more fully in the applicable Governing Documents,, if it is determined by any Fund’s General Partner to be in the best interests of one or more Investors, the General Partner may direct the capital contributions of such Investors through one or more alternative investment vehicles in order to facilitate such Investor’s participation in a particular investment. Any such vehicles are expected to contain terms and conditions substantially identical in all material respects to those of the corresponding Funds and will be managed by SSC or an affiliate thereof.

Under certain circumstances and as set forth more fully in the applicable Governing Documents, one or more parallel funds (the “Parallel Funds”) to a Fund may be organized by SSC for legal, regulatory or tax reasons. SSC anticipates that Parallel Funds will be organized in the future. Parallel Funds generally invest on a side-by-side basis with the applicable Fund *pro rata* in all of the investments of such Fund. Parallel Funds are expected to contain terms and conditions substantially identical in all material respects to those of the corresponding Funds and will be managed by SSC or an affiliate thereof.

SSC may also create one or more investment entities to invest alongside a Fund for certain Investors associated with SSC, including certain employees of SSC and/or its affiliates, executives of companies in which an employee of SSC has previously invested, been employed or otherwise been associated, family members, etc. The terms of these entities may be more or less favorable to the Investors therein than the terms offered to the Limited Partners in the Fund to which the executive fund relates. Additionally, the capital commitments to these entities (and their level of participation in Fund investments) may be increased or decreased from time to time to the extent permitted by the Governing Documents, including in connection with an investor’s or it’s associated individual’s disassociation from SSC or its affiliates.

Generally, the minimum commitment for an Investor of a Fund can range between \$1 – \$5 million for third-party investors. Notwithstanding, it is outlined in each Fund’s Governing Documents that SSC (or the applicable General Partner) maintains discretion to accept less than the minimum investment threshold (subject to any limitations imposed by applicable law).

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

### **Methods of Analysis**

SSC’s due diligence process is typically designed to develop a thorough understanding of a target company’s business, markets and competitive position and to develop a strategic and operating plan for the business. In conducting due diligence, SSC relies on the skills and experiences of its Partners and Investment Committee but also often contracts with senior advisors, advisors, consultants, executive partners, and other similar professionals (“operating partners”) to assist with specific components of the due diligence process. In addition, SSC is able to solicit the assistance of its operating partners, as well as its many current and former portfolio company board members in developing insights into the operations of target Portfolio Companies.

SSC will conduct thorough due diligence, develop detailed operating and strategic plans, and build a robust financial model. SSC's due diligence focuses on downside protection, market positioning, supply and demand dynamics, barriers to entry, potential operational improvements, and potential add-on acquisitions. Ultimately, SSC seeks to understand the target's cost structure and business functions better than the seller. SSC continually refines its investment thesis and valuation as diligence progresses and devotes significant resources only to attractive opportunities with high probabilities of closing. Based on continued interest, SSC will call on its investment team, operating partners, and third-party advisors to perform rigorous diligence in areas including commercial, financial, legal, tax, information technology, insurance, human resources, and environmental impact. Upon substantial completion of due diligence, the deal team will report its findings and make a recommendation to the Investment Committee, which may then authorize negotiation of definitive documentation.

### **Investment Strategy**

SSC expects to primarily target proprietary transactions and founder-owned businesses within the lower- middle-market space.

- **Corporate Carve-Outs.** SSC expects to target small divisions of larger companies that are deemed non-core or underperforming. Given SSC's investment focus on free cash flow, ideal targets include divisions with minimal maintenance capital expenditures ("capex") or where most of the required capex has been spent by the parent company. SSC believes that its deep integration and operating expertise can help to facilitate the seamless transition of a corporate carve-out to a standalone entity.
- **Corporate Restructuring.** Restructuring opportunities include businesses underperforming due to identifiable operational, financial, or other difficulties. SSC believes that its creative solutions and strong operating partners make it an attractive partner in resolving special situations and delivering value creation.
- **Traditional Private Equity.** SSC seeks to identify founder-owned business that have not been professionalized, where SSC's operational efforts can have a significant impact on company performance.
- **Recapitalizations and Turnarounds.** SSC seeks to develop and implement problem-solving strategies at underperforming businesses with well-understood issues. SSC works to develop comprehensive solutions, including strategic vision, supply chain restructuring, re-alignment of incentives, channel diversification, balance sheet efficiency, and non-core asset divestitures.
- **Bankruptcy Auctions.** SSC plans to participate in bankruptcy processes to acquire businesses at a material discount to their intrinsic value. Bankruptcy auctions are often overlooked by traditional private equity firms and can be a valuable source of new investment opportunities.

SSC primarily focuses on the industrial, materials, and energy sectors, where the investment team and operating partners have years of experience investing and managing companies. SSC seeks to acquire businesses in these sectors that it believes have defensible market positions, steady free cash flow, inefficient balance sheets, and strong downside protection.

### **Risk of Investment**

All investing involves a risk of loss and the investment strategy offered by SSC could lose money over short or even long periods. An investment in the Funds is speculative and is not intended as a complete investment program. It is designed for sophisticated Investors who fully understand and are capable of bearing the risk of an investment in the Funds. No guarantee or representation is made that a Fund will achieve its investment objective or that Investors will receive a return of their capital. The descriptions contained below are a brief overview of different market risks related to SSC's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that are expected to arise in connection with the management and operations of the Funds. Investors should refer to SSC's Governing Documents for a comprehensive list of the risks and conflicts SSC believes are applicable to the Funds.

### **General Business Risk**

The Funds' investment portfolios are expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

### **Investment in Junior Securities**

The securities in which the Funds invest may be among the most junior in a Portfolio Company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect the Funds' investment once made.

### **Concentration of Investments; Lack of Diversification**

The Funds may invest a significant portion of its aggregate capital commitments in any single portfolio company (including its direct or indirect subsidiaries and guarantees or other credit support), and will likely participate in a limited number of overall investments. To the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified. If a Fund co-invests with another private equity fund, Investors participating in such other funds may have exposure to a single portfolio company through more than one fund, potentially multiplying an Investor's losses.

Given SSC's experience in certain core industries, a Fund may seek to make investments in a single industry segment, in a limited geographic area, in a single asset type and/or within a short period of time, which could create the conditions for a portfolio of investments that exhibit, amongst themselves, a very high degree of correlated returns. As a result of the foregoing, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry, or the timing of a Fund's investments, may substantially affect a Fund's aggregate return. In addition to the foregoing, because a Fund may only make a limited number of investments and such investments generally will involve a high degree of risk, poor performance



by even a single investment could severely affect total returns. If certain investments perform unfavorably, then in order for the Fund to achieve above-average returns, one or a few of its investments must perform very well, and there can be no assurances that this will be the case.

#### Lack of Sufficient Investment Opportunities

The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. The Funds will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers and other financial investors, investing directly or through affiliates. Over the past several years, an ever-increasing number of private equity funds have been or are being formed, and many existing funds have grown in size. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, and/or more personnel than SSC, the Fund and their affiliates. In a highly competitive environment, valuations of potential target companies may rise to historically high levels as measured by multiples of EBITDA. SSC expects that competition for appropriate investment opportunities may increase, which may also require the Funds to participate in auctions, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to the Funds and/or adversely affecting the terms upon which portfolio investments can be made. To the extent that the Funds encounter a highly competitive market while making investments, the acquisition cost of such investments may increase, and returns to Investors may decrease. In addition, it is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified. Moreover, Investors will be required to bear Management Fees through the applicable Fund(s) during any investment period typically based on the entire amount of the Investors' capital commitments and other expenses as set forth in the applicable Governing Documents.

#### Impact of Government Regulation, Reimbursement and Reform

Certain industry segments in which the Funds intend to invest, including various segments of the industrial, materials and energy sectors, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Funds intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industry sectors, including in particular industrial, materials and energy sectors, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Funds invest.

#### Illiquidity; Lack of Current Distributions

An investment in a Fund should be viewed as illiquid. 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. A Fund's ability to dispose of investments may be limited for several reasons. Illiquidity may result from the absence of an established market for the investments, as

well as legal, contractual or other restrictions on their resale by a Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In addition, the ability to exit an investment through the public markets will depend upon favorable market conditions, including receptiveness to initial or secondary public offerings for the companies in which a Fund invests and an active mergers and acquisitions (or recapitalizations and reorganizations) market. Public offering, merger and acquisition and recapitalization and reorganization opportunities may be limited or non-existent for extended periods of time, whether due to economic, regulatory or other factors. In view of these limitations on liquidity, a Fund generally will not be able to realize an investment in a privately-held entity until the sale of such entity. 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 a Fund (including the Management Fee payable to SSC or an affiliate) may exceed its income, thereby requiring that the difference be paid from such Fund's capital, including unfunded capital commitments.

#### Liquidity Issues

The Funds will invest in instruments where there is likely to be no actively traded market. Moreover, many of each Fund's investments will be held by relatively few other Investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, a Fund could find it more difficult to sell such instruments when SSC believes it advisable to do so or be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to the Funds will be further limited. Finally, dispositions of investments will under certain circumstances be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

#### Valuation of Assets

Most of the securities owned by the Funds are not publicly traded and are required to be fair valued by SSC. When estimating fair market value, the SSC will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by SSC may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of Management Fees.

#### No Market for Interests; Restrictions on Transfers

Interests in the Funds have not been registered under the Securities Act, or applicable securities laws of any U.S. state or the securities laws of any other jurisdiction and, therefore, cannot be resold unless subsequently registered under the Securities Act and any other applicable securities laws or an exemption from such registration is available. It is not contemplated that registration

of the interests under the Securities Act or other securities laws will ever be effected. There is no public market for the interests in the Funds and one is not expected to develop. The interests are generally neither redeemable nor transferable, other than in certain limited circumstances, without the prior written consent of the General Partners of the Funds, which is in the General Partners' sole discretion. Withdrawals from the Funds are generally not permitted.

#### Environmental Matters

Environmental laws, regulations and regulatory initiatives play a significant role in the energy industry and can have a substantial impact on investments in this industry. For example, global initiatives to minimize pollution have played a major role in the increase in demand for natural gas. Conversely, required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. The energy industry will continue to face considerable oversight from environmental regulatory authorities. The Funds may invest in Portfolio Companies that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements. There can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on Portfolio Companies or potential investments. Compliance with such current or future environmental requirements does not ensure that the operations of the Portfolio Companies will not cause injury to the environment or to people under all circumstances or that the Portfolio Companies will not be required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with any such requirements could have a material adverse effect on a portfolio company, and there can be no assurance that Portfolio Companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the Investors of a Fund subject to environmental liability. However, an Investor may reduce its risk of such personal liability by avoiding activities with respect to a Fund's portfolio investments other than as specifically contemplated by the applicable Governing Documents.

#### Cyber Security Breaches and Identity Theft

SSC's and portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although SSC has implemented, and portfolio companies will likely implement, various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, SSC, the Funds and/or a portfolio company may have to make a significant investment to fix or replace them. SSC's fund investments, including those of the Funds, may have been or may become involved in cyber security events. Cyber security events also could affect other SSC entities. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in SSC's, the Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information

relating to Investors (and the beneficial owners of Investors). Such a failure could harm SSC's, the Funds' and/or a portfolio company's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

#### Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions

Before making investments, SSC will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third-parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and SSC may rely on the advice received from such third-parties. Investment analyses and decisions by SSC will often be undertaken on an expedited basis in order for a Fund to take advantage of investment opportunities. In such cases, the information available to the SSC at the time of an investment decision may be limited, and SSC may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital.

#### Material Non-Public Information

From time to time, SSC and its personnel or affiliates may come into possession of confidential or material, non-public information concerning specific companies, including as a result of certain SSC personnel serving on the boards of directors of portfolio companies. Under applicable securities laws, this may limit SSC's flexibility to buy or sell securities issued by such companies. The Funds' investment flexibility may be constrained as a consequence of SSC's inability to use such information for investment purposes, and the Funds may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or SSC's internal policies. Due to these restrictions, the Funds may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold. Each of SSC, the Funds and the relevant General Partner anticipates that, to avoid such restriction, it may elect not to receive such non-public information. In situations where a Fund decides to receive such information, it may seek to discontinue receiving non-public information concerning the borrower under a loan when it is disclosed by such borrower that the borrower will issue high yield bonds in the near future. As a result, a Fund, at times, may receive less information regarding such a borrower than is available to the other Investors in such borrower's loan, which may result in a Fund taking actions or refusing to take actions in a manner different than had it received such non-public information.

#### Risks in Effecting Operating Improvements

In some cases, the success of the Fund's investment strategy will depend, in part, on the ability of the Fund to effect improvements in the operations of a portfolio company. The activity of

identifying and implementing operating improvements at portfolio companies entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of key personnel and disrupt normal business. There can be no assurance that the Fund will be able to successfully identify and implement such improvements.

#### Conflicts of Interest

Investors should be aware that various actual and potential conflicts will arise from the overall investment activities of a Fund, SSC, and their respective affiliates. The following discussion identifies certain potential conflicts of interest that should be carefully considered before making an investment in a Fund. In addition, investors should be aware that SSC and its personnel may in the future engage in further activities that may result in additional conflicts of interest not addressed below. There can be no assurance that SSC will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to the Fund.

If any matter arises that SSC determines in its good faith judgment constitutes an actual or potential conflict of interest, SSC may take such actions as may be necessary or appropriate to ameliorate such conflict (and upon taking such actions, the applicable General Partner or affiliate will be relieved of any responsibility for such conflict to the fullest extent permitted by law and shall be deemed to have satisfied its fiduciary duties related thereto to the fullest extent permitted by law). These actions may include, by way of example: (i) disposing of the security giving rise to the conflict of interest; (ii) appointing an independent fiduciary to act with respect to the matter giving rise to the conflict of interest; or (iii) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the Limited Partner Advisory Committee regarding the conflict of interest and either obtaining a waiver from the Limited Partner Advisory Committee of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the Limited Partner Advisory Committee with respect to such conflict of interest.

In addition, investors should note that the applicable Governing Documents contain provisions that, subject to applicable law, (i) reduce, modify or eliminate the duties, including fiduciary duties, that SSC and or its affiliates would otherwise owe to a Fund and the Investors; (ii) waive duties or consent to the conduct of SSC and or its affiliates that might not otherwise be permitted pursuant to such duties; and (iii) limit the remedies of an Investor with respect to breaches of such duties. Additionally, the applicable Governing Documents contain exculpation and indemnification provisions that, subject to the specific exceptions identified therein, provided that SSC and their respective employees will be held harmless and indemnified, respectively, for matters relating to the operation of a Fund, including matters that may involve one or more potential or actual conflicts of interest.

Until such time as SSC is permitted to raise a successor investment fund to a Fund, SSC will generally will pursue substantially all appropriate investment opportunities that meet the investment criteria of a Fund principally for the benefit of a Fund, subject to certain exceptions set forth in the applicable Governing Documents. Consistent with the foregoing, certain investment opportunities generally will not be presented to the Fund. SSC currently, and may in

the future, manage several other investment funds and investment vehicles and investments similar to those in which an existing Fund will be investing and may direct certain relevant investment opportunities to those investment funds and investment vehicles. SSC's investment staff will continue to manage and monitor such investment funds and investments. SSC believes that the significant investment in an existing the Fund, as well as SSC or its affiliates' interest in the carried interest, operate to align, to some extent, the interest of the SSC with the interest of the Investors, although SSC has or may have economic interests in such other investment funds and investments as well and receive management fees and carried interests relating to these interests. Such other investment funds and investments that SSC may control or manage may compete with a Fund or companies acquired by a Fund. At such time as SSC is permitted to raise a successor investment funds, SSC will continue to manage the Fund's investments, but also may and likely will focus investment activities on other opportunities and areas unrelated to existing Fund's investments. Certain investments may be allocated between the Fund and any successor or predecessor fund in a manner as set forth in the applicable Governing Documents.

From time to time, SSC may be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of SSC. In determining which investment vehicles should participate in such investment opportunities, SSC and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of SSC in a Portfolio Company may also raise the risk of using assets of a client of SSC to support positions taken by other clients of SSC.

SSC must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. SSC generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Governing Documents, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant client's Partnership Agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life cycle, structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds advised by an affiliated adviser of SSC in the manner set forth in the relevant Partnership Agreements and SSC's Allocation Policy. SSC will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with SSC's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, SSC will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Governing Documents, Side Letters and SSC's procedures regarding allocation. SSC's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: (i) the ability of a person to react promptly to co-invest opportunities; (ii) any strategic advantages that may result from a person's participation in a co-investment opportunity; (iii) a person's commitment to the Fund and/or one or more other funds managed by the General Partner and its affiliates; (iv) and/or the likelihood that a person may invest in a future fund sponsored by SSC, the General Partner or

their respective affiliates. SSC may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund Portfolio Companies or otherwise to have priority in co-investment opportunities.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by SSC or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other SSC investors. When and to the extent that employees and related persons of SSC and its affiliates make capital investments in or alongside certain Funds, SSC and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

SSC's 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. While SSC will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which SSC may be subject, discussed herein, did not exist.

In certain cases, SSC will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Document(s), no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, SSC will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, and unless required by the relevant Governing Document(s), will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Additionally, conflicts of interest can arise if a Fund makes an investment in a Portfolio Company in conjunction with an investment made by another investment fund sponsored by SSC or an affiliate. For instance, a Fund may not invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as such other investment fund. This may result in differences in price, investment terms, leverage and associated costs between a Fund and any other investing fund sponsored by SSC or an affiliate. There can be no assurance that a Fund and the other investing fund(s) will exit the investment at the same time or on the same terms, and there can be no assurance that a Fund's return on such an investment will be the same as the returns achieved by any other investment fund participating in the transactions. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to a Fund.

SSC may be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses to a Fund. SSC, in its sole discretion, will allocate fees and expenses in accordance with the applicable Governing Documents and in a manner that it

believes in good faith is fair and equitable to a Fund under the circumstances and considering such factors as it deems relevant. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on number of funds or co-investors receiving related benefits or proportionately in accordance with asset size.

SSC-managed Funds intend to make controlling investments in Portfolio Companies. As a result of these controlling interests, SSC typically has the right to appoint portfolio company board members (including current or former SSC personnel or persons serving at their request), or to influence their appointment, and to determine or influence the determination of their compensation. Additionally, from time to time, Portfolio Company board members approve compensation and other amounts payable to SSC or its affiliates in connection with services provided by SSC and its affiliates to such Portfolio Company, and, except to the extent such amounts are subject to the applicable Governing Document's offset provision, are in addition to the Management Fee or carried interest discussed herein. SSC's authority to appoint or influence the appointment of Portfolio Company board members who may be involved in approving compensation payable to SSC subjects SSC and any such Portfolio Company board appointees to potential conflicts of interest.

SSC-managed Funds may use common counsel and other advisers with respect to investments in entities in which they acquire an interest if SSC believes at such time in its sole discretion that the time, cost and other savings, benefits and efficiencies outweigh any potential conflicts of interest. SSC may consult with the Limited Partner Advisory Committee in connection with addressing any such conflict.

Additionally, a Fund's Portfolio Companies are expected to reimburse SSC and/or service providers retained at SSC's discretion for expenses (including travel expenses) incurred by SSC and such service providers in connection with their performance of services for such Portfolio Companies. This practice will subject SSC and its affiliates to conflicts of interest because a Fund is not expected to have an interest or share in such reimbursements and the amount of such reimbursements may be significant. Such reimbursements will not offset or reduce the Management Fee. SSC expects to determine the amount of such reimbursements in its own discretion and in accordance with its internal reimbursement policies and practices. The amount of specific reimbursements generally is not expected to be disclosed to investors in a Fund, however, their effect will be reflected in a Fund's audited financial statements (through the valuation of portfolio companies).

SSC may also, from time to time, employ personnel with pre-existing ownership interests in or who were employed by Portfolio Companies owned by a Fund or other funds or investment vehicles advised by SSC; conversely, former personnel or executives of SSC may serve in significant management roles at Portfolio Companies or service providers recommended by SSC. Similarly, SSC and/or its personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an



investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, SSC, and/or Funds or other investment vehicles SSC advises. SSC may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to a Fund or a Portfolio Company owned by a Fund if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more funds SSC advises, will provide SSC information about markets and industries in which SSC operates (or is contemplating operations) or will provide other services that are beneficial to SSC. SSC may have a conflict of interest in making such recommendations, in that SSC has an incentive to maintain goodwill between itself and the existing and prospective portfolio companies for a Fund and other funds and investment vehicles that SSC advises, while the products or services recommended may not necessarily be the best available to the Portfolio Companies held by a Fund.

SSC will exercise its discretion recommending to a Fund or to a portfolio company thereof that it contracts for services with a person or an entity with which SSC or its affiliates or current or former members of their personnel has a relationship (including a portfolio company of an SSC-managed) or from which SSC or its affiliates or their personnel otherwise derives financial or other benefit. This practice may subject SSC to conflicts of interest because although SSC intends to select service providers that it believes are aligned with its operational strategies and will enhance Portfolio Company performance. SSC may have an incentive to recommend the related or other person or entity because of its financial or other business interest. There is a possibility that SSC, 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 or entity. Whether or not SSC has a relationship or receives a 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 a lesser cost.

In addition to the foregoing, SSC-managed Funds, including co-investment vehicles and predecessor and successor funds, may incur fees, expenses and other costs in connection with a proposed investment that was not consummated. In such event, such fees, expenses and costs may not be allocated to, or borne by each entity that was expected to participate in such unconsummated investment but instead such fees, expenses and costs may be allocated to, and borne by, the entities participating in a subsequent investment, which may only be an SSC-managed Fund.

The fact that the SSC's carried interest is based on a percentage of net profits may create an incentive for SSC to cause a Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case. In addition, because a Fund has a fixed investment period after which capital from Investors generally may only be drawn down in limited circumstances, and because the Management Fee is, at certain times during the life of a Fund, calculated based upon the invested capital of a Fund, the Management Fee structure may create an incentive for SSC to deploy capital when it might not otherwise have done so.

#### Monitoring Fee Acceleration

Agreements made with Portfolio Companies may require the acceleration of future monitoring fees and other fees payable by a Portfolio Company at the sale or public offering of such Portfolio company and an agreed upon value of such fees may be paid to SSC or its affiliate at such time.

**THE FOREGOING RISKS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL THE RISKS INVOLVED IN ACQUIRING AN INTEREST IN A FUND MANAGED BY SSC. PROSPECTIVE INVESTORS ARE URGED TO READ THE APPLICABLE GOVERNING DOCUMENTS FOR THE RESPECTIVE FUND PRIOR TO MAKING AN INVESTMENT.**

## **Item 9 – Disciplinary Information**

Neither SSC nor any of its employees have been involved in any material legal or disciplinary events that would be required to be discussed in this Brochure.

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

SSC is affiliated with the General Partners, which are subject to the Advisers Act pursuant to SSC's registration in accordance with SEC guidance. These affiliated entities operate as a single advisory business together with SSC and serve as general partners, managers and/or managing members of the Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Neither SSC nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither SSC nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

SSC does not recommend or select other investment advisers for the Funds.

### Portfolio Company Representation

Employees of SSC serve as directors of certain Portfolio Companies and, in that capacity, will be required to make decisions that consider the best interests of such Portfolio Companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a Portfolio Company, actions that are determined to be in the best interests of the Portfolio Company may not be in the best interests of a Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an employee of SSC and such individual's duties as a director of such Portfolio Company.

SSC and its affiliates are entitled to receive certain transaction, consulting, advisory and other similar fees from Portfolio Companies associated with investments, monitoring, or proposed investments or commitments made by the Fund which are subject to the Management Fee offset provisions described herein (e.g., director's fees, transaction fees, investment banking fees, break-

up fees, advisory fees, monitoring fees or other similar fees). In addition, SSC and its affiliates also engage and retain senior advisors, advisors, consultants and other similar professionals (including operating partners and executive partners) who are not employees or affiliates of SSC but regularly provide such services with respect to the Funds', Portfolio Companies and/or other entities and who generally receive payments from, or allocations with respect to, Portfolio Companies and/or other entities that are not subject to the Management Fee offset, and the Investors will not receive the benefit of any such fees.

#### Co-Investment Entities

SSC intends, but is not obligated, to provide co-investment opportunities to Co-Investment Partners. Subject to any restrictions contained in the Governing Documents of the relevant Fund or any Side Letter or other terms negotiated with respect to such Fund, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of SSC or its related persons, (iii) co-investment opportunities may, and typically will, be offered to some and not other Investors in Funds, in the sole discretion of SSC or its related persons, and (iv) certain persons other than Investors in the Funds (e.g., third-parties) may be offered co-investment opportunities, in the sole discretion of SSC or its related persons.

Co-Investment Entities are utilized when a Fund's investment program or other factors prevent the Fund from increasing its participation in a specific investment (for example, the Fund has reached a relevant investment limit or has limited liquidity). In such situations, SSC will allocate the available investment among the Funds, the Co-Investment Entity and any third-parties as determined in its sole discretion. There is no guarantee for any Investor that it will be offered co-investment opportunities. SSC may, in its sole discretion, determine whether or not to charge Co-Investment Entities any Management Fees, carried interest, or other performance-based compensation. SSC may receive fees and/or carried interest from co-Investors, which may differ as among co-Investors and also may differ from the fees and/or carried interest borne by the Funds, and the willingness of a co-investor to bear or pay such fees to SSC may influence SSC in determining allocation of co-investment opportunities.

As a result of this approach, SSC has a potential conflict of interest in determining the amount of the investment to allocate to the Funds and any Co-Investment Entity, because SSC would have an incentive to favor Funds or Investors that pay performance-based compensation over those that do not. To address this conflict, SSC has policies and procedures to regularly review investment allocations among the Funds and Co-Investment Entities. Please refer to Item 8 for additional information relating to the factors SSC considers in making decisions regarding whether and who to offer co-investment opportunities, and the allocation of investment opportunities among the Funds and Co-Investment Entities.

#### Allocation of Investment Opportunities

In allocating investment opportunities between the Funds, SSC must offer to each Fund all of the potential investments presented to it that satisfy the investment parameters of such Fund, except for in certain circumstances as detailed in the Governing Documents of each Fund. It is SSC's policy that all investment opportunities will, to the extent practicable, be allocated among its Funds

on a basis that over a period of time is fair and equitable, taking into account all relevant facts and circumstances. SSC may depart from the foregoing policy in a particular circumstance if the Chief Compliance Officer determines that for good reason it would be appropriate to do so, and that such a departure would be nonetheless consistent with SSC's fiduciary obligations and within the parameters of the applicable Fund Governing Documents. The exceptions typically include follow-on investments or co-investments and investment opportunities, which are originated by SSC prior to the initial closing of such Fund.

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

Pursuant to Rule 204A-1 of the Advisers Act, SSC has adopted a written Code of Ethics (the "Code") predicated on the principle that SSC owes a fiduciary duty to its clients, the Funds. The Code is designed to address and avoid potential conflicts of interest and establishes standards of conduct for all officers, directors, members, partners, employees, and other supervised persons of SSC and includes general requirements that such supervised persons comply with their fiduciary obligations and applicable securities laws, and specific requirements relating to, among other things, personal trading, conflicts of interest, and confidential information.

The Code also requires SSC's Supervised Persons (any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of SSC, or other person who provides investment advice on behalf of SSC and is subject to the supervision and control of SSC to comply with all relevant controls applicable to Access Persons under Rule 204A-1. Specifically, SSC's Code requires Access Persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to SSC's Chief Compliance Officer. SSC requires its Access Persons to act in the Funds' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper. **Due to SSC's relatively small number of employees, the open architecture of SSC's offices and flow of information among employees, SSC considers all Supervised Persons to also be Access Persons.**

Certain transactions in which SSC engages will require, for either business or legal reasons, that no employees trade in the subject securities for specified time periods or until the potential conflict of interest with respect to such securities no longer exists. SSC maintains a list of issuers whose securities are not permitted to be traded in on behalf of the Funds or in the personal accounts of Access Persons (the "Restricted List"). No employee is permitted to engage in any sort of trading activity with respect to a security on the Restricted List without obtaining prior written approval from the Chief Compliance Officer. Approval from the Chief Compliance Officer will be rarely, if ever, granted for securities or companies on the Restricted List and only in instances where (i) the Access Person's transaction does not create a conflict of interest with SSC Funds, and (ii) the Access Person's transaction is not predicated on material non-public information.

Access Persons must pre-clear all transactions for a personal account involving initial public offerings ("IPOs") or initial coin offerings ("ICOs"), securities obtained through a limited offering or private placement and securities of issuers listed on the Restricted List before completing the

transactions. Access Persons are also required to submit quarterly reports of all transactions in reportable securities to the Chief Compliance Officer. Access Persons must provide SSC's Chief Compliance Officer with a list of all personal accounts and an initial holdings report within 10 days of becoming an Access Person, and annually thereafter. The Code also requires Access Persons to report any violations of the Code promptly to the Chief Compliance Officer. Each Access Person receives a copy of the Code and any amendments to it and must acknowledge in writing having received those materials. Annually, each Access Person must certify that he or she will comply with the Code.

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

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

Principals and employees of SSC and its affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities may also be presented to certain affiliates of SSC, as well as third party investors and other persons, and such co-investments may be effected through co-invest 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."

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

SSC will provide a copy of its Code of Ethics to current and prospective Investors upon request to its Chief Compliance Officer at 310-929-2950.

## **Item 12 – Brokerage Practices**

SSC focuses on making investments in private securities, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable in connection with such investments. However, SSC may also distribute securities to Investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although SSC does not intend to regularly engage in public securities transactions, to the limited extent SSC transacts in public securities, it intends to select brokers based upon the broker's ability to provide best execution for the Fund. SSC is generally authorized to make the following determinations, subject to each Fund's investment objectives and restrictions, without obtaining prior consent from the relevant Fund or any of their Investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

In making its decisions regarding the allocation of brokerage transactions for each Fund, SSC will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer or counter party; and (iv) the competitiveness of commission rates in comparison with other broker-dealers. Although SSC generally seeks competitive commission rates and commission equivalents, it 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 SSC generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Certain transactions may involve specialized services on the part of a broker-dealer, which thereby entail higher commissions or their equivalents than would be the case for more routine services.

SSC does not participate in any soft dollar arrangements.

## **Item 13 – Review of Accounts**

SSC focuses on investments primarily in private companies. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. All investments are carefully reviewed and approved by SSC's Partners and Investment Committee. The Portfolio Companies are reviewed on a regular basis and the Investment Committee meets periodically to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

Annually, each Fund will furnish audited financial statements to all Investors and tax information necessary for the completion of tax returns. On a quarterly basis, each Investor will be furnished

with unaudited financial statements of the Fund(s) in which they are invested. Investors will also receive descriptive investment information for each of the investments on a periodic basis.

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

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

From time to time, SSC may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an Investor in a Fund. Any fees payable to any such placement agents will be borne by SSC indirectly through an offset against the Management Fee or otherwise, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

## **Item 15 – Custody**

Pursuant to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), SSC is deemed to have custody of Fund assets since an affiliate of SSC serves as the General Partner of each Fund.

SSC is exempt from the quarterly account statement delivery obligations and surprise audit requirements, and will be deemed to have complied with the Custody Rule because each of the Funds are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"), in accordance with its rules. Additionally, the audited financial statements of each Fund are prepared in accordance with generally accepted accounting principles and are distributed to each Investor within 120 days of each Fund's fiscal year end. Investors should carefully review these statements, and should compare these statements to any account information provided by SSC.

As SSC's investment program primarily involves investments in private companies. Therefore, SSC generally will be exempt from the requirement that securities be maintained with a "qualified custodian." SSC anticipates that many of its investments in private companies will involve securities that are (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated, and ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the client; and (iii) transferable only with prior consent of the issuer or holders of the issuer's outstanding securities. To the extent that SSC's investments in private companies involve securities that are certificated, but also are acquired from the issuer in a private transaction or chain of transactions and subject to restrictions on transfer (as referenced above), SSC will not be required to maintain such private stock certificates or certificated LLC interests with a qualified custodian, provided the certificates are appropriately safeguarded by SSC and can be replaced upon loss or destruction, in accordance with applicable guidance issued by the SEC's Division of Investment Management (*see* IM Guidance Update No. 2013-4). If SSC is

otherwise unable to rely on an exemption from the qualified custodian requirement of the Custody Rule, SSC will maintain such securities with a qualified custodian (i.e., a bank or registered broker-dealer).

## **Item 16 – Investment Discretion**

In accordance with the terms and conditions of the Governing Documents of each Fund, and subject to the direction and control of the General Partner of each Fund, SSC generally has discretionary authority to manage investments and perform the day-to-day operations of each Fund. As a general policy, SSC does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, SSC and/or its affiliates may enter into Side Letters with certain Investors whereby the terms applicable to such Investor's investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. SSC assumes this discretionary authority pursuant to the terms of the Partnership Agreement or Agreement and powers of attorney executed by the Investors of such Fund.

## **Item 17 – Voting Client Securities**

As an investment adviser to the Funds that invest primarily in private companies, SSC is rarely, if ever, required to vote the proxies of public companies, and most of the portfolio companies held by the Funds are private companies, which typically do not issue proxies. However, in the event proxies have to be voted, SSC has adopted and implemented written policies and procedures governing the voting activities on behalf of its Funds in accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act. Its proxy voting activities are conducted in a manner consistent, under all circumstances, with the best interests of the Funds.

SSC generally believes its interests are aligned with those of each Fund's Investors, for example, through the principals' beneficial ownership interests in such Fund and therefore will not seek Investor approval or direction when voting proxies. In exercising its voting discretion, SSC and its employees will avoid any direct or indirect conflict of interest raised by such voting decision. SSC does not consider service on portfolio company boards by SSC personnel or SSC's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. However, a number of SSC's investment professionals serve as directors of certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that are determined to be in the best interests of the portfolio company may not be in the best interests of the Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an employee of SSC and such individual's duties as a director of such portfolio company.

In the event that there is or may be a conflict of interest in voting proxies, SSC's may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in SSC's proxy voting policy. Additionally, a Fund's advisory board may approve SSC's vote in a particular



solicitation. In addition, SSC's proxy voting policy sets forth certain specific proxy voting guidelines followed by SSC when voting proxies on behalf of a Fund.

All proxies that SSC receives will be treated in accordance with these policies and procedures. A copy of SSC's written proxy voting policies and procedures, as well as a record of how SSC has voted in the past, will be maintained and available for review upon request to its Chief Compliance Officer at 310-929-2950.

## **Item 18 – Financial Information**

As noted in Item 5 above, the Management Fee is payable quarterly (as the case may be based on the applicable Governing Documents), but less than six months in advance. Accordingly, SSC does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet for its most recent fiscal year. SSC has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts or meet contractual commitments to the Funds or Investors.