

**Item 1: Cover Page**

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# **Sycamore Partners Management, L.P.**

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**March 27, 2019**

This Brochure provides information about the qualifications and business practices of Sycamore Partners Management, L.P. (“Sycamore”). If you have any questions about the contents of this Brochure, please contact us by email at [jwoodworth@sycamorepartners.com](mailto:jwoodworth@sycamorepartners.com) or by telephone at (212) 796-8500. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

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

**Item 2: Material Changes**

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Sycamore filed its most recent Form ADV Part 2 on March 30, 2018. This annual amendment updates the description of the business practices of Sycamore and its affiliates and supplements existing disclosures relating to Sycamore's practices and related potential conflicts of interest, including with respect to:

- Item 4: Advisory Business
- Item 5: Fees and Compensation
- Item 6: Performance-Based Fees and Side-by-Side Management
- Item 8: Methods of Analysis, Investment Strategies and Risk of Loss
- Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

At any time, you may view the current version of Sycamore's Brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Item 4: Advisory Business**

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Sycamore, a Delaware limited partnership, is an investment adviser whose only clients are private pooled investment vehicles. The private pooled investment vehicles are not registered investment companies under the Investment Company Act of 1940, as amended (“Investment Company Act”), and their securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). Interests in Sycamore’s Funds (as defined below) are offered and sold on a private placement basis to prospective investors that meet certain suitability requirements, such as being “accredited investors” or “qualified purchasers.”<sup>1</sup> Such suitability requirements may vary from Fund to Fund. Generally, each Fund’s investors are institutions, governmental and corporate pension and profit sharing plans, sovereign wealth funds, funds of funds, university endowments, charitable organizations, banks, trusts, other entities and/or high net worth individuals. Throughout this Brochure, “clients” or “Funds” shall be used to refer to the pooled investment vehicles managed by Sycamore and “investors” shall be used to refer to those vehicles’ underlying investors.

Sycamore was formed in 2011 and its principal place of business is located in New York, New York. Its principal owner is Stefan Kaluzny.

Sycamore provides discretionary or non-discretionary advisory services to each of its Funds pursuant to an advisory contract. As described more fully below, Sycamore’s general strategy is to negotiate private equity investments for its Funds in middle market and large enterprise companies. With limited exceptions, Sycamore’s investments are limited to private equity investments.

Sycamore’s Funds may have different investment guidelines.<sup>2</sup> These guidelines may limit the concentration and geography of the Funds’ investments or limit Sycamore’s investments in certain asset classes. Sycamore may further tailor its advisory services to the specific needs of a Fund as may be necessary, appropriate or negotiated from time to time. Sycamore does not tailor its advisory services to the specific needs of individual investors.

Sycamore does not participate in wrap fee programs.

As of December 31, 2018, Sycamore manages \$8,974,868,764 of client assets on a discretionary basis and \$96,207,691 of client assets on a non-discretionary basis.

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**Item 5: Fees and Compensation**

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*Generally*

Sycamore generally is compensated for advisory services by a “management fee” based on capital invested with Sycamore and by a share of capital appreciation on its Funds’ investments (commonly known as “carried interest”). The carried interest is received by Sycamore’s affiliates, the general partners of the Funds. This compensation is negotiated separately with each Fund. Certain Funds, including Funds whose investors are composed primarily of current and former

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<sup>1</sup> The term “accredited investor” is defined in the Securities Act, and the term “qualified purchaser” is defined in the Investment Company Act. Generally, they refer to high net worth individuals or institutions that can afford to bear the loss of their entire investment with Sycamore.

<sup>2</sup> The investment guidelines of each client are set forth in that client’s governing documents, including its limited partnership agreement, private placement memoranda and other offering documents.

managing directors, officers, employees, consultants and/or friends or family of Sycamore (“Associate Funds”) and co-investment vehicles that are established by Sycamore on a transaction by transaction basis and that invest alongside one or more Funds (“Co-Investment Vehicles”), are generally not required to pay a management fee or carried interest, provided that Sycamore may charge management fees, carried interest and/or one-time funding fees in respect of Associates Funds or Co-Investment Vehicles, as Sycamore determines in its sole discretion.

#### *Management Fees*

Generally, during the investment period of a Fund the management fees are calculated as a percentage of the total capital committed to such Fund by investors. After the investment period of a Fund, the management fees are based on a percentage of invested capital with certain adjustments. In some cases the adjustment to the amount upon which the management fees are based upon certain events. The management fee payable by a Fund is typically 2% and typically management fees are paid semiannually in advance. The general partners of the Funds generally make capital calls on investors for the amount of the management fees and pay the amounts received to Sycamore. Generally, the first and last semi-annual management fee periods are adjusted to prorate those periods for the actual number of days in such period that are less than 180 days. Following termination of a Fund, any unapplied reduction amounts of management fees as a result of the offset mechanics are distributed to the investors unless the investors elect not to receive such amounts.

#### *Carried Interest*

As described more fully in Item 6, Sycamore’s affiliates, the general partners of the Funds, are compensated with carried interest. The investors are reimbursed for a portion of fees and expenses incurred and receive a preferred return before Sycamore receives carried interest. It is expected that any future Funds will have a similar fee structure.

#### *Management, Advisory, Monitoring and Similar Expenses*

Sycamore and its affiliates from time-to-time shall perform management, advisory, transaction-related, financial advisory, consulting, monitoring, operational support and other services (“Related Services”) for portfolio companies on behalf of Funds. If Sycamore or its affiliates charge fees for Related Services to portfolio companies (“Other Fees”), in some instances such Other Fees, net of expenses related to the activities leading to the receipt of such fees, will reduce the management fee paid by investors. The manner of such reduction is set forth in the governing documents of the applicable Fund. To the extent any Other Fee is attributable to a portfolio company held by more than one Fund, for purposes of calculating any management fee reduction, such Other Fee generally is allocated among the applicable Fund(s) in proportion to their interest (or prospective interest) in the portfolio company. As some Funds (*e.g.*, certain Associates Funds and certain Co-Investment Vehicles) do not pay management fees, any reduction in management fees in respect of Other Fees will not be expected to benefit such Funds, unless otherwise provided in the governing documents of such Funds. Other Fees may be substantial and may be paid in cash, in securities of portfolio companies or otherwise.

Sycamore and its affiliates also may retain, on behalf of the Funds and/or their portfolio companies, senior advisors, advisers, strategic partners, operating partners, third-party consultants (including individual members of Sycamore Partners Consulting (as defined below)), legal advisors, legal consultants or other consultants and external executives, advisory directors (*e.g.*, current and former executives of portfolio companies who periodically act as consultants in their

area of expertise for certain portfolio companies or potential acquisition transactions) and other similar professionals who are not employees or affiliates of Sycamore and who, from time-to-time, receive payments from, or allocations with respect to, portfolio companies, the Funds and/or other entities. Such advisers and partners may 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 Sycamore and/or its Funds or affiliates or other compensation, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such advisers and partners, a subjectively determined success fee, 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.

Sycamore and its affiliates may create an operations consulting group (“Sycamore Partners Consulting”) to provide sales, manufacturing, marketing, logistics, technology, legal, human resources, acquisition or other due diligence services, integration, rationalization and/or other operations or advisory services. In such circumstances, such amounts, fees or other compensation received by such persons may be retained by such persons and will not be deemed paid to or received by Sycamore and its affiliates and such amounts will not be subject to the management fee offset arrangements described above.

#### *Fund Expenses*

Consistent with the governing documents of the Funds, the Funds will bear all expenses related to their own operations and will pay, or reimburse the general partner or its affiliates, for all other fees, costs, expenses, liabilities and obligations relating to the Funds’ and/or its subsidiaries’ activities, business, portfolio companies or actual or potential investments, including with respect to any person formed to effect the acquisition and/or holding of a portfolio company (to the extent not borne or reimbursed by a portfolio company or potential portfolio company).

Investors in the Funds should carefully review the applicable Fund’s governing documents to understand which expenses will be borne by such Fund.

The Co-Investment Vehicles generally will not be allocated any expenses with respect to proposed investments that are ultimately not made. Accordingly, all broken deal expenses attributable to the portion of a proposed investment that would have been allocated to Co-Investment Vehicles generally will be borne by the Funds alongside which such Co-Investment Vehicle would have participated.

Travel and entertainment expenses in connection with a trip taken by employees of Sycamore for purposes of multiple matters will generally be allocated to each such matter based on the time spent for each matter or other fair and reasonable manner and then the resulting expenses will be allocated to the Funds and/or Sycamore as otherwise set forth herein.

#### *Organizational Expenses*

Clients will also bear organizational expenses and liquidation expenses, as described in further detail in the clients’ governing documents.

#### *Alternative Investment Vehicle and Special Purpose Vehicle Expenses*

From time-to-time, the general partner of a Fund may create certain alternative investment vehicles (“AIVs”), special purpose vehicles (“SPVs”) or similar structuring vehicles for purposes

of accommodating certain legal, tax, accounting, regulatory or other considerations of investors or the transaction. While AIVs are generally formed to hold investments outside of the Funds, SPVs may be created to hold an investment (or portion thereof) outside of, or as a subsidiary of, the Funds. In the event that Sycamore creates an AIV or SPV, consistent with the governing documents of the applicable Fund, such AIV or SPV, and indirectly, the investors thereof, will typically bear all expenses related to the organization and formation and other expenses incurred solely for the benefit of such AIV or SPV.

#### *Placement Agent Fees*

In the event that Sycamore uses a third party placement agent, the management fee to which Sycamore is entitled to is reduced by 100% of any placement agent fees, expenses or commissions paid by the Funds. To the extent that the Funds may incur brokerage fees or other transaction costs, these costs will be borne by the respective Fund. Please see Item 12 for further information regarding Sycamore's brokerage procedures.

#### *Other Fees and Expenses*

Sycamore does not accept compensation for the sale of securities or other investment products.

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

Through affiliates, Sycamore accepts carried interest, which is a performance-based fee allocated as a share of capital appreciation of its Funds' assets.

Carried interest is calculated as a percentage of profits after investors have received a preferred return. Typically carried interest payable by a Fund ranges between 20% and 25% of all realized profits, and may be dependent upon the achievement of certain performance hurdles, as described in each Fund's governing documents.

Generally, Sycamore's Funds have a fixed investment period. If at the time of dissolution of a Fund, any investor in such Fund has not received a preferred return on invested capital, Sycamore and/or its affiliates shall return any carried interest received to investors until this return has been achieved.

Certain Funds are not required to pay carried interest. These include certain Associates Funds and certain Co-Investment Vehicles, which by their terms may not be required to pay carried interest or a management fee. In addition, certain Funds may not pay carried interest due to the underperformance of such Funds' underlying investments.

The payment by some, but not all, Funds of carried interest or the payment of carried interest at varying rates (including varying effective rates based on the past performance of a Fund) may create an incentive for Sycamore to disproportionately allocate time, services or functions to Funds paying carried interest or Funds paying carried interest at a higher rate, or allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the governing documents of the Funds, this potential conflict of interest is mitigated by (i) certain limitations on the ability of Sycamore to establish new investment funds, (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth investment allocation requirements.

The carried interest may create an incentive for Sycamore to make riskier or more speculative investments on behalf of the Funds than Sycamore may make otherwise.

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**Item 7: Types of Clients**

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Sycamore currently provides investment advisory services to the Funds, and the Funds are Sycamore's only clients. Investment advice is provided directly to the Funds and not individually to investors in such Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the Investment Company Act. Third-party investors in the Funds are generally "accredited investors" as defined in the Securities Act and "qualified purchasers" as defined in the Investment Company Act, and include, among others, institutions, governmental and corporate pension and profit sharing plans, sovereign wealth funds, funds of funds, university endowments, charitable organizations, banks, trusts, other entities or high net worth individuals.

The minimum initial investment by an investor varies from Fund to Fund, subject to waiver by Sycamore in its sole discretion.

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

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**I. Investment Strategy and Methods of Analysis**

Sycamore's general strategy is to invest in middle market and large enterprise companies at attractive valuations where there is an opportunity to create value by improving profitability. This approach aims to generate attractive investment returns with an asymmetric distribution of potential outcomes (lower risk to principal due to value purchase and significant potential upside through profit improvement) for our Funds. Important elements of this strategy include:

*Focus on Operating Improvements:* The most important element of Sycamore's strategy is a focus on sustainably improving the profitability of the companies in which it invests (referred to herein as "portfolio companies"). Sycamore targets companies that are undermanaged or underperforming as a result of reasons that Sycamore believes it can address within the investment horizon and are company specific (*i.e.*, they can be improved regardless of the macro-environment). Sycamore's pre-investment activities include the development of a data-driven operating plan that if achieved would generate attractive investment returns. Post-transaction, Sycamore generally partners with company management to execute the plan and improve profitability. Sycamore has built a deep network of executives with broad operating expertise or specific functional expertise that Sycamore believes provides it with a differentiated advantage when evaluating and implementing investment opportunities.

*Value Orientation:* Sycamore seeks situations where there is a clear opportunity to buy assets at below market prices. To accomplish this, Sycamore focuses on situations where there is less competition and/or some ability to "win" on non-economic terms due to transactional complexity. This complexity can take a variety of forms, but often includes: distressed companies, difficult transactions (e.g., carve-outs, bankruptcy situations and complicated take-privates) or industries undergoing change. Sycamore believes acquiring assets at below market prices helps both drive returns and protect against principal loss.

*Analytical Approach:* Data-driven analysis is the underpinning of how Sycamore evaluates investments, develops operating plans and manages portfolio companies. Sycamore believes this



approach allows it to confidently evaluate complex situations and develop detailed operating plans to improve profitability of target companies before making an investment.

*Deep Industry Knowledge:* Sycamore believes that sector expertise helps drive attractive returns through the development of industry-specific relationships and proprietary insights into the evaluation and management of companies. Sycamore intends to focus the majority of its activity in the consumer/retail industry where its investment professionals have been the most active over the last nineteen years and may opportunistically be active in related or adjacent sectors that draw on the team's prior experience.

*Growth Options:* Sycamore believes that an attractive investment target should have opportunities to grow, but that base case returns need not depend on the success of such growth. Sycamore looks for opportunities where base case returns can be achieved through execution of the aforementioned operating plan, but where growth options create the potential for higher returns. The existence of such growth opportunities also increases the number of potential options for Sycamore's Funds to exit an investment.

*Client Orientation:* Sycamore's investment professionals pride themselves on their ability to partner with management and other constituents in their ecosystem. Sycamore firmly believes that successful investing requires forming deep relationships within the investment and operating community.

## **II. Risk Factors**

Investing in securities involves a risk of loss that investors should be prepared to bear. This section describes certain risks specifically related to Sycamore's investment strategy and certain specific types of securities in which Sycamore will direct Funds to invest. It is not a comprehensive list of all risks associated with investments in the securities market, some of which may also affect Sycamore's investments in extreme circumstances. Prospective investors in a Fund should carefully review, in its entirety, the Fund's offering memorandum and limited partnership agreement (or other applicable governing documents), which include a more complete description of risk factors associated with an investment in such Fund.

### **A. Risks of Sycamore's Investment Strategy**

*No Assurance of Investment Return:* Sycamore cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. There is no assurance that Sycamore will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions in which Sycamore intends to invest. There can be no assurance that expected returns for Sycamore's Funds will be achieved, or that an investor will receive a return of its capital. An investment in a Fund should only be considered by persons who can afford a loss of their entire investment.

*Lack of Sufficient Investment Opportunities:* It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. However, the investors will be required to bear management fees through such Fund during the investment period based on the entire amount of the investors' commitments to such Fund and other expenses as set forth in the offering memorandum and limited partnership agreement (or other applicable governing documents).

*Competition for Investments:* Sycamore 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, including hedge funds, investing directly or through affiliates. Further, 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 more personnel than Sycamore and its affiliates. Sycamore 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 Sycamore's Funds and/or adversely affecting the terms upon which investments can be made. Participating in auctions will also increase the pressure on the Funds with respect to pricing of a transaction. For example, given the increasingly competitive environment, Sycamore may find it more difficult to obtain buyer-favorable terms in a transaction, such as receiving an indemnification by the seller for a breach of representations or warranties, the ability to terminate a transaction if financing sources become unavailable or unwilling to fund, or the ability to terminate the transaction if there has been a material adverse change in the company's business prior to closing of the investment. In addition, Sycamore may find competitors for investment opportunities willing to offer seller-favorable terms in a transaction, such as providing a "reverse break-up fee" and fund level guarantees. In the event a financing-related closing condition is not available to a Fund or if a Fund is required to provide a reverse break-up fee or guarantee in connection with a potential investment, the Fund may become obligated to consummate a transaction on less favorable terms or may be required to fund the reverse break-up or similar fee in connection with a potential investment that is not made. There can be no assurance that Sycamore will be able to locate, complete and exit investments which satisfy its investment objectives, or realize upon their values, or that it will be able to invest fully its capital. To the extent that Sycamore encounters competition for investments, returns to investors may decrease.

*Business Risks:* A Fund's investment portfolio is expected to consist primarily of securities issued by non-public companies whose securities are expected to be highly illiquid, and operating results in a specified period may be difficult to predict with any level of precision. It is expected that a Fund's investment portfolio will also include securities issued by public companies and listed on exchanges in the U.S. or elsewhere, including, potentially in each case, formerly privately-held portfolio companies that have consummated initial public offerings during a Fund's holding period. Public companies may be subject to public reporting requirements that could have a significant impact on the valuation of their shares on any given trading day. Such investments involve a high degree of business and financial risk which can result in substantial losses. Indeed, investments in non-public companies and/or public companies with comparably smaller market capitalizations whose securities are expected to be illiquid may involve a higher degree of risk than alternative investments.

*Risk of Investment Concentration:* Sycamore's Funds may participate in a limited number of investments (and may seek to make several investments in one industry or one industry segment or within a short period of time) and, as a consequence, the aggregate return of a Fund may be substantially adversely affected by the unfavorable performance of any single investment or more than one investment concentrated in one industry, one industry segment or within a short period of time. Moreover, since all Fund investments cannot reasonably be expected to perform well or even return capital, for a Fund to achieve above-average returns, one or a few of its investments must perform very well. There can be no assurance that this will be the case. In addition, investors have no assurance as to the degree of diversification of Sycamore's investments, either

by geographic region, asset type or sector. In addition, up to 30% of the aggregate amount of a Fund's capital may be invested in any one investment at any one time. To the extent Sycamore concentrates investments in a particular issuer, industry, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto. Furthermore, if a Fund co-invests with other private equity funds, an investor that is invested in both funds may have exposure to investments through more than one fund. In circumstances where Sycamore intends to refinance all or a portion of the capital invested in a transaction, there will be a risk that such refinancing may not be completed, which could lead to increased risk as a result of a Fund having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification.

*Reliance on Portfolio Company Management Teams:* Each portfolio company's day-to-day operations will be the responsibility of that company's management team. Although Sycamore will be responsible for monitoring the performance of each investment and seeks to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company successfully. The success of many of Sycamore's portfolio companies is heavily dependent on the management of such companies. There can be no assurance that the management of a portfolio company on the date an investment is made will continue to be affiliated with the company throughout the period the investment is held. In addition, Sycamore will generally establish the capital structure of companies in which Funds invest on the basis of financial projections for such companies. Projected operating results will normally be based primarily on the judgment of the management of the portfolio company, with adjustments to such projections made by Sycamore in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the portfolio companies and third parties and assumptions made at the time 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 impact on the reliability of projections.

*Dynamic Investment Strategy:* While each general partner generally intends to seek attractive returns for a Fund through the investment strategy and methods described herein, the relevant general partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant partnership agreement (or other applicable governing documents). A general partner may pursue investments outside of the industries and sectors in which Sycamore has previously made investments or has internal operational experience.

*Risks in Effecting Operating Improvements:* In some cases, the success of Sycamore's investment strategy will depend, in part, on the ability of Sycamore to restructure and 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. There can be no assurance that Sycamore will be able to successfully identify and implement such improvements or that such improvements, if made, will result in improved financial performance.

*Distressed Investments:* A Fund may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing or expected to experience significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial

degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that Sycamore will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, a Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which such Fund invested. Further, such investments could, in certain circumstances, subject a Fund to certain additional potential liabilities that may exceed the value of such Fund's original investments therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a Fund and distributions by a Fund to its investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and doctrines of discretionary judicial power to disallow, subordinate or disenfranchise particular claims.

*Investments in Smaller or Less Established Companies:* Sycamore may invest a portion of its Funds' capital in the securities of smaller or less established companies. Investments in such smaller or less established companies may involve greater risks than generally are associated with investments in larger or more established companies. To the extent there is any public market for the securities held by the Funds, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Smaller or less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance, may face competition from companies with greater resources and may require substantial additional capital to support their operations or to finance expansion.

*Debt Securities:* Certain Sycamore Funds may invest in debt securities. Debt securities are subject to creditor risks, including the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws and so-called lender liability claims by the issuer of the obligations. Further, the laws with respect to creditors and other investors in non-U.S. jurisdictions may not be as comprehensive or as well developed as in the United States, and the procedures for the judicial or other enforcement of such rights may not be as effective as in the United States, and conflicts of interest could arise in the event that a Fund and/or its affiliates own both debt and equity securities of the portfolio company. Additionally, adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership or distressed exchange, can significantly diminish the value of a Fund's investment in any such portfolio company. Debt investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by a Fund earlier than expected. In addition, depending on fluctuations of the equity markets, warrants and other equity securities may become worthless. Accordingly, there can be no assurance that a Fund's rate of return objectives will be realized. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of underlying assets selected as collateral may allow a Fund to

withstand certain assumed deficiencies in payments occasioned by an issuer's default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to a Fund in respect to its investment. Any subordinated investments of a Fund will be subordinated to the senior obligations of an issuer. In addition, many of the remedies available to subordinated holders are available only after satisfaction of claims of senior creditors. Any such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer or in general economic conditions (or both) may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on and declines in the value of such securities more quickly than in the case of the senior obligations of such issuer.

*Minority Investments:* Sycamore's Funds may invest in and hold meaningful minority stakes of companies and in companies for which Sycamore has no right to exert significant influence. In such cases, Sycamore will be significantly reliant on the existing management and board of directors of such companies, which may include representatives of other investors with whom Sycamore is not affiliated and whose interests may conflict with the interests of Sycamore's Funds.

*Control Position Risk:* Although non-control investments may also be made, Sycamore intends to make investments on behalf of its Funds to acquire control or exercise influence over management and the strategic direction of the portfolio company. The exercise of control over a portfolio company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability characteristics of business operations generally may be ignored. The exercise of control over a portfolio company could expose Fund assets to claims by the equityholders and creditors of such portfolio company.

*Contingent Liabilities upon Disposition:* In connection with the disposition of a Fund's investment, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business and may be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in additional liabilities, which shall be borne by Sycamore's Funds.

*Risks Arising from Provision of Managerial Assistance:* Sycamore intends to use reasonable efforts to avoid having the assets of its Funds constitute "plan assets" of any plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, which invests in the Funds and may, in this regard, elect to operate the Funds as a "venture capital operating company" ("VCOC") within the meaning of regulations promulgated under ERISA. Operating a Fund as a VCOC would require that such Fund obtain rights to substantially participate in or influence the conduct of the management of a number of such Fund's portfolio companies. Sycamore may designate one or more directors to serve on the board of directors of one or more portfolio companies as to which it obtains such rights. The designation of directors and other measures contemplated could expose the assets of the Funds to claims by a portfolio company, its other security holders, its creditors and other persons who have a claim against the portfolio company.

## B. Risks Relating to Certain Types of Investments

*Illiquid and Long-Term Investments:* An investment with Sycamore requires a long-term commitment with no certainty of return. There most likely will be little or no near-term cash flow available to investors. Many of the Funds' investments will be highly illiquid and there can be no assurance that Funds will be able to realize returns on such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions of the portfolio company's securities (known as "in-kind" distribution) to investors. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the investment in a portfolio company is made. The Funds will generally acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction exempt from registration under the Securities Act. In some cases, the Funds may be prohibited by contract from selling certain securities for a period of time. Even where a Fund holds freely tradable publicly traded securities, its investment position may represent a significant portion of the outstanding public securities of a particular company, creating a degree of illiquidity when a Fund wishes to dispose of or reduce its position in such company by selling shares into the market.

*Investments Longer than Term:* Sycamore may make investments that may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that its Funds' investment program is scheduled to end. Although Sycamore expects that investments will be disposed of prior to this date or be suitable for in-kind distribution at this date, under certain circumstances Funds may have to sell, distribute or otherwise dispose of investments or resolve litigation or other contingent liabilities at a disadvantageous time. 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 investors will occur.

*Non-U.S. Investments:* Sycamore expects to invest a portion of its Funds' capital outside of the United States. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and various foreign currencies, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation or other changes in law; (iv) differences between U.S. and foreign market contract terms (e.g., foreign contracts do not typically include many of the closing conditions that are commonly found in U.S. contracts); (v) the possible imposition of foreign taxes on income and gains recognized with respect to such securities; and (vi) less developed corporate laws regarding fiduciary duties and the protection of investors.

*Investments in the Retail Industry:* The Funds have invested in portfolio companies that operate in the retail industry. Investments in the retail industry may involve risks greater than those in other industries and may experience significant fluctuations in returns. The retail industry is highly competitive and is heavily dependent on discretionary consumer spending patterns. Portfolio companies that operate in the retail industry may be sensitive to numerous factors that affect discretionary consumer income, including adverse general economic conditions, changes in employment trends and levels of unemployment, increases in interest rates, weather, acts of war,

terrorist or political events, a significant rise in energy prices or other events or actions that may lead to a decrease in consumer confidence or a reduction in discretionary income. Declines in consumer spending on retail merchandise, especially for extended periods, could have a material adverse effect on our business, financial condition and results of operations. Much of the retail merchandise sold in the United States and Canada is manufactured outside the United States and Canada. Trade restrictions, including increased tariffs or quotas, embargoes, safeguards and customs restrictions against retail merchandise items, as well as U.S., Canadian or foreign labor strikes, work stoppages or boycotts could increase the cost or reduce the supply of retail merchandise available to retailers or may require retailers to modify their current business practices, any of which could hurt the business, financial condition and results of operations of portfolio companies that operate in the retail industry. The retail business is seasonal in nature, and any decrease in sales or margins during certain periods could have a material adverse effect on portfolio companies that operate in the retail industry. In addition, the retail industry is characterized by rapidly changing customer demands and the failure to anticipate and respond to changing customer preferences in a timely manner will adversely affect the business and financial condition of portfolio companies that operate in the retail industry.

*Use of Leverage:* While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. Fund investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, any rise in interest rates may significantly increase a portfolio company's interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, a Fund may suffer a partial or total loss of capital invested in the company. Although borrowings by Funds have the potential to enhance overall returns that exceed a Fund's cost of funds, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than such Fund's cost of funds. In addition, borrowings by a Fund may be secured by such Fund's capital as well as by such Fund's assets.

*Bridge Financings:* From time to time, Sycamore may lend a Fund's capital to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always within Sycamore's control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by Sycamore.

*Need for Follow-On Investments:* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company. There is no assurance that such Fund will make follow-on investments or that such Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment, may result in a lost opportunity for such Fund to increase its participation in a successful operation, may result in such Fund's investment in the relevant portfolio company becoming diluted and, in circumstances where the follow-on investment is offered at a discount to market value, may result in a loss of value for such Fund.

*Financial Market Fluctuations and Increased Regulation of Financial Markets:* General fluctuations in interest rates and the market prices of securities will affect the value of the

investments held by the Funds. In particular, the value of investments in the financial services industry are generally adversely affected by fluctuations in interest rates or by declines in the securities markets. Instability in interest rates and the securities markets also increase the risks inherent in the Funds' investments. The ability of portfolio companies to refinance debt securities will depend on their ability to sell new loans or securities in the public high-yield debt market or otherwise. Additionally, the deterioration of the global credit markets in the aftermath of the financial crisis made it more difficult than it had been in the past for financial sponsors like Sycamore to obtain favorable financing for investments. A global reduction in liquidity, coupled with the deterioration of the global debt markets, led to reduced investor demand for leveraged credit, which in turn led some investment banks and other lenders to be less willing or unwilling to finance new investments, or to only offer committed financing for these investments on less favorable terms than had been previously been available. This phenomenon could occur again or be more pronounced. In addition, increased and/or emerging regulations applicable to banks and other lending institutions have limited the ability of the Funds to obtain leverage in amounts, and/or on terms, historically available to pooled investment vehicles similar to the Funds. The Funds' ability to generate attractive investment returns for their investors will be adversely affected to the extent Sycamore is unable to obtain sufficient financing and/or favorable financing terms for its investments. Moreover, to the extent that such marketplace events occur, they will have an adverse impact on the availability of credit to businesses generally, and could lead to an overall weakening of the U.S. and global economies. Such an economic downturn could adversely affect the financial resources of borrowers in which the Funds have invested and result in the inability of such borrowers to make principal and interest payments on outstanding debt when due. In the event of such defaults, the Funds would suffer a partial or total loss of capital invested in such companies, which could, in turn, have an adverse effect on the Funds' returns. Such marketplace events also may restrict the ability of the Funds to sell or liquidate investments at favorable times or for favorable prices. Additionally, the Funds may be required to pay break-up, termination or other fees or expenses even if Sycamore is willing to close on an investment if it is ultimately unable to close on such investment due to a lender's unwillingness to provide previously committed financing. In addition, a downturn in the performance of the public equity markets may limit the ability to exit portfolio company investments through initial public offerings, subsequent follow-on offerings, and/or block trades.

*General Economic and Market Conditions:* The private equity industry generally and the success of the Funds' investment activities will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. While current market conditions may create opportunities for the Funds to make investments at prices that Sycamore believes are attractive, there remain a number of risks. There can be no assurance that the market will, in the future, be liquid, and it may experience periods of volatility in the future. The Funds may be adversely affected to the extent that they seek to dispose of any of their investments into an illiquid or volatile market, and the Funds may find themselves unable to dispose of an investment at a price that Sycamore believes reflects the investment's fair value. A sustained downturn in the U.S. or global economy (or any particular segment thereof) could adversely affect the Funds' profitability, impede the ability of the Funds' portfolio companies to perform under or refinance their existing obligations, and impair the Funds' ability to effectively exit their investment on favorable terms. Any of the foregoing events could result in substantial or total losses to the Funds in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure.

*Material Non-Public Information; Other Regulatory Restrictions:* By reason of its responsibilities in connection with its other activities, Sycamore (or its professionals or employees) from time-to-



time acquires confidential or material non-public information or is restricted from initiating transactions in certain securities. In addition, the information provided to investors by the Funds may include material non-public information about a portfolio company. The Funds will not be free to act upon any such material non-public information that they acquire, and investors may be restricted in their ability to buy or sell securities or bank debt of companies about which they have received material non-public information. Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Sycamore or the Funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust remedies relating to one Fund's acquisition of a portfolio company may require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, a Fund may be adversely affected because of Sycamore's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by Sycamore or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

*Assumption of Contingent Liabilities:* In connection with an investment, a Fund may assume, or acquire a portfolio company subject to, contingent liabilities. These liabilities may be material and may include liabilities associated with pending litigation, regulatory investigations, environmental actions, or payment of indebtedness among other things. To the extent these liabilities are realized, they may materially adversely affect the value of a portfolio company. In addition, if a Fund has assumed or guaranteed these liabilities, the obligation would be payable from the assets of such Fund, including the remaining commitments of investors.

*Line of Credit:* The Funds are typically parties to one or more subscription-based credit facilities and borrowings by the Funds under such facilities will generally be secured by the Funds' investors' capital commitments as well as by the Funds' assets, subject to certain limitations, and the terms of such facilities may provide that during the continuance of a default under such facilities, the interests and distributions of the Funds' investors may be subordinated to such facilities. Investors may be required to execute an investor acknowledgement for the benefit of the lenders under the subscription credit facility and may be required to acknowledge their obligations to pay their share of indebtedness up to their remaining commitment. Use of a subscription-based credit facility may result in a higher reported internal rate of return for a Fund than if the facility had not been utilized, and as a result of this and other factors (including that the interest rate on such borrowings is typically less than the rate of the preferred return (if any) and that such preferred return (if any) does not accrue on such borrowings, and only accrues on capital contributions when made) may present conflicts of interest and the general partner of a Fund may

make distributions prior to the repayment of outstanding borrowings. As a result, use of such facilities or other long-term leverage arrangements with respect to investments may reduce or eliminate the preferred return (if any) received by investors in a Fund and provide the general partner of such Fund with an incentive to fund investments through long-term borrowings in lieu of capital contributions. Subject to the limitations in the governing documents of a Fund, the use of a subscription-based credit facility by such Fund is within the applicable general partner's discretion.

*Cybersecurity Risks:* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Sycamore or one of its service providers holding its financial or investor data, Sycamore, its affiliates or the Funds may also be at risk of loss.

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**Item 9: Disciplinary Information**

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There are no legal or disciplinary events that are material to a Fund's or an investor's evaluation of Sycamore's advisory business or the integrity of its management.

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**Item 10: Other Financial Industry Activities and Affiliations**

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**I. Other Financial Industry Activities**

Neither Sycamore nor any management person is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Sycamore nor any management person is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of any of the foregoing entities.

**II. Other Financial Industry Affiliations**

A registered investment adviser is required to disclose any relationship or arrangement that is material to its advisory business or to its clients that the adviser or any of its management persons have with specified related persons. Neither Sycamore nor any of its management persons have such relationships or arrangements.

Sycamore is affiliated with Sycamore Partners GP, L.L.C., Sycamore Partners GP (Cayman), L.P., Sycamore Partners II GP, L.P. and Sycamore Partners III GP, L.P. Each of such entities serves as a general partner of a Fund advised by Sycamore (referred to in this Brochure as the "GP Entities"). The GP Entities are deemed to be registered advisers relying on Sycamore's registration. The information in this Brochure regarding the advisory services provided by "Sycamore" shall also apply to and include the GP Entities.

Sycamore does not recommend or select other investment advisers for Funds.

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

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### **I. Code of Ethics**

As an investment adviser, Sycamore stands in a position of trust and confidence with respect to its Funds. Sycamore has a fiduciary duty to place the interests of its Funds before its own interests and the interests of its employees. All of Sycamore's personnel must put the interests of the Funds before their own personal interests and must act honestly and fairly in dealings with the Funds. All of Sycamore's personnel must also comply with all federal and other applicable securities laws. Sycamore has developed a compliance program to establish these rules of conduct for its personnel.

As part of its compliance program, Sycamore has adopted a personal trading policy requiring all personnel to disclose all holdings in personal trading accounts and all personal securities transactions in a timely manner. Sycamore also maintains a "restricted list" of companies about which a determination has been made that it is prudent to restrict trading activity by Sycamore and/or its personnel. Generally, an employee may not trade securities of a company included on the restricted list; however, exceptions may be granted under certain circumstances if pre-clearance is granted. Sycamore may also require employees to pre-clear transactions in the securities of certain issuers that are not on the restricted list, as determined by Sycamore from time to time.

Sycamore has also adopted policies regarding the control of non-public information and political contributions. Sycamore's compliance program is designed to promote the ethical behavior of all of Sycamore's personnel and to ensure compliance with applicable regulation and best practices. Sycamore will provide a copy of its code of ethics to any investor upon request.

### **II. Interest in Client Transactions**

Sycamore's affiliates, the general partners of the Funds, retain the right to invest side by side with the Funds as set forth in a Fund's governing documents.

It is Sycamore's policy not to engage in any principal transactions without disclosing to a Fund before the completion of such transaction the capacity in which Sycamore is acting and obtaining the consent of such Fund's advisory board, which is comprised of representatives of the investors in such Fund, to such transaction. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between any two Funds, and Sycamore or its affiliates own a large portion of one of the Funds.

It is Sycamore's policy not to engage in cross trading transactions without consent of the advisory boards of the applicable Funds. A cross trading transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Sycamore and certain employees and affiliates of Sycamore invest in and alongside the Funds, either through the general partners of the Funds, as direct investors in the Funds (*e.g.*, Associates Funds) or otherwise. In particular, certain Funds are comprised primarily of current and former managing directors, officers, employees and/or consultants of Sycamore and/or friends and family of Sycamore (*e.g.*, Associates Funds). All or a portion of the management fee and carried interest related to investments held by Funds are in certain cases reduced or eliminated.

From time to time, Sycamore advises or encourages portfolio companies of one Fund to do business with the portfolio companies of another Fund where doing so may be mutually beneficial to both portfolio companies and effected via arms' length transactions. Certain portfolio companies of one Fund do business with a portfolio company of another Fund. Conflicts of interest may arise in this scenario because Sycamore has an incentive to maintain goodwill between the portfolio companies of each respective Fund, although the products or services recommended may not necessarily be the best or lowest cost option available to the portfolio companies, and could result in higher expenses for the portfolio company (and a disadvantage to the Fund holding such portfolio company); a conflict may also arise if such circumstances create a financial advantage for the relevant Fund holding the service-providing portfolio company.

Due in part to the fact that investors and potential investors in a Fund, including a Co-Investment Vehicle, request different information, Sycamore provides certain information to one or more investors or prospective investors that it does not provide to all investors or prospective investors.

### **III. Other Matters**

*Overview and Other Activities:* Actual, potential and apparent conflicts of interest may arise between the Funds and Sycamore, its principals and/or affiliates. Sycamore and its affiliates may take such actions as they determine in good faith may be necessary or appropriate to ameliorate such conflict, but there can be no assurance that such conflicts will be resolved in a manner that is favorable to the Funds. Except as provided in the applicable Fund's governing documents, Sycamore may expand the range of services that it provides over time and will not be restricted in the scope of its business or in the performance of any such service (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest.

*Allocation of Investment Opportunities:* In connection with its investment activities, Sycamore may encounter situations in which it must determine how to allocate investment opportunities among the Funds and other persons, including but not limited to co-investment vehicles that have been formed to invest side-by-side with one or more Funds (the investors in such co-investment vehicles may include investors in the Funds and/or individuals and entities that are not investors in any of the Funds), investors whose co-investment Sycamore determines in good faith will provide strategic benefits for the Funds or their portfolio companies, other investment vehicles besides the Funds, and investments similar to those in which the Funds invest or will be investing.

Subject to the governing documents of the Funds, Sycamore may offer co-investment opportunities to certain persons, including certain investors and other third parties, in its sole discretion, is not expected to offer co-investment with respect to all investments of the Funds and may allocate any such opportunities in its sole discretion, including for example, on the basis of the size of investor commitments to the Funds. To determine whether a Fund or other investment vehicles sponsored by Sycamore or its affiliates will participate in the relevant investment opportunity, Sycamore generally assesses whether an investment opportunity is appropriate for each relevant Fund based on the terms of such Fund's limited partnership agreement (or other applicable governing documents), as well as factors including but not limited to: each fund's

investment restrictions and objectives (including those set forth in the relevant fund's partnership agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure. A Fund may invest together with other funds advised by an affiliated adviser of Sycamore in the manner set forth in the relevant partnership agreements (or other applicable governing documents). Sycamore will determine the allocation of investment opportunities among funds in a manner that it believes is fair and equitable consistent with Sycamore's obligations and may take into consideration factors such as those set forth above. In the event that the available amount of an investment opportunity in which a Fund will invest exceeds an amount appropriate for such Fund, such excess may also be offered to one or more potential investors. The allocation of co-investment opportunities may involve a benefit to Sycamore including, without limitation, fees or carried interest from the co-investment opportunity. Sycamore may or may not charge management fees, carried interest and/or one-time funding fees in respect of co-investments, as it determines in its sole discretion. Any such fees may be calculated solely with respect to each co-investment. For the avoidance of doubt, except as otherwise agreed by Sycamore, investment in a Fund does not entitle investors to be presented with or otherwise participate in any co-investment opportunities.

The allocation of investment opportunities among a Fund and any of the other investment vehicles sponsored by Sycamore, its principals or its affiliates may not always, and often will not, be proportional. Therefore, such allocations may be more advantageous to a Fund relative to one or all of the other investment vehicles, or vice versa. While Sycamore will allocate investment opportunities in a way that it believes in good faith is fair and equitable to its Funds, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which Sycamore may be subject did not exist.

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 vehicle sponsored by Sycamore or an affiliate, or if it were to invest in the securities of a portfolio company in which another investment vehicle sponsored by Sycamore or one of its affiliates has already made an investment. 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 vehicle. This may result in differences in price, investment terms, leverage and associated costs between a Fund and any other investing fund sponsored by Sycamore 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 vehicle 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 the Funds.

In exercising its discretion to allocate investment opportunities, Sycamore may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among the Funds with differing fee, compensation or expense structures, Sycamore may have an incentive to allocate investment opportunities to the Funds from which Sycamore or its affiliates may derive, directly or indirectly, a higher fee, compensation or other benefit. While Sycamore will attempt to resolve all such conflicts of interest in a fair and equitable manner, there is no guarantee that it will be able to do so.

*Allocation of Fees and Expenses:* In exercising its discretion to allocate fees and expenses, Sycamore is faced with a variety of potential conflicts of interest. Any such conflict will be

resolved as required by the governing documents of the applicable Funds or otherwise in a fair and equitable manner as determined by Sycamore. In general, Sycamore will allocate fees and expenses incurred in connection with the management of a Fund between Sycamore and the applicable Fund in accordance with such Fund's governing documents, or to the extent not addressed in such documents or agreements, in its sole discretion, in each case using good faith and its best judgment. Sycamore will allocate fees and expenses to be borne by particular Fund families or particular Funds within a Fund family among the applicable Fund families or Funds in accordance with the applicable Fund's governing documents or to the extent not addressed in such documents or agreements in its sole discretion, in each case using good faith and its best judgment. Sycamore will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable.

The appropriate allocation among Funds and co-investors of expenses and fees generated in the course of evaluating potential investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by Sycamore and its affiliates in their good faith discretion, consistent with the governing documents of the Funds, as applicable. If multiple Fund families or Funds evaluate a potential investment that is not consummated, Sycamore generally allocates the fees and expenses generated in the course of evaluating such investment among the Fund families or Funds based on the anticipated investment of each Fund family or Fund. As Co-Investment Vehicles are only created on a deal by deal basis, and would generally not have been established were an investment not consummated, such fees and expense would not be allocated to such a Co-Investment Vehicle. Were a co-sponsor to participate in an unconsummated potential investment opportunity, typically such co-sponsor would bear its share of such fees and expenses based on the anticipated investment by such co-sponsor. There are also occasions when one Fund (the "Payor Fund") pays an expense common to multiple funds or payable by other Funds (the "Allocated Funds") (e.g., legal expenses for a transaction in which such Allocated Funds participate or are expected to participate). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, after the payment is made by the Payor Fund. While unlikely, it is possible that one of the Allocated Funds could default on its obligation to reimburse the Payor Fund.

With respect to allocating other expenses among Fund(s), including Co-Investment Vehicles, and/or third parties, as appropriate, to the extent not addressed in the governing documents of a Fund, Sycamore will make any such allocation determination in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. Generally, certain fees and expenses that are not specifically related to a Co-Investment Vehicle or to an investment made by a Co-Investment Vehicle are payable by the Funds other than Co-Investment Vehicles and not the Co-Investment Vehicles themselves. Sycamore will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable.

*Positions with Portfolio Companies:* Employees of Sycamore may serve as directors or managers of or provide consulting services to portfolio companies. While conflicts of interest may arise in the event that such employee's fiduciary duties as a director conflicts with those of the applicable Fund, it is expected that the interests will be aligned. The portion of any fees, net of related expenses, received by such employees or Sycamore for such services and attributable to a particular Fund are 100% offset against the management fees payable by such Fund, to the extent such Fund pays a management fee.

*Investments in which a Fund May Have a Different Interest:* The Funds may invest in a broad range of securities, instruments and obligations throughout the corporate capital structure. These investments include (but are not limited to) investments in common equity securities, preferred equity securities and corporate loans and debt obligations. Accordingly, a Fund may invest in different parts of the capital structure of an issuer. For example, a Fund may, directly or indirectly, invest in the indebtedness of a portfolio company in which such Fund also holds equity securities. To the extent any such portfolio company triggers an event of default under the applicable credit (or other similar) agreement, the general partner of such Fund expects to seek to manage the investment, including how to exercise such Fund's rights as a debtholder, in a manner that preserves the most value for such Fund as a whole, after taking into account such Fund's equity position in such portfolio company. Because the investors in a Fund generally will participate in each of such Fund's investments proportionally (whether the investment is an equity investment or debt-related investment), Sycamore does not believe the potential scenario of holding equity and debt positions in the same portfolio company in a particular Fund will give rise to conflicts of interests for Sycamore.

In the event that a conflict of interest arises, Sycamore will attempt to resolve such conflict on a case by case basis and in the best interests of the parties involved, while maintaining its duty of fiduciary care to the relevant Funds.

*Valuation Matters:* The fair value of all investments or of property received in exchange for any investments will be determined by the general partner of a Fund in accordance with the applicable organization documents of such Fund. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of investments will, under certain circumstances, affect the amount of management fees payable to Sycamore. The valuation of investments may also affect the ability of Sycamore to raise successor funds to the Funds. As a result, there may be circumstances where the general partner of a Fund is incentivized to determine valuations that are higher than the actual fair value of investments.

*Varying Interests Among Limited Partners:* The investors in the Funds may have conflicting investment, tax and other interests with respect to their investments in such Funds. The conflicting interests of individual investors may relate or arise from, among other things, the nature of investments made by the Funds, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by the general partner of a Fund, including with respect to the nature or structuring of investments that may be more beneficial for one investor, including such general partner, than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Funds, the general partners of the Funds will consider the investment and tax objectives of the Funds and its investors as a whole, not the investment, tax or other objectives of any investor individually. In addition, the interests held by a relatively small number of investors may be significantly larger than those held by other investors which could have a material impact on the outcome of matters requiring investor consent or approval.

*Service Providers:* Certain service providers or their affiliates (including any accountants, administrators, lenders, brokers, attorneys, consultants and investment or commercial banking firms) of the Funds, Sycamore or any of their affiliates may be investors in the Funds, affiliates of the general partner and/or sources of investment opportunities and co-investors or counterparties therewith. This may influence the general partner in deciding whether to select such a service provider. In certain circumstances, services providers or their affiliates may charge different rates

or have different arrangements for services provided to the general partners of the Funds, Sycamore, their affiliates as compared to services provided to the Funds or their portfolio companies, which may result in more favorable rates or arrangements than those payable by the Funds or such portfolio companies.

*Certain Advisors and Consultants.* The general partners expect to retain, on behalf of the Funds and/or the portfolio companies, as applicable, operational advisory partners and other consultants, which may be affiliates of Sycamore, employees of such affiliates, portfolio companies of other funds managed by Sycamore or its affiliates, third party consultants (including individual members of Sycamore Partners Consulting, operating partners, legal advisors, legal consultants or other consultants and external executives), “strategic partners,” “executive partners” or “senior advisors.” The operating partners and/or members of Sycamore Partners Consulting may regularly provide services to, or in connection with, the Funds in relation to their activities, or to one or more portfolio companies in relation to the identification, due diligence, acquisition, holding, integration, improvement and disposition of such portfolio companies, including operational aspects of such companies and sales, manufacturing, marketing, logistics, technology, legal, human resources and similar services.

Pursuant to the applicable partnership agreement, consulting fees and expenses associated with the operating partners’ and/or members of Sycamore Partners Consulting’s services, may be paid and/or reimbursed by applicable portfolio companies and/or the Fund, and such consulting fees and expenses generally are not expected to offset the management fee. Additionally, portfolio companies may provide opportunities for operating partners and/or members of Sycamore Partners Consulting to invest in such portfolio company and reimburse costs and expenses incurred by operating partners and/or members of Sycamore Partners Consulting. Operating partners and/or members of Sycamore Partners Consulting also may receive remuneration from the general partners and/or the Funds or affiliates and/or be entitled to other forms of compensation, including equity grants in portfolio companies. Such investment opportunities, reimbursements and other compensation paid to an operating partner and/or members of Sycamore Partners Consulting generally are not expected to offset the management fee. Operating partners and/or members of Sycamore Partners Consulting may have a limited partnership or profit interest in the Funds, the general partners, one or more other investment vehicles sponsored by the general partners or by an affiliate of the general partners.

*Purchases and Discounts:* Sycamore has instituted a program under which portfolio companies owned by the Funds and other investment vehicles managed by Sycamore are encouraged to participate in purchasing, vendor or similar arrangements with the general partner, its affiliates and other portfolio companies. Program participants expect to receive discounts negotiated with various vendors and service providers on a group-wide basis. Participants voluntarily participate in the program without cost. A general partner and its affiliates may also participate in the program, and receive similar benefits and discounts as the portfolio companies participating therein. No such amounts will result in additional offsets to the management fee. Sycamore believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to the participants, including the portfolio companies of the Funds (which is expected to be to the benefit of the Funds that will result if the negotiated rates for goods and services are discounted relative to those widely available in the market).

*Personal Trading and Other Business Activities:* The managing directors, officers, members, partners, employees, affiliates of such persons and relatives of such persons of Sycamore may trade in securities for their own accounts, subject to pre-clearance restrictions and reporting requirements as may be required by law or Sycamore’s policies, or otherwise determined from



time to time by Sycamore, as applicable. Subject to the governing documents of the Funds, Sycamore and such persons may conduct any other business, including any business within the securities industry, whether or not such business is in competition with a Fund.

*Side Letters:* The general partner of a Fund will enter into side letters or other similar agreements with certain investors in connection with their admission to such Fund without the approval of any other investor. Such side letters or other similar agreements will alter and/or supplement the terms of such Fund's governing documents in a manner that makes the terms applicable to such investors more favorable than those applicable to other investors. Such rights or terms in any such side letter may include, without limitation, (i) excuse rights applicable to particular investments; (ii) reporting obligations of the applicable general partner; (iii) waiver of certain confidentiality obligations; (iv) consent of the applicable general partner to certain transfers by such investor; (v) special rights with respect to co-investment; (vi) rights or terms necessary in light of particular legal, public policy or regulatory characteristics of an investor; (vii) potential mandatory waivers of compensation as a result of certain violations of law with regard to public pension plan investors; (viii) additional obligations and restrictions of the general partner and a Fund with respect to the structuring of any particular investment in light of the legal, tax and regulatory considerations of particular investors; (ix) agreements to assist with the applicable tax filings and (x) certain obligations and restrictions on the applicable general partner with respect to the exercise of its discretion on certain matters.

Any of these situations mentioned above subjects Sycamore and/or its affiliates to potential conflicts of interest. Sycamore attempts to resolve such conflicts of interest in light of its obligations to its Funds and the obligations owed by Sycamore's advisory affiliates to investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, Sycamore will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Sycamore consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

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**Item 12: Brokerage Practices**

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Due to the nature of Sycamore's investment strategy, Sycamore expects substantially all of its investments to be privately negotiated directly with its portfolio companies. As such, Sycamore does not anticipate utilizing brokers or dealers regularly. In rare cases where Sycamore determines to utilize a broker or a dealer to transact on behalf of the Funds, Sycamore shall evaluate such broker or dealer based on a range of factors, including without limitation commission price, willingness to commit capital, and ability to execute the desired transaction.

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**Item 13: Review of Accounts**

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Sycamore's Managing Directors are responsible for reviewing Fund holdings on an ongoing basis to determine if there have been any significant changes to any investments. Each investment will be reviewed whenever there is a major event or market shift affecting the portfolio company or its exit options. In these reviews, Sycamore will re-examine its investment hypothesis, update forecasts of portfolio company performance and project the investment's return opportunity before deciding the timing for realization.

Investors in Sycamore's Funds receive written quarterly financial reports and audited annual reports.

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**Item 14: Client Referrals and Other Compensation**

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No one other than the Funds provides an economic benefit to Sycamore for providing investment advice or other advisory services to the Funds.

Sycamore may receive certain fees from portfolio companies, such as "transaction" fees or "monitoring" fees, in connection with activities performed on behalf of the Funds, and in some instances such fees paid to Sycamore, net of expenses related to the activities leading to the receipt of such fees, will reduce the management fee paid by investors.

Sycamore does not compensate a third party for client referrals. However, Sycamore, from time to time, may compensate a third party placement agent for investor referrals. In such cases, any compensation paid by investors to the third party placement agent will reduce the investor's management fee by the same amount.

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**Item 15: Custody**

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Sycamore is deemed to have custody of the funds of the Funds because affiliates serve as general partners to its Funds and therefore complies with Rule 206(4)-2 under the Advisers Act with respect to such Funds. Client assets are (i) held in the name of a Fund, or in an account for the benefit of a Fund, by an independent qualified custodian or (ii) private, uncertificated securities recorded on the books and records of the issuer in the name of a Fund. Sycamore shall maintain evidence of all investments as required by Rule 204-2 under the Advisers Act.

When Sycamore identifies an investment that is suitable for the Funds, the general partner issues a capital call to investors for the capital necessary to make the investment. This capital will be held with a qualified custodian until the investment is made, and account statements will be sent to the Funds by this qualified custodian directly for any periods when cash is custodied by Sycamore.

Additionally, Sycamore shall deliver to investors independently audited financial statements of each Fund prepared in accordance with generally accepted accounting principles to such Fund's investors no less frequently than annually. In addition, Sycamore shall provide investors with unaudited quarterly reports.

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**Item 16: Investment Discretion**

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Sycamore typically has discretionary investment management authority for its Funds. While the general partner of a Fund is responsible for the management, policies and operations of a Fund, it grants authority to Sycamore to make investment recommendations and monitor investments, as more fully described in the advisory agreement executed among the general partner, Fund and Sycamore at the outset of the advisory relationship. In all cases, however, this discretion is to be exercised in a manner consistent with the investment strategy and objectives of a Fund. When making investment recommendations, Sycamore observes the investment policies, limitations and restrictions that are applicable to the Fund's account.

**Item 17: Voting Client Securities**

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Sycamore has full authority to vote Fund securities. Due to Sycamore's investment strategy and the nature of interests generally recommended by Sycamore, Sycamore does not anticipate frequently holding public securities with voting authority on behalf of its Funds, and therefore the proxy voting policies will not generally apply.

If the Funds do hold public securities with voting authority, Sycamore shall determine to vote in the best interests of Funds. Sycamore expects to frequently take an active role in the management of its portfolio companies. Sycamore believes that its investment professionals are able to judge what is in the best interests of the company. Therefore, Sycamore will generally vote with management. In some instances, such as in the event of conflict of interests, Sycamore may determine that it is in a Fund's best interest to abstain from voting. A Fund may obtain a copy of Sycamore's proxy voting policy and/or a record of all proxy votes cast by that Fund at the direction of Sycamore by contacting Sycamore by email at [jwoodworth@sycamorepartners.com](mailto:jwoodworth@sycamorepartners.com) or by telephone at (212) 796-8500.

**Item 18: Financial Information**

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Sycamore does not require or solicit prepayment of more than \$1,200 in fees per Fund, six months or more in advance.

Sycamore has not been the subject of a bankruptcy petition at any time during the past ten years.

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

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Not applicable.