

# **Falfurrias Management Partners LP**

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**Part 2A of Form ADV  
Firm Brochure**

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This brochure provides information about the qualifications and business practices of Falfurrias Management Partners LP. If you have any questions about the contents of this brochure, please contact us at (704) 371-3041 or [mkilian@fcp.us.com](mailto:mkilian@fcp.us.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Falfurrias Management Partners LP is a registered investment adviser. Registration with the SEC is not intended to, and does not imply a certain level of skill or training.

Additional information about Falfurrias Management Partners LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4: Advisory Business**

##### *Description of Advisory Firm.*

Falfurrias Management Partners LP, a Delaware limited partnership and successor by conversion to Falfurrias Management Partners LLC (“**Falfurrias Management**”), provides investment advisory services solely to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “**1940 Act**”), and whose securities are not registered under the Securities Act of 1933, as amended (the “**Securities Act**”). Falfurrias Management currently provides investment advisory services to Falfurrias Capital Partners II, LP (hereafter referred to as “**Fund II**”), Falfurrias Capital Partners III, LP (hereinafter referred to as “**Fund III**”), Falfurrias Capital Partners IV, LP (hereinafter referred to as “**Fund IV**”), Falfurrias Capital Partners V, LP (hereinafter after referred to as “**Fund V**”), Falfurrias Growth Partners I, LP (hereinafter referred to as “**FGP I**”), and, together with Fund II, Fund III, Fund IV, and FCP V each a “**Falfurrias Fund**” and, collectively, the “**Falfurrias Funds**”). As an investment adviser of the Falfurrias Funds, Falfurrias Management, along with Falfurrias Equity Partners II LLC, which serves as the general partner of Fund II (“**Fund II GP**”), Falfurrias Equity Partners III LLC, which serves as the general partner of Fund III (“**Fund III GP**”), Falfurrias Equity Partners IV LLC, which serves as the general partner of Fund IV (“**Fund IV GP**”), Falfurrias Equity Partners V LLC (“**Fund V GP**”), and Falfurrias Growth GP I LLC (“**FGP GP I**”), and, together with Fund II GP, Fund III GP, Fund IV GP, and Fund V GP the “**General Partners**” and, the General Partners together with Falfurrias Management, “**Falfurrias**” or the “**Firm**”), identifies investment opportunities for, and participates in the acquisition, management, monitoring and disposition of investments of, the Falfurrias Funds. Marc Oken and W. Edwin McMahan Jr. control Falfurrias Management through High Hopes Management LLC. The principal owners of Falfurrias Management are Mr. Oken, through his investment vehicle, High Hopes Equity II, LLC and W. Edwin McMahan, Jr.

The General Partners are registered under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) in accordance with SEC guidance. The General Partners together with Falfurrias Management operate as a single advisory business and this brochure describes the business and practices of Falfurrias Management and the General Partners.

Founded in 2006 by Hugh McColl, Jr. and Marc Oken (the “**Founding Principals**”), Falfurrias focuses on sectors and opportunities where the Firm can leverage and employ the Founding Principals’ relationships, reputations as successful business and community leaders, and experiences to support portfolio company growth initiatives. Falfurrias’s “Industry First” methodology is the process by which certain sectors, with attractive growth characteristics, are identified as target campaigns. Once identified and evaluated, an actionable thesis is constructed alongside an executive partner in order to identify compelling investment ideas which generally take the form of buyout transactions.

Falfurrias tailors its advisory services to the specific investment objectives and restrictions of each Falfurrias Fund pursuant to its respective investment guidelines and restrictions set forth in such Falfurrias Fund’s limited partnership agreement and investment management agreement. Investors and prospective investors of each Falfurrias Fund should refer to the

confidential private placement memorandum, limited partnership agreement, investment management agreement and/or other governing documents of such Falfurrias Fund (collectively, the “**Governing Documents**”) for complete information on its investment objectives and investment restrictions. Investment advice is provided by Falfurrias directly to each Falfurrias Fund, subject to the direction and control of such Falfurrias Fund’s General Partner.

As of December 31, 2023, Falfurrias Management has regulatory assets under management of approximately \$3,216,939,145 all of which is managed on a discretionary basis. Fund II GP commenced operations on November 1, 2011 and, as of December 31, 2023, has regulatory assets under management of approximately \$33,464,603, all of which is managed on a discretionary basis. Fund III GP commenced operations on August 1, 2016 and, as of December 31, 2023, has regulatory assets under management of \$726,135,926, all of which is managed on a discretionary basis. Fund IV GP commenced operations in July 22, 2019 and, as of December 31, 2023, has regulatory assets under management of \$1,096,979,824. Fund V GP commenced operations on September 20, 2021 and, as of December 31, 2023, has regulatory assets under management of \$970,758,663. FGP GP I commenced operations on December 21, 2022 and, as of December 31, 2023, has regulatory assets under management of \$389,600,130. Falfurrias does not manage any assets on a non-discretionary basis.

Falfurrias provides investment advice to each Falfurrias Fund in respect of its respective investment portfolio. Additionally, Falfurrias provides other managerial and administrative services, including without limitation, “Industry First” identification and diligence procedures on potential investments, management oversight and recommendations, and disposition of investments, monitoring the performance of investments, and preparing reports necessary or appropriate for compliance with the governing agreements of the respective Falfurrias Fund. Fund II, Fund III, Fund IV, Fund V, and FGP I are all closed to new investors subscribing for new interests. Investments in Fund II, Fund III, Fund IV, and FCP V were privately offered and sold only to qualified investors, typically eligible high-net-worth individuals and institutional investors.

In accordance with common industry practice, each Falfurrias Fund or its General Partner has entered into “side letters” or similar agreements with certain investors pursuant to which such General Partner grants the applicable investor specific rights, benefits, or privileges that are not made available to investors generally.

Falfurrias does not participate in any wrap fee programs.

## **Item 5: Fees and Compensation**

All investors and prospective investors should review the Governing Documents of the applicable Falfurrias Fund in conjunction with this brochure for complete information on the fees and compensation payable in connection with such Falfurrias Fund.

Generally, Falfurrias charges a management fee (the “**Management Fee**”) in accordance with the respective limited partnership agreement of each Falfurrias Fund, as amended (the “**Partnership Agreement**”). The Management Fee of each Falfurrias Fund is payable to

Falfurrias in quarterly installments payable in advance. Each Falfurrias Fund is subject to a Management Fee equal to 2% of the aggregate capital commitments of the limited partners of such Fund during the period commencing on the initial closing of such Fund and ending on the first to occur of (i) the end of the investment period of such Fund pursuant its Partnership Agreement and (ii) the date on which the Management Fees are accrued or first paid to the General Partner from another private investment fund (other than an alternative investment fund or co-investment vehicle whose primary investment objectives are substantially similar to the investment objectives of such Fund); and thereafter, such Fund will be subject to a Management Fee equal to 2% of the aggregate cost basis attributable to investments that have not been realized or completely written down.

Additionally, Falfurrias shall reduce the respective Management Fee payable by each Falfurrias Fund in any calendar year by an amount equal to the applicable fee offset for the calendar year as set forth in such Falfurrias Fund's Partnership Agreement. In the event that the amount of such fee offset to be applied against the Management Fee in any calendar year exceeds the Management Fee payable during that calendar year, such excess shall be carried forward to reduce the Management Fee payable in the future calendar year (serially and not proportionately), and any fee offset that has not been applied to reduce subsequent Management Fees at the termination of the such Falfurrias Fund shall be repaid to its limited partners, ratably in accordance with their respective capital commitments to such Falfurrias Fund.

Management Fees are paid by capital contributions from investors to the applicable Falfurrias Fund pursuant to capital call notices delivered by such Falfurrias Fund's General Partner out of the total amount of capital commitments or are paid out of cash that is otherwise distributable to the investors in such Falfurrias Fund, including cash held by such Falfurrias Fund after a portfolio investment of such Falfurrias Fund is disposed of and before the proceeds are distributed to investors.

#### *Other Fees and Expenses.*

In addition to the fees payable to Falfurrias, each Falfurrias Fund (and therefore, indirectly, the limited partners of the Falfurrias Fund) may incur certain charges imposed by third parties as set forth in such Falfurrias Fund's Governing Documents. Investors and prospective investors of each Falfurrias Fund should review the applicable Governing Documents in conjunction with this brochure for complete information on the charges, expenses payable and related reimbursement from investment proceeds distributions, with respect to such Falfurrias Fund.

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

The General Partner of each Falfurrias Fund is entitled to participate in the profits of such Falfurrias Fund alongside its limited partners and then such General Partner has the right to additional profit distributions as set forth in the applicable Partnership Agreement. Pursuant to such Partnership Agreement, limited partners first receive distributions in cash or stock equivalent to their respective unreturned contributions to date since inception of such Falfurrias Fund plus a gross preferred return of 8% per annum. Unreturned capital

contributions include (i) the capital contributions of such investor made in respect to such portfolio investment and (ii) the investor's proportionate share of unrecouped costs of the limited partners as described in the applicable Partnership Agreement. For FCP II, FCP III, FCP IV, and FGP I, any further available distributions are then allocated eighty percent to all limited partners and twenty percent to such General Partner (such distributions to the General Partner referred to herein as "**carried interest**"). For FCP V, any further available distributions are allocated (1) first, twenty percent to the General Partner and eighty percent to limited partners until such limited partners have received cumulative distributions equal to two hundred and fifty percent of their aggregate capital; (2) second, one hundred percent to the General Partner until the General Partner has received aggregate distributions equal to twenty-five percent of all distributions subject to carried interest; (3) third, twenty-five percent to the General Partner and seventy-five percent to the limited partners until such limited partners have received cumulative distributions equal to three hundred percent of their aggregate capital; (4) fourth, one hundred percent to the General Partner until the General Partner has received aggregate distributions equal to thirty percent of all distributions subject to carried interest; and (5) thereafter, thirty percent to the General Partner and seventy percent to the limited partners. Falfurrias Management is entitled to any unallocated carried interest distributions.

Generally, as defined in each Partnership Agreement, including upon termination of a Falfurrias Fund and at certain other dates, the respective General Partner will be required to restore funds to the Falfurrias Fund to the extent that (i) the limited partners of such Falfurrias Fund have not received their return of realized capital and costs and preferred return described above, or (ii) such General Partner has received cumulative distributions in respect of its carried interest in excess of a certain percentage of the profits of such Falfurrias Fund, in each case, applied on an aggregate basis covering all transactions of such Falfurrias Fund. In no event will such General Partner be required to restore more than the cumulative distributions in respect of its carried interest received by such General Partner, less income taxes thereon and taxes attributable to property distributed in kind.

Additionally, FCP II, FCP III and FCP IV have established General Partner holdback accounts for purposes of depositing carried interest distributions until quantitative benchmarks are reached pursuant to the applicable Partnership Agreement. All investors and prospective investors should review the Governing Documents of the applicable Falfurrias Fund in conjunction with this brochure for complete information on the fees and compensation payable in connection with such Falfurrias Fund.

## **Item 7: Types of Clients**

Falfurrias currently provides investment advisory services to each Falfurrias Fund and may provide investment advisory services to other investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. Investment advice is provided directly to each Falfurrias Fund, subject to the direction and control of the such Falfurrias Fund's General Partner, and not individually to the limited partners of any Falfurrias Fund. The investors participating in a Falfurrias Fund may include high net worth individuals, trusts, estates, limited partnerships, pension and profit-sharing plans, and charitable organizations or other

corporations or business entities and may include, directly or indirectly, principals or other employees of Falfurrias Management and its affiliates.

Fund II, Fund III, Fund IV, Fund V, and FGP I are closed to new investors subscribing for new interests. Interests in Fund II, Fund III, Fund IV, Fund V, and FGP I were privately offered and sold solely to accredited investors within the meaning of the rules promulgated under the Securities Act.

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

As discussed in Item 4: Advisory Business above, a successful Falfurrias “Industry First” campaign typically results in a middle market buyout transaction. Falfurrias seeks majority investment ownership in middle market private companies, as well as rights and/or board representation with respect to such companies.

### *Methods of Analysis.*

Investments, and potential investments, are analyzed by Falfurrias based upon (i) the identified “Industry First” classification; (ii) the dollar amount of the transaction and the size of Falfurrias’s investment, relative to the total equity value; (iii) the growth prospects of the identified company and related industry; (iv) the actionable thesis and identified investment strategy qualified by the “Industry First” executive partner; and (v) the relevant experience of the target company’s retained staff.

Upon identifying a target portfolio company investment, Falfurrias engages in a thorough due diligence process that includes engagement of third party processionalals, including legal, tax and accounting. Following the initial screening process, Falfurrias will collect analysis from industry consultants and experts on an as-needed basis and an in-depth presentation on the prospective investment will be provided to the investment committee of the applicable Falfurrias Fund. Upon final approval of such investment committee, Falfurrias will typically evaluate, negotiate and finalize financing for the transaction.

### **Risks**

Each Falfurrias Fund and its investors bear the risk of loss that Falfurrias’s investment strategy entails. The risks involved with Falfurrias’s investment strategy and an investment in such Falfurrias Fund include, but are not limited to:

#### *General.*

Private equity involves a high degree of business and financial risk that may result in substantial losses. In order for a Falfurrias Fund to succeed, Falfurrias must be able to accurately identify potentially successful enterprises, a process that is difficult even for those with extensive relevant experience. Portfolio companies may be operating at a loss or with substantial variations in operating results from period to period and may need substantial amounts of additional capital to support expansion or to achieve or maintain a competitive position. Investment in such Falfurrias Fund is highly speculative, involves a high degree of risk and could result in the loss of part or all

of an investor's capital contribution. Therefore, prospective investors should not invest unless they can bear such a loss. Moreover, there can be no assurance that such Falfurrias Fund's investment objectives will be achieved and investment results may vary materially from one reporting period to the next. Consequently, an investment in a Falfurrias Fund is suitable only for sophisticated investors who are capable of making an informed and independent decision as to the risks involved in such investment.

#### *Investment Time Horizon.*

The investment capital of each Falfurrias Fund is expected to have a relatively long investment horizon. It is uncertain as to when profits, if any, of such investment capital will be realized. In each case, losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. Accordingly, investors should view their investments in any Falfurrias Fund as long term. The expenses of operating such Falfurrias Fund (including the Management Fee) may exceed its income, thereby requiring that the difference be paid from its capital.

#### *Competition for Investments.*

Each Falfurrias Fund competes for investments with a large number of banks, finance companies, investors, and other funds, some of which may have substantially greater resources than such Falfurrias Fund. Competition for investments could reduce such Falfurrias Fund's opportunity for profit by reducing the variety and opportunity for investments.

#### *Difficulty Locating Suitable Investments.*

An investor in a Falfurrias Fund must rely upon the ability of such Falfurrias Fund's General Partner and the applicable investment committee to identify, structure and implement portfolio investments consistent with such Falfurrias Fund's investment objectives and policies. Investors in such Falfurrias Fund will not have the opportunity to evaluate the business, financial and other information that will be used by such General Partner and its investment committee in their analysis, selection, and monitoring of portfolio company investments for such Falfurrias Fund. There can be no assurance that such General Partner and its investment committee will be able to identify a sufficient number of attractive investment opportunities to invest fully such Falfurrias Fund's committed capital in opportunities that satisfy such Falfurrias Fund's investment objectives, or that such investment opportunities will lead to completed investments by such Falfurrias Fund. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate.

#### *Illiquid Nature of Portfolio Company Investments.*



Each Falfurrias Funds has made, and/or will make, investments in securities that have limited liquidity. Generally, there will be a significant period of time before such Falfurrias Fund completes its investments in portfolio companies. Such investments generally take from 2 to 7 years from the date of initial investment to reach a state of maturity when partial or complete realization of the investment can be achieved. Transaction structures typically will not provide for liquidity of such Falfurrias Fund's investment prior to that time. Generally, there will be no readily available market for a substantial amount of such Falfurrias Fund's portfolio investments. Most investments held by such Falfurrias Fund may not be able to be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144, Regulation D or another exemption under the Securities Act. The market prices, if any, of such investments tend to be volatile, and such Falfurrias Fund may not be able to sell such investments when it desires, or, upon sale, to realize what it perceives to be their fair value. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements applicable to publicly traded companies. In light of the foregoing, it is likely that no return from the disposition of such Falfurrias Fund's investments will occur until a significant period of time has passed. Furthermore, disposition of such investments may result in distributions in-kind to investors.

#### *Foreign Investments.*

Each Falfurrias Fund may make investments in foreign countries. These investments may be subject to greater risks than domestic investments due to complex tax rules to cross border transactions, the fluctuation of currency exchange rates, political uncertainty, and other factors.

#### *Lack of Diversification.*

Each Falfurrias Fund intends to participate in a limited number of investments and may seek to make numerous investments in one industry segment. Accordingly, it is possible such Falfurrias Fund could hold few investments relative to its total capital. If this were the case, any loss with respect to a single investment (or a few investments) could have a materially adverse impact on such Falfurrias Fund's profitability. Furthermore, to the extent that the capital raised is less than expected, a Falfurrias Fund may hold fewer investments and thus be less diversified.

#### *Projections.*

Each Falfurrias Fund may rely upon projections developed by its General Partner, Falfurrias Management, personnel of Falfurrias, or outside sources concerning a portfolio company's future performance and cash flow. These projections will be based upon certain assumptions and upon information provided by and judgments made by outside parties. These projections will be only estimates of future results and, therefore, there can be no assurance that the projected results will be achieved. Actual results may vary significantly from the projections, and general economic conditions and other factors out of the control of such General Partner, Falfurrias Management such personnel may negatively impact the reliability of the financial projections. The inaccuracy of certain assumptions, the failure to satisfy certain financial

requirements and the occurrence of other unforeseen events could impair the ability of a portfolio investment to realize projected values and cash flow.

#### *Follow-On Investments.*

Each Falfurrias Fund may be called upon to provide follow-on funding related to existing portfolio investments or may have the opportunity to increase such investments. There can be no assurance that it will desire to make follow-on investments or that it will have sufficient funds to do so.

#### *Reliance on Portfolio Company Management.*

Although each General Partner will monitor the performance of each investment of its respective Falfurrias Fund, such General Partner will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. There can be no assurance that the existing or new management of such companies will be able to operate the companies successfully.

#### *Use of Leverage by Portfolio Company.*

While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. The investments of a Falfurrias Fund 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, rising interest rates may increase portfolio company interest expense. If a portfolio company cannot generate adequate cash flow to meet debt service, then such Falfurrias Fund may suffer a partial or total loss of capital invested in the portfolio company. The use of leverage will have the effect of increasing the volatility of such Falfurrias Fund's investments. A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders) may materially impair such Falfurrias Fund's ability to consummate portfolio investments, to make leveraged distributions or to sell investments to buyers who utilize similar leverage strategies.

#### *Control Investments and Directorships.*

Each Falfurrias Fund has or will acquire control positions in certain companies in which it invests. Additionally, officers and employees of each such Falfurrias Fund's respective General Partner or Falfurrias Management may serve as directors of portfolio companies in which such Falfurrias Fund invests. The exercise of control over a company through a control position, or the service of an officer or employee of such General Partner or Falfurrias Management as a director of such company, could (i) expose the assets of such Falfurrias Fund to claims by such company, its security holders and creditors or (ii) impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which general limited liability protections are ignored. If these liabilities were

to occur, then such Falfurrias Fund, directly, and such Falfurrias Fund's investors, indirectly, would likely suffer losses with respect to their investments.

*Minority Investments.*

Each Falfurrias Fund may invest in minority positions of companies and in companies for which such Falfurrias Fund has no right to appoint a director or otherwise exert significant influence. In such cases, such Falfurrias Fund will rely significantly on the existing management and board of directors of such companies, which may include representation of other financial investors with whom such Falfurrias Fund is not affiliated and whose interests may conflict with the interests of such Falfurrias Fund.

*Financial Market Fluctuations.*

General fluctuations in the market prices of securities may affect the value of the investments held by each Falfurrias Fund. Instability in the securities markets may also increase the risks inherent in such Falfurrias Fund's investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise.

*Foreign Currency & Exchange Rate Risks.*

The assets and income of a Falfurrias Fund may be denominated in various currencies. Contributions and distributions, however, will be denominated in U.S. dollars. As a result, the return of such Falfurrias Fund on any investment may be adversely affected by fluctuations in currency exchange rates, any future imposed devaluations of local currencies, inflationary pressures, and the success of the investment itself. Generally, no Falfurrias Fund intends to engage in hedging against currency risk. A Falfurrias Fund may incur costs in connection with conversions between various currencies.

**Item 9: Disciplinary Information**

Neither Falfurrias nor its employees have been involved in any legal or disciplinary events that would be material to a client's or prospective client's evaluation of our services or the integrity of our management.

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

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

Falfurrias Management is affiliated with Fund II GP, Fund III GP, Fund IV GP, Fund V GP, and FGP GP I., each of which is an investment adviser registered with the SEC under the Advisers Act pursuant to Falfurrias Management's registration in accordance with SEC guidance. Each affiliated investment adviser operates as a single advisory business together with Falfurrias Management and serves as general partner of the applicable Falfurrias Fund

and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Falfurrias Management may manage multiple private investment funds. This can create conflicts in the allocation of time, resources and investment opportunities such funds. Please refer to the governing documents of the relevant fund for complete information on the requisite time commitments (if any) of Falfurrias and its related persons to such funds and the allocation of investment opportunities among such funds.

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

Falfurrias has adopted a Code of Ethics for all supervised persons of the firm describing its high standards for honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in periodic reports to clients and regulatory agencies; compliance with applicable governmental laws and regulations as well as all applicable federal and state securities laws; and prompt internal reporting of violations. This Code of Ethics is contained in the Compliance Manual for Falfurrias and is available to any client or prospective client upon request.

To supervise compliance with its Code of Ethics, Falfurrias requires that anyone associated with its advisory practices with access to advisory recommendations provide annual securities holdings reports and quarterly brokerage statements (or equivalent quarterly transaction reports) to the firm's CCO. Falfurrias requires such "access persons" to also receive approval from the CCO prior to investing in any initial public offerings or private placements.

In an effort to prevent inappropriate securities transactions by Falfurrias's personnel, the CCO will maintain and make available a list of restricted securities. Access persons are strictly prohibited from trading on their own behalf in restricted securities without obtaining the prior written approval of the CCO. Falfurrias requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. Falfurrias also has a policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline or termination. Falfurrias will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

Falfurrias and certain of its related persons have indirect beneficial interests in the securities owned by the Falfurrias Fund and will share in any profits and losses generated by the Falfurrias Fund's investments. Moreover, in certain situations, related persons of Falfurrias may purchase interests in the same portfolio investments held by the Falfurrias Fund. All such transactions are subject to compliance with Falfurrias's Code of Ethics as described above. Any access person who has or acquires ownership of an issuer through a private placement (excluding any indirect investment in an issuer via a direct or indirect interest in the Falfurrias Fund) must affirmatively disclose that interest to the CCO if such access person is involved in considering or determining any subsequent investment decision regarding an investment by the Falfurrias Fund in any security of that issuer or an affiliate.

## **Item 12: Brokerage Practices**

Falfurrias and its management persons are not involved in recommendation of broker-dealers as neither the Falfurrias Fund nor Falfurrias uses broker-dealers for client transactions.

Falfurrias and its management persons do not engage in or receive research or other soft dollar benefits.

## **Item 13: Review of Accounts**

Falfurrias performs regular and continuous monitoring of portfolio company investment of the Falfurrias Fund through positions as board members or board observers. The investment professionals involved in these reviews include Hugh McColl Jr., Marc Oken and Edward E. McMahan.

Falfurrias provides investors in the Falfurrias Fund with audited annual financial statements within 120 days of the end of each fiscal year. Falfurrias provides written reports from the General Partner along with the annual financial statements and at the end of each quarter that include a status report on the investments held, a summary of acquisitions and dispositions of investments during the preceding quarter and a valuation of each investment. The quarterly reports are typically provided within 45 days after the end of each quarter.

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

Falfurrias and a private investment fund which it manages may enter into cash compensation arrangements with unaffiliated placement agents or other third parties for introducing investors to such fund. Any sales charge associated therewith will generally be payable by Falfurrias and/or its related entities, either directly or through an offset of the management fee payable by the relevant fund to Falfurrias as disclosed in the governing documents of the applicable fund. An investor will not bear any additional charges as a result of the introduction of an investor through a placement agent or other unaffiliated third party, provided that investors may ultimately bear a portion of certain transaction fees payable to placement agents in connection with the purchase or sale of assets in respect of such fund. Moreover, as described above, Falfurrias may consider referrals of investors to such fund in determining its selection of third party service providers.

Falfurrias endeavors at all times to put the interests of such fund first as part of Falfurrias's fiduciary duty. Nevertheless, the receipt of compensation by the placement agents creates a potential conflict of interest, and may affect the judgment of placement agents when making referrals to Falfurrias and such fund.

## **Item 15: Custody**

Falfurrias maintains custody of the cash and securities of the Falfurrias Fund, in compliance with the Advisers Act and applicable SEC guidance, held in the name of the Falfurrias Fund, with Maranon Capital, Capital Bank, Fifth Third Bank, Bank of America, Alcentra, Goldman Sachs, MidCap, Regions Bank, and Compeer Financial.

**Item 16: Investment Discretion**

Falfurrias accepts the discretionary authority to manage, control and conduct the affairs of each Falfurrias Fund. As such, Falfurrias has the authority to determine the securities to be bought or sold and the amounts of the securities to be bought or sold on behalf of such Falfurrias Fund. Falfurrias's discretion is specified in the applicable Partnership Agreement of such Falfurrias Fund.

**Item 17: Voting Client Securities**

Falfurrias actively manages investments through board seats or board observer positions and votes its membership interests in the best interests of the applicable Falfurrias Fund. A copy of Falfurrias's proxy voting policies and procedures are detailed in its Compliance Manual and are available upon request.

**Item 18: Financial Information**

Falfurrias Management does not require or solicit prepayment of management fees six months or more in advance or have any other events requiring disclosure under this item of the brochure.