

Item 1 – Cover Page

Form ADV Part 2A: FIRM BROCHURE



THE CAPSTREET GROUP, LLC

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This Brochure provides information about the qualifications and business practices of The CapStreet Group, LLC, an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Brochure, please contact us at 713-332-2745 or mcapo@capstreet.com.

This information has not been approved or verified by the SEC or by any state securities authority. Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about The CapStreet Group, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Since the filing of The CapStreet Group, LLC's last Brochure dated March 27, 2019, the Firm has undergone a reorganization to the ownership of the management company and closed on a new fund. Please see Item 4 for relevant information regarding these changes. The Firm has also designated a new Chief Compliance Officer, Mary Anne Capo.

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Item 4 – Advisory Business

The CapStreet Group, LLC (the “filing adviser” and, unless the context otherwise requires, collectively with the relying adviser (CapStreet Management, L.P.), the fund general partners (as defined below) and any affiliates “CapStreet” or the “Firm”), together with its affiliates, serves as an investment manager and provides discretionary investment advisory services to pooled investment vehicles which are exempt from registration under the Investment Company Act of 1940, as amended (each a “Fund” or, collectively, the “Funds”).

The Funds make long-term private equity investments in lower middle market companies primarily in Texas and the surrounding states. CapStreet’s investments on behalf of the Funds are control investments in owner-operated businesses with \$3 - \$15 million of EBITDA in the industrial distribution, industrial manufacturing and diversified business services sectors. CapStreet has a regional focus, primarily on Texas, with a particular emphasis on companies headquartered in the greater Houston area.

CapStreet tailors its advisory services to the specific investment objectives and restrictions of each Fund pursuant to the investment guidelines and restrictions set forth in the relevant Fund’s partnership agreement, exhibits, amendments and private placement memorandum, investment advisory agreements, side letters, and any other governing documents of the relevant Fund, each as may be supplemented and or amended and restated from time to time (collectively, the “Governing Documents”). CapStreet does not tailor its advisory services to the individual needs of limited partners and Fund limited partners generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letter agreements. Limited partners in the Funds participate in the overall investment program for the applicable Fund, but will in certain cases be excused from a particular investment due to legal, regulatory or other applicable constraints, pursuant to the terms of the applicable Governing Documents. CapStreet has entered into side letters or similar agreements with certain limited partners who make substantial commitments of capital, were early-stage investors, or for other reasons in the sole discretion of CapStreet and such side letter have the effect of establishing rights under, or altering or supplementing a Fund’s Governing Documents. Such rights include notification provisions, reporting requirements and “most favored nations” provisions, among others. Side letters are generally negotiated at the time of a limited partner’s capital commitment and once invested in a Fund, limited partners generally cannot impose additional investment guidelines on such Fund.

CapStreet’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted in certain instances. Where such investments consist of portfolio companies, the senior principals or other personnel or third-parties appointed by CapStreet, as well as affiliates and/or third parties, will generally serve on such portfolio companies’

respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds.

CapStreet currently manages three Funds: CapStreet III, L.P. (“Fund III”), CapStreet IV, L.P. (“Fund IV”) and CapStreet V, L.P. (“Fund V”). CapStreet does not currently manage any independent co-investment vehicles. As of June 30, 2019, CapStreet had approximately \$1,036,079,000 in regulatory assets under management, all of it managed on a discretionary basis. Included in the calculation of regulatory assets under management is the uncalled capital for Fund V as of the date of this filing, which has had multiple closings in the third quarter of 2019.

In accordance with relevant SEC guidance related to relying advisers: (i) The CapStreet Group, LLC and its relying adviser, CapStreet Management, L.P., collectively operate as a single advisory business; (ii) both advisers manage and provide investment advisory services solely to private funds (The CapStreet Group, LLC provides such services to Fund V and future funds; CapStreet Management, L.P. provides such services to Fund III and Fund IV); (iii) the filing adviser’s principal office and place of business is in the United States; (iv) the relying adviser, its employees and the persons acting on its behalf are subject to the filing adviser’s supervision and control; (v) the advisory activities of both advisers are subject to the Advisers Act and examination by the SEC and; (vi) The CapStreet Group, LLC and CapStreet Management, L.P. operate under a single code of ethics and a single set of written policies and procedures which are administered by a single chief compliance officer.

The management and operation of each CapStreet Fund is vested in a general partner, which has the authority to carry out all objectives and purposes of that Fund. CapStreet GP III, L.P. is the general partner of and manages Fund III; CapStreet GP IV, L.P. is the general partner of and manages Fund IV; and CapStreet GP V, L.P. is the general partner of and manages Fund V (collectively, CapStreet GP III, L.P., CapStreet GP IV, L.P. and CapStreet GP V, L.P. are referred to herein as the “general partners”). The general partners and the relying adviser have been formed for legal, tax, regulatory or other purposes in connection with the organization of the Funds; however, they do not have employees of their own, and all investment advisory services are performed by employees of CapStreet. While the general partners maintain ultimate authority over the respective Funds, The CapStreet Group, LLC and CapStreet Management, L.P. have been delegated the role of investment adviser. For more information about the Funds, the relying adviser and general partners, please see CapStreet’s Form ADV Part 1, Schedule D, Sections 7.A and 7.B.(1) and Schedule R.

CapStreet Management, L.P. is the sole owner of The CapStreet Group, LLC, which was founded in 1997 and was originally named Summit Capital Group, LLC; its name was changed to The CapStreet Group, LLC in 2002. CapStreet Management, L.P. is owned by partners George B. Kelly, M. Neil Kallmeyer, Paul M. De Lisi and Adrian Guerra-Cardus. For more information about CapStreet’s owners and executive officers, see CapStreet’s Form ADV Part 1, Schedule A and Schedule B and Form ADV Part 2B.

Item 5 – Fees and Compensation

CapStreet charges each Fund a management fee (“Management Fee”) that is generally payable quarterly in advance, and is pro-rated for any period that is less than a full calendar quarter. The Management Fee charged to each Fund is specified in the Governing Documents of the relevant Fund. All Management Fees were negotiated with the Fund’s limited partners during the fundraising period of the applicable Fund and are not subject to negotiation after. The Management Fees are charged at a maximum annual rate of 2% of the capital commitments of any limited partner. Generally, as described in the relevant Fund Governing Documents, Management Fees are initially calculated based on each limited partner’s committed capital. Thereafter, Management Fees are calculated based on the cost of investments held by each Fund, subject to various other factors.

Limited partners should refer to the Governing Documents of the applicable Fund for a complete understanding of how CapStreet is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.

While fees are generally not negotiable, CapStreet reserves the right to waive fees for certain limited partners. In particular, the Management Fee for certain limited partners in the Funds who are employees of CapStreet, or family members of such employees, will typically be waived subject to CapStreet’s discretion. For future funds, CapStreet anticipates that it will also waive fees for limited partners who are part of its Operating Executives discussed below.

As described in Item 6 below, an affiliate of each Fund’s general partner is entitled to be allocated carried interest with respect to the Funds, which is equal to a specified percentage of realized Fund profits net of all expenses and is subject to preferred return and catch-up provisions.

CapStreet receives certain supplemental fees and compensation with respect to portfolio investments, which may include investment banking, mergers and acquisitions, structuring, financing, and other similar transaction fees as well as directors fees, monitoring fees, advisory fees and other similar monitoring fees from a Fund’s portfolio companies. Transaction fees in connection with acquisitions and debt financings (or refinancing not involving an acquisition or recapitalization) are generally limited to, respectively, 1.5% of the enterprise value of the target and 1.5% of the gross proceeds available from the financing/refinancing. Transaction fees are generally payable upon consummation of the related transaction. CapStreet has historically collected monitoring fees only in limited circumstances and does not accelerate monitoring fees.

A portion of the above fees, whether paid in cash or stock options or similar incentive compensation, are offset, in whole or in part, against, and therefore reduce, the applicable Fund’s Management Fees net of any expenses incurred in connection with such portfolio investment; however, any such fees paid to non-CapStreet employees is not subject to an offset against Management Fees. To the extent that such an offset credit would reduce a Fund’s Management Fee for a given quarter below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon dissolution, a payment will be made to limited partners that have not elected to waive

such amount for tax or other reasons. The amount and manner of such reduction is set forth in the relevant Governing Documents of the applicable Fund. Further information about each CapStreet Fund's offset provisions is detailed in the relevant Fund's Governing Documents.

Management Fees are collected through a capital call, although occasionally, a capital call for Management Fees may be offset against a distribution to limited partners. In either case, the Management Fees are remitted to CapStreet by the Funds and treated as a Fund expense. Most other fees discussed above, including transaction fees, are paid to CapStreet by a portfolio company in which a CapStreet Fund has an investment. In the event an investment management agreement or a Fund itself would be terminated, any Management Fees paid in advance would be reimbursed to the Fund pro rata based on the portion of the period for which fees were paid but for which services were not rendered. However, the Funds generally invest on a long-term basis and accordingly limited partners generally cannot withdraw from a Fund and thus request a return of Management Fees.

Each Fund will also pay all costs and expenses relating to the Fund's activities, which differ across Funds (to the extent not reimbursed by a portfolio company), including: (i) all reasonable out of pocket costs and expenses (to the extent not paid or reimbursed by a Fund portfolio company) incurred in pursuing, investigating, diligencing, analyzing, holding, administering, monitoring, developing, negotiating, structuring, making, acquiring and disposing of Fund investments, including any financing (e.g., structuring and commitment fees and expense reimbursement to financing sources or potential financing sources), legal, accounting, management and consulting fees and expenses and termination fees in connection therewith, including the foregoing expenses related to potential Fund investments or disposition of portfolio companies that are not consummated; (ii) all reasonable and customary administrative expenses of a Fund incurred in the ordinary course, including the cost of the preparation of the annual audit, financial and tax returns and tax reports required for limited partners or a Fund, custodial expenses, cash management expenses and routine legal and accounting expenses; (iii) reasonable brokerage commissions, registration fees and expenses, custodial expenses and other investment costs (to the extent not reimbursed by a portfolio company) incurred in connection with Fund investments; (iv) reasonable interest on and fees and expenses arising out of all borrowings made by a Fund, including, but not limited to, the arranging thereof; (v) reasonable out-of-pocket costs of any litigation, indemnification or extraordinary expense or liability relating to the affairs of a Fund, excluding, however, with respect to litigation expenses or liabilities where such expense or liability is limited pursuant to the Governing Documents; (vi) reasonable expenses in connection with the dissolution, winding up or termination of a Fund; (vii) registration expenses and any taxes (subject to any restrictions in the Governing Documents), fees or other governmental charges levied against a Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of a Fund; (viii) reasonable expenses of the relevant Fund's advisory board and meetings of a Fund partners; (ix) reasonable private placement fees and expenses paid to third-party placement agents relating to the formation of a Fund and obtaining the relevant capital commitments, but only to the extent Management Fees payable to CapStreet are subsequently reduced pursuant to the Governing Documents; (x) reasonable expenses incurred in connection with each Fund's financial statements and reports, tax returns and K-1's or similar schedules; (xi) reasonable fees and disbursements of attorneys,

accountants and fund administrators relating to Fund matters; (xii) any insurance premiums or expenses incurred by a Fund in connection with the activities of a Fund, including errors and omissions, fidelity, general partner liability, fiduciary, directors' and officers' liability and similar coverage; (xiii) reasonable expenses related to or arising from defaults in the payment of capital contributions; (xiv) reasonable expenses incurred in connection with distributions to partners; (xv) reasonable expenses incurred in connection with any amendments, modifications, revisions or restatements to the Governing Documents; (xvi) post-closing obligations under agreements relating to the disposition of portfolio companies including indemnification obligations and purchase price adjustment obligations; and (xvii) costs and expenses in connection with a subscription credit facility. Each portfolio company typically pays for, or reimburses the Firm for, the out-of-pocket costs of travel of CapStreet employees to visit such portfolio company, and for other travel undertaken for the benefit of the portfolio company. As these types of expenses reflect reimbursement by a Fund or a portfolio company for certain out-of-pocket expenses incurred by CapStreet, a general partner or their respective affiliates, such reimbursements will not be offset against the Management Fee payable by the Funds. Further, as CapStreet does not manage co-investment vehicles as Funds, the relevant Fund will generally bear all fees and expenses related to investments that are not consummated, or "broken deal" expenses. For more information regarding CapStreet's brokerage practices, please see Item 12, below.

Each Fund is responsible for the costs and expenses related to its organization, including legal, consulting, accounting and other organizational expenses, including out-of-pocket expenses of CapStreet, up to a limit as specified in each Fund's Governing Documents. Any organizational expenses paid by a Fund in excess of the specified amount reduce, on a dollar-for-dollar basis, Management Fees otherwise payable. The Funds have the option to retain an unaffiliated placement agent whose fees are also paid by the Funds, provided that such payments reduce Management Fees by a similar amount, and CapStreet did so in connection with fundraising for Fund III.

CapStreet and its affiliates are responsible for all of their ordinary overhead and administrative expenses, including salaries, rent and similar expenses in connection with managing each Fund's investments and maintaining and operating its office space, except as specifically designated in the relevant Fund's Governing Documents.

Occasionally, CapStreet may assist a portfolio company in retaining an experienced industry executive to supplement the skills of the management team, or to assist a portfolio company with specific initiatives. CapStreet also expects to retain the services of one or more individuals with expertise in specific areas, (*e.g.*, technology, process improvements, operations, etc.) (collectively, such individuals, as well as the experienced industry executives mentioned in the prior sentence, shall be referred to herein as the "Operating Executives"). The Operating Executives will assist the Firm in assessing potential portfolio investments and will assist portfolio companies in developing improved operating platforms capable of sustaining organic and acquisition growth. The Operating Executives will be experts in a specific aspect of operations or a specific industry whose service to the Firm and often to a specific portfolio CapStreet believes will benefit the Funds. The nature of the relationship with each

of the Operating Executives and the amount of time devoted or required to be devoted by them may vary considerably. In certain instances, CapStreet may have formal arrangements with an Operating Executive (which may or may not be terminable upon notice by any party) and such individuals may or may not be employees of CapStreet. In other cases, the relationship may be more informal. There can be no assurance that any of these individuals will continue to serve in such role and/or continue their arrangement with CapStreet and/or any portfolio company throughout the terms of the Funds.

The Governing Document of the applicable Fund to which an Operating Executive is providing services, either directly or by providing services to a portfolio company of the applicable Fund, will determine the allocation of the compensation and expenses related to the Operating Executive. Such compensation and expenses may include payroll costs incurred by CapStreet, independent contractor fees, board fees, success fees, travel and other out-of-pocket expenses, co-investment rights, equity allocations and/or other compensation or allocations with respect to portfolio companies and/or other entities, including a profits interest and options in a portfolio company or a percentage of the Carried Interest. Depending upon the nature of the relationship between CapStreet and the individual, and the terms of the relevant Fund's Governing Documents, such compensation and expenses may be borne by CapStreet, a Fund or a portfolio company. In certain instances, compensation and expenses related to an Operating Executive borne by a portfolio company or a Fund may result in an offset against Management Fees of a Fund.

From time to time, CapStreet, in its sole discretion, may agree to pay a transaction fee, portion of the Management Fee, Carried Interest or other fee received from an actual or prospective portfolio company to a third-party, such as a consultant, adviser, operating partner, finder, placement agent, joint venture partner, broker and/or investment bank. In such event, the third-party fee is not a fee that CapStreet is entitled to retain and, therefore, CapStreet is not required under the terms of the applicable Governing Documents to share such third-party fees with a Fund.

Limited partners should refer to the Governing Documents of the applicable Fund for a complete understanding of how CapStreet is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.

Item 6 – Performance-Based Fees and Side-By-Side Management

As mentioned above, CapStreet earns a performance fee (“Carried Interest”) based on the profits of each Fund that is deducted from the investment proceeds of the limited partners. A Carried Interest allocation represents an adviser's compensation based on a percentage of net profits of the Funds it manages. Generally, an affiliate of the relevant Fund general partner receives Carried Interest of 20% of the profits of a Fund, subject to an 8% annual preferred return (or hurdle). Each Fund's Governing Documents include further detail concerning its Carried Interest. These performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

While not generally negotiable, the general partner of each Fund is permitted, in its sole discretion, to waive or reduce the amount of Carried Interest for a limited partner in a Fund, particularly with regard to CapStreet employees and their family members.

The fact that each general partner's Carried Interest distributions are based on the performance of the respective Fund may create an incentive for a general partner to make investments that are more speculative than would be the case in the absence of such distributions. However, CapStreet believes that this incentive is somewhat tempered by the fact that losses will reduce such Fund's performance and thus a general partner's Carried Interest distributions and the fact that Carried Interest is generally calculated only after limited partners have received as distributions 100% of their capital contributions plus a preferred return. In addition, CapStreet has in place policies and procedures to address these conflicts, including policies and procedures to ensure that investment opportunities are allocated fairly and equitably among the Funds. CapStreet will not allocate investment opportunities based, in whole or in part, on the relative fee structure or amount of fees paid by any Fund. Further, CapStreet generally makes new investments for one Fund only after a predecessor Fund is substantially fully invested or committed.

Item 7 – Types of Clients

CapStreet provides advice directly to pooled investment vehicles, which are U.S. limited partnerships sponsored by CapStreet, and not to individual limited partners. The Funds limit their respective limited partners to persons or institutions who are both (i) "accredited investors" as defined in the Securities Act of 1933, and (ii) either (A) "qualified purchasers" or "knowledgeable employees," each as defined in the Investment Company Act of 1940, or (B) "qualified clients," as defined in the Advisers Act. Eligibility to invest in a Fund is limited to limited partners who meet specified minimum criteria relating to such items as financial holdings and investment experience, which are further detailed in each Fund's Governing Documents. The limited partners within CapStreet's Funds include institutions, funds of funds, pension plans and sophisticated high net worth individuals. Limited partners also include employees of CapStreet, directly or indirectly.

Details concerning minimum initial and additional subscription amounts, as well as a description of the investment objectives and risk factors, are found in each Fund's Governing Documents which are provided to limited partners prior to investing with CapStreet. CapStreet has, in its sole discretion, permitted investments below the minimum amounts set forth in a Fund's Governing Documents.

CapStreet will generally pursue all appropriate investment opportunities through its Fund vehicles, subject to certain limited exceptions. CapStreet may, from time to time, require additional capital in order to complete a portfolio company transaction and may reach out to select limited partners or other parties for additional capital. These co-investments are not managed by CapStreet, are not subject to custody by CapStreet and are not deemed to be clients of CapStreet. Nevertheless, CapStreet will perform oversight, advisory and other services for the portfolio companies in which these limited partners or other co-investors invest alongside the Funds, generally at no cost to such third parties except expenses.

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

Investment Strategies and Methods of Analysis

Although CapStreet’s investment strategy may vary somewhat from Fund to Fund, the Firm, on behalf of the Funds, generally makes control investments in lower middle market companies (typically valued at less than \$150 million). CapStreet focuses its sourcing efforts on companies headquartered in the greater Houston area or elsewhere in Texas and the surrounding states. With a primary industry focus on industrial distribution, industrial manufacturing and diversified business services, CapStreet primarily invests in businesses owned by entrepreneurs, families, management or employee stock ownership plans. CapStreet applies a disciplined and methodical approach to drive operational improvement and growth at its portfolio companies.

CapStreet identifies investment opportunities through its network of relationships with industry executives, professionals, investment banks, business brokers and other intermediaries. In addition, CapStreet retains intermediaries to assist it in identifying and reaching out to targeted prospective platform portfolio investments. After identifying a potential control investment opportunity, CapStreet undertakes a comprehensive due diligence process, including:

- The collection and analysis of company-specific information, including historical and projected financial and operating information, and information regarding management and employees.
- A study of the company’s industry and its competitive situation within the industry, using industry experts or other consultants when appropriate.
- Evaluation of the company’s business, including its management and systems capabilities, pricing strategies, the nature of its relationships with customers and suppliers, product line profitability, branding, marketing and sales strategies and capabilities, operating processes, and productivity statistics.
- The identification of post-investment strategies and tactics to accelerate revenue growth, organically or through acquisition, and increase profitability.
- The utilization of outside legal, accounting, tax, environmental, insurance, technology and other subject matter experts as appropriate.

During the course of the negotiations and due diligence for a potential acquisition, the members of the CapStreet team directly involved in the sourcing of and performance of diligence on the acquisition (the “Deal Team”) report on the progress to the Firm’s Investment Committee on a regular basis, and the Investment Committee is consulted at key points during the negotiations and diligence.

Following the acquisition of a controlled portfolio company, CapStreet generally appoints two or more of its principals to serve on the portfolio company's Board of Directors. The Deal Team participates with the portfolio company's management to set strategic priorities and performance targets. CapStreet works with the portfolio company to build and professionalize the management team, and to execute on opportunities for revenue and profitability growth identified during the due diligence process, and other initiatives that evolve over the course of the investment.

Risks

An investment in a private equity fund involves a substantial degree of risk, and Fund limited partners must be prepared to bear the risk of a complete loss of their investments. Limited partners and prospective limited partners in a Fund should review the Governing Documents of such Fund for a detailed description of the risks associated with an investment in the Fund. Investments in the Funds are subject to many material risks, including the following:

Nature of Investment in General. An investment in a private equity fund requires a long-term commitment, with no certainty of return. There most likely will be little or no near-term cash flow available to the limited partners. Many, if not all, of a Fund's investments will be highly illiquid, and there can be no assurance that a Fund will be able to realize such investments in a timely manner. A Fund's contemplated exit strategies for its investments can be adversely affected by numerous factors, many of which may be unforeseen or unexpected at the time the investments are made. Consequently, it is possible that the dispositions of a Fund's investments will require a lengthy time period or result in distributions in kind to the partners. Additionally, a Fund typically will acquire securities that cannot be sold except pursuant to a registration statement filed under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or in a private placement or other transaction exempt from registration under the Securities Act and that complies with any applicable non-U.S. securities laws. Certain of a Fund's investments will be in businesses with high levels of debt or investments in leveraged buyouts; leveraged buyouts by nature require companies to undertake a high ratio of fixed charges to available income. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. Since a Fund will only make a limited number of investments, and since a Fund's investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to its limited partners. The performance of past investments led by CapStreet is not necessarily indicative of the results that will be achieved by a Fund. There can be no assurance that the targeted internal rate of return ("IRR") will be attained. On any given investment and in a Fund as a whole, loss of all or a portion of the original amount of the investment is possible.

Dependence on Principals. The success of a Fund will depend on CapStreet's ability to identify and consummate suitable investments, to manage and monitor portfolio companies, and to dispose of investments of a Fund at a profit. CapStreet's success will in turn be highly dependent on its investment professionals. The loss of one or more of these individuals could have a material adverse effect on the performance of a Fund. Although CapStreet's investment professionals will commit

substantially all of their business efforts to CapStreet, they are not all required to devote all of their time to a specific Fund's affairs. None of the investment professionals is obligated contractually to remain with CapStreet.

Limited Partners Will Not Control the Fund's Operations. Under the terms of the Governing Documents, no Fund will permit limited partners to engage in the active management and affairs of the Fund, including investment and disposition decisions. In order to safeguard their limited liability from the liabilities and obligations of the Fund, limited partners must rely entirely on CapStreet to conduct and manage the affairs of the Fund.

Uncertainty about Ability to Complete Investments. The business of identifying and structuring transactions of the nature and in the industries contemplated by CapStreet is highly competitive. There can be no assurance that CapStreet will be able to locate and complete investments that satisfy a Fund's rate of return objectives or realize their values or that a Fund will be able to fully invest its committed capital. A Fund's ability to fully invest its capital may be limited by, among other factors, the inability to identify capable management teams in particular markets, the lack of complementary funding from local investment capital, and the inability to obtain regulatory approvals for acquisitions or investments in de novo banks.

Operating Improvements. In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of CapStreet or the management of a portfolio company to restructure and implement improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund will be able to successfully identify and implement such restructuring programs and improvements.

Concentration of Investments; Potential Lack of Diversification. A Fund will participate in a limited number of investments and its concentration in any single investment will be limited. To the extent that the capital raised is less than the targeted amount, a Fund will invest in fewer portfolio companies and thus be even less diversified. As a consequence, the aggregate returns or losses of a Fund are more likely to be affected significantly by the performance of a single investment.

Recycling. CapStreet will have the option to recycle proceeds of investments for reinvestment and to pay fees and expenses of the relevant Fund. Accordingly, during the term of each Fund, to the extent amounts are reinvested in investments, limited partners will remain subject to investment and other risks associated with such investments.

Risk of Bridge Financing. Investments are permitted to include bridge financing to portfolio companies. While a bridge financing is outstanding, the bridge lender bears the risk of changes in the capital markets. A portfolio company's inability to refinance a bridge loan may result in retaining a long-term investment in a junior security or having its bridge loan converted to equity.

Time Required to Maturity of Investment. It is anticipated there will be a significant period of time before a Fund has completed its investments in portfolio companies. Such investments typically take from three to seven years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Transaction structures typically will not provide for liquidity of a Fund's investment before that time. In light of the foregoing, it is likely that no significant return from the disposition of a Fund's investments will occur for a significant period of time from the initial closing date. In addition, a Fund's investments may not be disposed of at advantageous prices before the date a Fund is required to be dissolved. If a Fund's investments have not been sold or distributed in-kind at dissolution, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous price or upon disadvantageous terms upon dissolution.

Reliance on Portfolio Company Management. CapStreet will monitor the performance of each investment and maintain an active and ongoing dialogue with each portfolio company's management team. Nevertheless, the management of the portfolio company will be primarily responsible for operating the company on a day-to-day basis. Although a Fund intends to invest in companies with strong operating management teams that have successful track records or to recruit qualified replacement management, there can be no assurance that each portfolio company's management team will be able to operate the company successfully.

Illiquidity of Investments. An investment in a Fund requires a long-term commitment with no certainty of return. It is unlikely there will be near-term cash flow available to the limited partners in any Fund. Many of a Fund's investments may be illiquid, and there can be no assurance that a Fund will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the limited partners. Additionally, a Fund may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for a Fund's investments.

Lack of Sufficient Investment Opportunities. The success of a Fund and its ability to generate an acceptable rate of return will depend, in part, on its ability to identify and acquire the assets and/or securities of attractive portfolio companies on favorable terms. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners will be required to pay annual Management Fees based on the entire amount of their capital commitments.

Valuation of Portfolio Investments. Restricted and privately-held portfolio investments, which will likely not have readily ascertainable market values, are valued by CapStreet at fair value, which is the estimated amount that would be received in a sale of the portfolio investment in an orderly transaction between market participants at the measurement date. Various valuation techniques and inputs are considered in valuing private portfolio investments, including purchase multiples paid in other

comparable third-party transactions, comparable public company trading multiples, discounted cash flow analyses, market conditions, liquidity, current operating results, and other pertinent information. Although CapStreet estimates the fair value of each portfolio company at each quarter-end using valuation techniques that CapStreet believes are in compliance with U.S. Generally Accepted Accounting Principles (and year-end fair value estimates are audited by a Fund's auditors as part of a Fund's year-end audit), due to the inherent uncertainty of valuation estimates, CapStreet's determination of values may differ significantly from values that would have been realized had a ready market for the investments existed, and the differences could be material. The actual realized returns on unrealized investments will depend on, among other factors, future operating results, the value of assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ from the assumptions on which the valuations are based. Accordingly, the actual realized returns on unrealized investments may differ materially from the returns indicated.

Portfolio Company Leverage. Certain Funds are expected to make investments, either through leveraged buyouts or otherwise, in portfolio companies that have a leveraged capital structure. To the extent that any investment is made in a company with a leveraged capital structure, such investment may be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a downturn in the economy or deterioration in the condition of such company or its industry. In the event that such a company is unable to generate sufficient cash flow to timely meet principal and interest payments on its indebtedness, or to meet other covenants specified in its financing agreements, the value of a Fund's investment in such portfolio company could be significantly reduced or even eliminated. Additionally, lenders would typically have a claim that has priority over any claim by a Fund to such assets in an insolvency event or proceeding. The use of leverage will result in costs to a Fund that may not be covered by distributions made to a Fund or appreciation of its investments.

Bankruptcy of Portfolio Companies. Certain Funds have, or will have authority in the future, to make investments in portfolio companies that experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. federal and state and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of a Fund.

There is also a risk that a court may subordinate a Fund's investment to other creditors or require a Fund to return amounts previously paid to it by a portfolio company that becomes insolvent or files for bankruptcy, a risk that could increase if a Fund has management rights in such portfolio company.

Control Investments: In general, the Funds will endeavor to have a meaningful influence on the management, operations and strategic direction of the portfolio companies in a manner that will encourage growth and profitability. Any such exercise of control or influence over a portfolio company has the potential to result in additional risks of liability including but not limited to environmental harm, product defects, claims of failure to supervise management and other types of liability in which the limited liability generally characteristic of a portfolio company may be ignored. Such exercise of control or influence over a portfolio company may expose the assets of the Funds to

claims by such portfolio company, its security holders and its creditors. The general partners intend to manage the Funds in a manner that will minimize a Fund's exposure to any such risks but the possibility of successful claims cannot be precluded.

Uncertainty of Financial Projections. A Fund is likely to use financial projections to help analyze a potential investment or future capital raises and financing for portfolio companies or other transactions. Projected operating results will often be based on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial projections.

Lower Middle Market Companies. Investments in lower middle market companies such as those that the Funds invest in, while often presenting greater opportunities for growth, also entail larger risks than are customarily associated with investments in larger companies. Smaller companies generally have more limited product lines, markets and financial resources, and are often dependent on a smaller or less experienced management group. As a result, such companies typically are more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth is dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in smaller companies, could make it difficult for a Fund to react quickly to negative economic or political developments.

Industrial Manufacturing. Investments in the industrial manufacturing sector by a Fund will be subject to a variety of risks including, but not limited to: (i) the risk that the technology employed in a project will not be effective or efficient; (ii) products or technologies that may quickly become obsolete; (iii) environmental liability risks related to properties and projects; (iv) risks of equipment failures; (v) loss of sale and supply contracts; (vi) bankruptcy of key customers or suppliers; (vii) tort liability in excess of insurance coverage; (viii) inability to obtain desirable amounts of insurance at economic rates; and (ix) acts of God or other catastrophes.

Follow-On Investments; Co-Investments. Following an initial investment in a privately held company, a Fund may be presented with the opportunity to provide additional capital to such company. Even if such an investment is desired, it is possible that the Fund will have insufficient available capital to act. Any recommendation by the general partner not to make a follow-on investment or any inability of the Fund to fund such an investment could have a material adverse effect on a privately held company in need of capital, potentially materially adversely affecting limited partners.

The general partner, in its discretion, expects, in certain situations, to recommend co-investing with third parties (including other parties advised by the general partner, or other related persons of the general partner) through consortiums of investors, partnerships, joint ventures, or other similar

arrangements. Such investments generally involve risks in connection with such third-party involvement, including the possibility that any such third-party has financial, legal, or regulatory difficulties that have a material adverse effect on such investment, has economic or business interests or goals that are inconsistent with those of a Fund, pursues interests inconsistent with those of a Fund, defaults on their obligations, and/or be in a position to take (or block) action in a manner contrary to the relevant investor's investment objective. In addition, in certain circumstances, an investor could be liable for the actions of its co-investors. Such investments may involve performance charges, incentive compensation arrangements, and/or other fees payable to such third parties.

Side Letters. During the process of raising a new fund, the general partners expect to enter into a side letter or other similar agreement with a particular limited partner in connection with its admission to a Fund without the approval of any other limited partner, which would have the effect of establishing rights under or supplementing the terms of the Governing Documents with respect to such limited partner in a manner more favorable to such limited partner than those applicable to other limited partners. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse rights applicable to particular investments (which may increase the percentage interest of other limited partners in, and contribution obligations of other limited partners with respect to, such investments), (ii) reporting obligations of the general partner, (iii) waiver of certain confidentiality obligations, (iv) consent of the general partner to certain transfers by such limited partner or (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of a limited partner.

No Market for Interests; Restrictions on Transfer. Interests in the Funds have not been registered under the Securities Act or state securities laws, and therefore cannot be sold unless they are subsequently registered under the Securities Act and other applicable securities laws, or an exemption from such registration is available. The Funds do not contemplate registering their interests under the Securities Act or other applicable securities laws. There is no public market for interests in the Funds, and none is expected to develop. Moreover, pursuant to the Governing Documents, interests in a Fund are not generally transferable without the written approval of the relevant general partner, which such general partner may withhold in its discretion. In addition, pursuant to the Governing Documents, limited partners may not withdraw capital from any Fund. Therefore, an investment in a Fund should be considered illiquid.

Investments Longer than Term. A Fund may make investments which may not be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of such Fund's term or otherwise. Although CapStreet expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and CapStreet has a limited ability to extend the term of the applicable Fund, such Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, there can be no assurances with respect to the time frame in which the winding-up and the final distribution of proceeds to the limited partners will occur.

Cybersecurity Risk. The Funds, their portfolio companies, their service providers and other market participants depend on information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their portfolio companies, despite the efforts of service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and their portfolio companies. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of the Funds, their portfolio companies, their service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of such systems to disclose sensitive information to gain access to confidential data. A successful penetration or circumvention of the security of such systems could result in the disruption of operations, the loss or theft of data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds or their portfolio companies to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

Conflicts of Interest

The Governing Documents for each Fund include a description of what CapStreet believes to be the most significant conflicts of interest associated with an investment in such Fund. Limited partners should carefully consider the conflicts of interest herein as well as those outlined in each applicable Fund's Governing Documents prior to investing in a Fund.

Each Fund has a diverse range of limited partners that may have conflicting interests stemming from differences in investment preferences, tax status, and regulatory status. CapStreet will consider the objectives of each Fund and its limited partners as a whole when making investment decisions with respect to the selection, structuring and sale of portfolio investments. However, such decisions may be more beneficial for one limited partner than for another.

CapStreet will generally pursue all appropriate investment opportunities through its Fund vehicles, subject to certain limited exceptions. Certain deals pursued by CapStreet are expected, from time to time, to require additional capital in order to complete a portfolio company transaction and may reach out to select limited partners or other investors for additional capital. Any such co-investments are not managed by CapStreet, are not subject to custody by CapStreet and are not deemed to be clients of CapStreet.

A Fund may participate in recapitalization transactions involving portfolio companies that present conflicts of interest including determinations of whether existing limited partners are being cashed out at a price that is lower than market value and whether new limited partners are paying too high a price for the company or purchasing securities with terms that are less favorable than prevailing market terms.

Also, as discussed below in Item 11, certain CapStreet Personnel (as defined in Item 11) are limited partners in the Funds. Because of the nature of its business, the participation of CapStreet Personnel in the Funds will not interfere with the making or implementing of decisions that are in the best interest of limited partners. CapStreet Personnel share in the same investments as other limited partners of the Funds and receive distributions based on their pro rata commitment to the Fund.

Investment Allocation. CapStreet will generally not raise a successor Fund until its current Fund is substantially invested, subject to the terms and conditions of the relevant Fund's private placement memorandum. Where CapStreet is presented with the opportunity to allocate an investment opportunity across multiple Funds (other than parallel Fund vehicles that are expressly formed to invest pro rata), it will do so on a fair and equitable basis, consistent with its fiduciary obligations, applicable Governing Documents and any other underlying documents, if applicable. CapStreet's Investment Committee will review and approve all investment allocations across multiple Funds. CapStreet will not allocate investment opportunities based in whole or in part, on: (i) the relative fee structure or amount of fees paid by any Fund; or (ii) the profitability of any Fund. The Investment Committee reviews the merits of each investment opportunity and is ultimately responsible for the allocation of each investment.

With more than one active Fund, CapStreet is aware of the potential conflict of interest inherent in managing multiple active vehicles. Accordingly, CapStreet's policy is to complete the platform investments for one Fund before activating a subsequent Fund.

Transactions with Limited Partners. CapStreet has entered into transactions with certain Fund limited partners such as, for example, limited partners who are also business partners, such as insurance agents, investment banks, broker-dealers, legal counsel or others who provide services (including mezzanine and/or other lending arrangements) to the Firm, its Funds and portfolio companies. The terms of these transactions are negotiated on an arm's-length basis; however, CapStreet is subject to a conflict of interest when determining such terms because CapStreet may benefit from obtaining or retaining such limited partners' investment in Funds.

Portfolio Company Board Service. As a result of a Fund's significant and often controlling interests in portfolio companies, CapStreet and/or its affiliates typically have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. CapStreet Personnel, and those appointed by them, generally serve on the boards of Fund portfolio companies. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to CapStreet in connection with services provided by the Firm and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the partnership agreement's offset provision, are in addition to the Management Fee or Carried Interest. CapStreet's authority to appoint or influence the appointment of portfolio company board members who will potentially be involved in approving compensation payable to the Firm subjects CapStreet and any such portfolio company board appointees to potential conflicts of interest. Serving in such capacity has the potential to give rise to conflicts to the extent

that an employee's fiduciary duties to a portfolio company as a director may conflict with the interests of a Fund in general; however, as the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned. Generally, CapStreet Personnel do not receive fees for serving on the boards of portfolio companies during the time of a Fund's investment in such companies.

Advisory Boards. CapStreet has established advisory boards for each Fund under the respective Fund's Governing Documents. These advisory boards are comprised of select limited partners of each Fund, as well as CapStreet principals. In such situations, a conflict of interest exists in that not all limited partners are asked to join a Fund's advisory board.

Fund Level Borrowing. A Fund from time to time will borrow funds or enter into other financing arrangements for various reasons, including, but not limited to paying various Fund expenses or to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from limited partner). If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing generally would be used for all limited partners in such Fund on a pro rata basis, including the general partner. To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions, the Fund's limited partners generally make later capital contributions, but the Fund will bear the expense of interest on such borrowed funds. In addition, a Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure limited partner cash flows) and has the potential to make net IRR calculations higher than they otherwise would be without Fund-level borrowing, as these calculations generally depend on the amount and timing of capital contributions. While a Fund will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by the Fund's general partner by decreasing the amount of distributions from the Fund that are required to be made to Fund limited partners in satisfaction of any preferred return. The general partner therefore has a conflict of interest in deciding whether to borrow funds because the general partner has the potential to receive disproportionate benefits from such borrowings.

Borrowing by a Fund will generally be secured by capital commitments made by limited partners to such Fund and/or by the Fund's assets, and documentation relating to such borrowing can provide that during the continuance of a default under such borrowing, the interests of the limited partners can be subordinated to such Fund-level borrowing, and the lenders have the ability to call capital directly from the limited partners. Moreover, tax-exempt limited partners should note that the use of borrowings by the Fund has the potential to cause the realization of UBTI.

Additionally, the Governing Documents of certain Funds permit each such Fund's general partner, or its affiliates, to lend money to the applicable Fund. Such lending arrangements create conflicts of interest between the applicable general partner or affiliate and the Fund acting as borrower.

Industry Relationships. As with many other private equity fund sponsors, as part of CapStreet's business, the principals, CapStreet and its employees have developed relationships with third parties which have the potential to raise conflicts of interest. Such third parties include investment bankers, lenders,

consultants, professional advisors (such as attorneys and accountants), co-investors, current and former directors, officers and employees of current and former portfolio companies and former employees and members of CapStreet. Certain of these third parties will, on occasion: (i) introduce investment opportunities to CapStreet; (ii) arrange for, or facilitate the financing of, the purchase or recapitalization of current and potential portfolio companies; (iii) introduce portfolio companies to potential acquisition or merger candidates; (iv) facilitate the disposition of portfolio companies; or (v) provide investment banking, consulting, legal or advisory services to CapStreet, the Funds, or portfolio companies. Such third parties also on occasion provide goods or services to or have business, personal, political, financial or other relationships with the principals. In addition, such third parties are sometimes limited partner in one or more Funds; co-invest in one or more portfolio companies; or provide other significant business or investment services to CapStreet, the Funds and/or their portfolio companies. These relationships have the potential to influence CapStreet in deciding whether to select or recommend any such third-party to perform services for the Funds or a portfolio company. The cost of any services provided by such third parties will generally be borne directly or indirectly by the Funds or its portfolio companies, as applicable.

Intangible Benefits. CapStreet and CapStreet Personnel receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses often result in “miles” or “points” or credit in loyalty/status programs to CapStreet and/or CapStreet Personnel, and such rewards and/or amounts will exclusively benefit CapStreet and/or such CapStreet Personnel and will not be subject to the offset arrangements described above or otherwise shared with such Fund, its limited partner, and/or the portfolio companies.

Fees and Expenses. As mentioned in Item 5 above, CapStreet and its affiliates perform management, advisory, transaction-related, financial advisory and other services (“Related Services”) for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds. Such fees are in addition to any Management Fees or Carried Interest paid by the Funds to CapStreet. CapStreet determines the amount of these fees for Related Services and reimbursements in its own discretion, within the parameters defined by a Fund’s Governing Documents, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third-party co-investors in its transactions.

Additionally, a portfolio company typically will reimburse CapStreet or service providers retained at CapStreet’s discretion for expenses (including without limitation travel, consulting and legal expenses) incurred by CapStreet or such service providers in connection with its performance of services for such portfolio company. This subjects CapStreet and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such expenses and/or reimbursements may be substantial. Although the amount of expenses and/or reimbursements typically is not disclosed to limited partners in any Fund, any fee paid or expense reimbursed to CapStreet or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the portfolio company board of

directors, lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest. When engaging a third party to provide services for a portfolio company, CapStreet will select the third party it believes is the most appropriate for the situation and such selection may not be based on cost alone.

Subject to any relevant restrictions or other limitations contained in the Governing Documents of each Fund, CapStreet will allocate fees and expenses in a manner that it believes in good faith is fair and equitable under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, CapStreet may be faced with a variety of potential conflicts of interest. As a general matter, expenses incurred on behalf of multiple Funds will be allocated among such Funds. Limited partners are typically allocated (or otherwise bear) their pro rata share of such fees and expenses, which may be calculated based on capital commitments, invested capital, available capital, or other metrics as determined by CapStreet in its sole discretion and in accordance with CapStreet's policies and procedures regarding expense allocation. The allocations of such expenses may not be proportional.

CapStreet and its affiliates will from time to time incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of the Funds. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment will be charged to the applicable portfolio company. To the extent such fees, costs and expenses are not charged to a portfolio company, they will be paid by each Fund that participated or was expected to participate in such investment. A conflict of interest could arise in CapStreet's determination of whether certain costs or expenses that are incurred in connection with the operation of the Funds meet the definition of Fund operational expenses for which the Funds are responsible, or whether such expenses should be borne by CapStreet or the manner in which CapStreet allocates expenses among the Funds. The Funds will be reliant on the determinations of CapStreet in this regard. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would be undertaken to correct such circumstance, which might include a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by CapStreet to be the most appropriate corrective measure.

CapStreet does not receive any legal fee rates or discounts that are not also provided to the Funds.

If any matter arises that CapStreet determines in its good faith constitutes an actual conflict of interest, CapStreet will take such actions as are necessary or appropriate, within the context of any applicable Fund's Governing Documents, to address the conflict.

Item 9 – Disciplinary Information

Like other registered investment advisers, CapStreet is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a limited partner's evaluation of CapStreet

or the integrity of CapStreet's management. No events have occurred at CapStreet that are applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Neither CapStreet nor any of its management persons are registered, or has an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser, or a registered representative or associated person of the foregoing, and CapStreet does not anticipate such affiliations in the future.

As described in Item 4, CapStreet is affiliated with the following entities as general partners: CapStreet GP III, L.P., CapStreet GP IV, L.P. and CapStreet GP V, L.P., which serve as general partners to the Funds, and with CapStreet Management, L.P., which has management agreements with certain of the Funds. These entities are deemed registered with the SEC under the Advisers Act pursuant to CapStreet's registration. These affiliated entities operate as a single advisory business together with CapStreet and may share common ownership and officers. These affiliated entities do not have employees of their own.

Except as noted in the previous paragraph, CapStreet has no arrangements with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory business or to the Funds, or their limited partners. CapStreet does not recommend or select other investment advisers for the Funds. CapStreet has and will continue to develop relationships with professionals who provide services it does not provide, including but not limited to: legal, accounting, banking, investment banking, tax preparation and insurance brokerage services. Some of these professionals may provide services to the Funds or their portfolio companies. Additionally, some of these professionals are limited partners in CapStreet Funds, either personally or through their company.

From time to time, CapStreet receives training, information, promotional materials, meals, gifts, entertainment or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will CapStreet accept any benefits, gifts, entertainment or other arrangements that are conditioned on directing individual client transactions to a specific security, product or provider. Similarly, CapStreet Personnel have in the past, and expect to in the future, speak at conferences and programs for potential limited partners interested in investing in private funds that are sponsored by various investment bankers, broker-dealers or others. Through such capital introduction events, prospective limited partners have the opportunity to meet with CapStreet. Neither CapStreet nor any Fund compensates these investment bankers, broker-dealers or others for organizing such events or for investments ultimately made by prospective limited partners attending such events.

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

Code of Ethics and Personal Trading

CapStreet has adopted a Code of Ethics in accordance with Section 206 of the Advisers Act and Rule 204A-1 under that Act (the “Code”). The Code provides for a high level of ethical conduct applicable to the Firm’s partners and employees (“CapStreet Personnel”) and obligates all CapStreet Personnel to put the interests of the Funds over their own. The purposes of the Code are to: (i) educate CapStreet Personnel about CapStreet’s expectations regarding their conduct and the laws and principles governing their conduct; (ii) protect the Firm’s Funds and Fund limited partners; (iii) instill in CapStreet Personnel that they are fiduciaries, in a position of trust and must act with complete propriety and in the best interests of CapStreet’s Funds and limited partners at all times; (iv) protect the interests of Funds and limited partners by deterring misconduct by CapStreet Personnel of the Firm (v) protect CapStreet’s reputation; (vi) guard against violation of the federal securities laws, including through reporting of personal securities transactions as discussed in further detail below; (vii) establish procedures for CapStreet Personnel to follow to assess compliance with the fiduciary and ethical principles espoused by the Code, such as with relation to acceptance of gifts and entertainment and outside business activities, among other topics. CapStreet’s Chief Compliance Officer monitors compliance with the Code by reviewing required disclosures of CapStreet Personnel’s personal securities accounts and transactions. Violation of the Code may result in sanctions as deemed appropriate by CapStreet’s Chief Compliance Officer, including, but not limited to, a letter of censure, suspension or termination of the employment of the violator.

While unlikely, in the course of its investment management and other activities, CapStreet may come into possession of confidential or material non-public information about issuers, including issuers in which CapStreet or its related persons have invested or seek to invest. The Code includes procedures concerning “inside information” that are designed to prevent the misuse of material, non-public information. The Firm maintains a restricted list regarding issuers about whom it may have or may obtain material non-public information. Pre-clearance is required by CapStreet Personnel for certain personal securities transactions, including restricted list securities, initial public offerings and certain limited offerings. In addition, CapStreet Personnel are required to submit their brokerage account statements to the Chief Compliance Officer for review. CapStreet Personnel are required to certify to their compliance with the Code, which contains the insider trading policy, upon hire and on an annual basis.

CapStreet Personnel carry on investment activities for their own account and for family members, friends or others, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar. In addition, CapStreet Personnel may buy securities in transactions offered to the Funds but rejected because they are not consistent with the Fund’s

investment objectives and guidelines. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds.

Potential or existing limited partners in CapStreet-sponsored Funds may request a copy of the Code by contacting CapStreet's Chief Compliance Officer, Mary Anne Capo, at (713) 332-2745 or by email at mcapo@capstreet.com.

Participation or Interest in Client Transactions

Certain CapStreet employees and family members of CapStreet employees have invested in the Funds through their general partners and/or as limited partners. CapStreet generally reduces all or a portion of the Management Fee and Carried Interest related to investments held by such persons. Generally, CapStreet employees are not permitted to make personal investments in any Fund's portfolio companies.

Principal transactions occur when an adviser, acting as a principal for its own account, or the account of an affiliated broker-dealer, knowingly buys a security from, or sells a security to, the account of an advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. The requirements on principal transactions imposed by Section 206(3) would apply to a cross trade involving any client account that was 25% or more owned by an adviser and its controlling persons.

Agency cross transactions occur when an adviser, or any person controlling, controlled by, or under common control with such adviser, effects a transaction or acts as a broker for both an advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. An adviser is not "acting as a broker" within the meaning of Section 206(3), if the adviser receives no compensation beyond the advisory fee it stands to receive in the ordinary course of managing the assets of such limited partner, for effecting a particular agency cross transaction between advisory clients.

In the unlikely event that CapStreet were to recommend a principal or agency cross transaction, the Firm will first consider and determine that the transactions are in the best interest of both participating Funds and is consistent with the disclosed policies in each Fund's Governing Documents. The Firm then will obtain consent from the relevant Fund's general partner or limited partner advisory committee, if applicable, to the extent deemed necessary and appropriate.

In 2008 CapStreet engaged in a principal transaction whereby two fundless direct sponsored investments of the CapStreet principals were transferred upon the closing of Fund III to that Fund. The terms of this transaction were specifically addressed in the Fund III partnership agreement and were disclosed in the Fund III private placement memorandum. While CapStreet does not anticipate engaging in such principal transactions in the future, in the event CapStreet recommends a principal transaction or agency cross transaction, it will do so only after: (i) the Firm has determined the

transaction to be in the best interest of the participating Fund(s); (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the limited partner or advisory committee, as appropriate; (iv) if necessary, consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction.

Item 12 – Brokerage Practices

Generally, CapStreet focuses on securities transactions of private companies and purchases and sells companies through privately negotiated transactions. In such privately negotiated transactions, best execution is met by the consummation of the deal with the best possible terms for the Fund. In pursuit of best execution in both privately negotiated or publicly traded transactions, CapStreet may engage the services of a broker-dealer or investment banker for either the purchase or sale of an investment. Selection of a broker-dealer or investment banker will be based on CapStreet's best judgement of who can provide best execution, taking into consideration a variety of factors, including: CapStreet's prior experience with the broker-dealer or investment banker; the broker-dealer or investment banker's execution capability, financial responsibility, reputation and expertise within the industry; the broker-dealer or investment banker's responsiveness to CapStreet; the broker-dealer or investment banker's expertise in dealing with investments that may be restrictive or illiquid in nature; the type and size of the transaction involved; the value of any research services provided; and commission rates, among other factors CapStreet deems relevant to the specific transaction.

Although CapStreet generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent, especially in private securities transactions that rely heavily on the specialty services or experience of a broker-dealer or investment banker that operate outside of a competitive bidding environment. Transactions that involve such specialized services on the part of the broker-dealer or investment banker may thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

CapStreet does not pay or receive soft dollars, does not pay or receive fees for limited partner referrals, does not direct brokerage or advise limited partners on doing so. In the event CapStreet were to aggregate the purchase or sale of securities for client accounts, it would do so on a pro rata basis.

Item 13 – Review of Accounts

The investments made by the Funds are generally private, illiquid, and long-term in nature. Accordingly, CapStreet's review process is not normally focused on a short-term decision to dispose of securities. CapStreet maintains oversight of each Fund's investments as outlined below.

Oversight and Monitoring

CapStreet works closely with its portfolio companies' management teams and Boards of Directors to develop and set the strategic and operational direction of each portfolio company. Utilizing the

complementary backgrounds of its investment team, CapStreet begins with an overall investment thesis, and then, in conjunction with management, develops detailed company goals and objectives.

The Investment Committee meets several times annually to review all the current portfolio company investments in detail, including the historical and forecasted operating results and strategic priorities of each. In addition, the Investment Committee discusses issues related to portfolio company investments in connection with its regularly scheduled weekly meetings or in specially-scheduled meetings when specific relevant issues arise. Performance is measured on a quarterly and annual basis, and a portfolio company's operating strategy is adjusted when appropriate.

Reporting

Limited partners in the Funds receive financial statements audited in accordance with U.S. generally accepted accounting principles ("GAAP") annually, within 105 days of the fiscal year end of each Fund, and unaudited financial statements and descriptive investment information for each portfolio company quarterly within 45 days of each interim quarter-end. CapStreet also annually provides tax information necessary for the completion of tax returns (K-1s). CapStreet may from time to time, in its sole discretion, provide additional information regarding a Fund to individual limited partners or to limited partners as a group. In addition, CapStreet holds annual meetings of limited partners of the Funds to review and discuss each Fund's investment activities. All reports are written and provided to limited partners.

In the course of conducting due diligence or otherwise, potential limited partners periodically request information pertaining to their investments. CapStreet responds to these requests, and in answering these requests provides information that is not generally made available to other potential limited partners or existing limited partners who have not requested such information. While CapStreet does not have an obligation to update any such information provided, the Firm endeavors to provide the information requested in the most current form available. Additionally, upon request, certain limited partners may receive additional information and reporting that other limited partners may not receive.

Item 14 – Client Referrals and Other Compensation

As discussed in Item 5, CapStreet is entitled to receive transaction fees, directors' fees, monitoring fees, break-up fees, and other similar fees from each Fund's portfolio companies. These fees are paid pursuant to separate agreements entered into with the portfolio companies to provide certain consulting services that CapStreet believes will ultimately enhance the value of the companies and benefit the Funds and their limited partners. These types of arrangements present potential conflicts of interest and provide CapStreet with an incentive to recommend investments based on compensation received rather than the best interests of the Funds. To help mitigate this potential conflict, such benefits received by CapStreet or its employees in connection with services rendered to portfolio companies or transactions of the Funds are partially or fully offset against the Management Fee payable by the Funds. Please see the relevant Governing Documents for a description of how these fees may reduce the Management Fee.

Also, as discussed in Item 5, CapStreet will, from time to time, engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential limited partners. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments made by such potential limited partners to the Fund. Placement agent fees are generally paid by the Funds; however, Management Fees are correspondingly reduced by the amount of such fees, so CapStreet, and not the Funds (or its limited partners), bears the cost of those fees. Related expenses incurred pursuant to the relevant placement agent agreement, including but not limited to placement agent travel, meals and entertainment expenses, typically will be borne by the relevant Fund as part of its organizational costs.

Item 15 – Custody

The Advisers Act Rule 206(4) (the “Custody Rule”) requires that a pooled investment vehicle advised by an investment adviser either undergoes an annual audit of its financial statements prepared in accordance with GAAP by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“PCAOB”), or be subject to an annual surprise custody examination also by a PCAOB-registered and inspected independent public accountant. Because of its affiliation with each Fund’s general partner and the general partners’ ability to deduct fees from Fund accounts, CapStreet or an affiliate is deemed to have custody over each Fund’s assets. To comply with the Custody Rule, CapStreet has elected to undergo annual GAAP financial audits for each of its Funds by a PCAOB-registered and inspected auditing firm. The Funds are audited annually and CapStreet delivers to the Funds and their limited partners a copy of the annual audited financial statements within 120 days of the fiscal year-end. Limited partners in the Funds are encouraged to carefully review such financial statements.

CapStreet does not, however, accept physical possession of Fund cash or securities (other than certain privately offered securities to the extent permitted by the Advisers Act); cash and securities, if applicable, are held by the Firm’s qualified custodians and called capital is directly sent or wired into the respective Fund’s bank account. CapStreet receives monthly or quarterly, as applicable, statements from each of its qualified custodians on behalf of the Funds. For more information about CapStreet’s qualified custodians, please see Form ADV Part 1, Schedule D, Section 7.B.(1).

Item 16 – Investment Discretion

CapStreet is retained on a fully discretionary basis and is authorized to determine and direct execution of portfolio transactions pursuant to the terms of each Fund’s Governing Documents. Investment advice is provided by CapStreet directly to the Funds and not individually to the limited partners in the Funds. The advice is subject to the investment restrictions as set forth in each Fund’s Governing Documents. CapStreet and its general partners have discretionary authority based on the Governing Documents of each Fund to buy and sell securities or other investments on behalf of the Funds and to determine the amount of such investments to be bought and sold.

To become a limited partner in a CapStreet Fund, a limited partner must execute, among other documents, a subscription agreement and a limited partnership agreement (or similar agreement) with such Fund. Such Governing Documents generally contain a power of attorney that grants CapStreet or the applicable Fund's general partner certain powers related to the orderly administration of the affairs of the Funds. CapStreet is not required to contact a limited partner prior to transacting any business once a limited partner executes these documents.

A limited partner in a Fund can seek to impose limitations on CapStreet's authority through a side letter agreement and the Firm may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed upon a limited partner's investment must be presented to CapStreet in writing and agreed to by CapStreet and such limited partner.

Item 17 – Voting Client Securities

By virtue of each Fund's Governing Documents, CapStreet has the authority to vote client proxy statements on behalf of its Funds. The majority of "proxies" received by CapStreet will be written shareholder consents or similar instruments for private companies in which the Funds have investments. As such, CapStreet has adopted proxy voting policies and procedures pursuant to Advisers Act Rule 206(4)-6. CapStreet's proxy voting policy seeks to ensure that proxies are voted in the best interest of the Funds, including where there are material conflicts of interest in voting proxies. The guiding principle by which CapStreet votes all proxies is the maximization of the ultimate long-term economic value of the relevant Fund holdings. CapStreet does not permit proxy voting decisions to be influenced in any manner that is contrary to this guiding principle.

CapStreet generally believes its interests are aligned with those of each Fund's limited partners through the principals' beneficial ownership interests in the Funds. In the event that there is or may be a conflict of interest in voting proxies, CapStreet's proxy voting policy provides that the Firm may address the conflict using several alternatives, including by seeking the approval or concurrence of an advisory board on the proposed proxy vote, or through other alternatives as set forth in CapStreet's proxy voting policy. Limited partners in the Funds cannot direct how CapStreet votes proxies or shareholder consents nor is CapStreet required to seek limited partner approval or direction when voting proxies or when giving consent on any matter requiring the consent of shareholders. CapStreet's Chief Compliance Officer has the responsibility to monitor votes for any conflicts of interest and to use her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with her independent assessment of the best interests of each Fund.

Firm principals and affiliated or unaffiliated third parties appointed by CapStreet often sit on the boards of portfolio companies and, as such, exercise authority with respect to various issues faced by the portfolio companies. CapStreet does not consider service on portfolio company boards by CapStreet Personnel to create a material conflict of interest in voting proxies with respect to such companies.

Copies of relevant proxy records identifying how proxies were voted and copies of proxy voting policies are available to any Fund or limited partner therein upon written request to: Mary Anne Capo, Chief Compliance Officer, The CapStreet Group, 1001 Louisiana Street, Suite 3200, Houston, TX 77002.

Item 18 – Financial Information

Registered investment advisers may be required in this Item 18 to provide certain financial information or disclosures about their financial condition. However, CapStreet (i) does not require prepayment of more than \$1,200 in fees per client, six months or more in advance, (ii) has no financial condition that impairs its ability to meet contractual commitments to limited partners, and (iii) has not been the subject of a bankruptcy petition; therefore, no disclosures are required.