

**Form ADV Part 2A: FIRM BROCHURE**



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**March 25, 2024**

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

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

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

## Item 2 – Material Changes

There have been no material changes since the filing of The CapStreet Group, LLC's last Brochure dated March 28, 2023.

Capstreet routinely makes changes throughout its Brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry best practices and Firm practices. In this year's filing, the following Items have been updated, in addition to certain immaterial changes and/or conforming changes related to the following:

- Item 4: updated to reflect regulatory assets under management as of December 31, 2023, and
- Item 8: updated to reflect additional risk factors and potential conflicts of interest.

### Item 3 – Table of Contents

Item 2 – Material Changes.....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	3
Item 6 – Performance-Based Fees and Side-By-Side Management .....	11
Item 7 – Types of Clients.....	12
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	15
Item 9 – Disciplinary Information .....	42
Item 10 – Other Financial Industry Activities and Affiliations.....	42
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...43	
Item 12 – Brokerage Practices.....	46
Item 13 – Review of Accounts .....	46
Item 14 – Client Referrals and Other Compensation.....	48
Item 15 – Custody .....	48
Item 16 – Investment Discretion.....	49
Item 17 – Voting Client Securities.....	49
Item 18 – Financial Information .....	50

#### Item 4 – Advisory Business

The CapStreet Group, LLC (the “filing adviser” and, unless the context otherwise requires, collectively with the relying adviser (CapStreet Management, L.P.) and the fund general partners (as defined below) “Capstreet” or the “Firm”) is a Houston, Texas based private equity firm that focuses on making investments in entrepreneur-owned businesses in software, tech-enabled services and industrial business services sectors, across multiple end markets. As part of its investment strategy, Capstreet utilizes its Capvalue™ Framework, which provides industry best practices, access to subject matter experts (including employee Operating Executives and third-party Operating Advisors) and technologies to help companies scale and create value.

Capstreet serves as an investment manager and provides discretionary investment advisory services to pooled investment vehicles (each a “Fund” or, collectively, the “Funds”) which are exempt from registration under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “Investment Company Act”). Capstreet’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions of such investments. Investments are made in non-public companies, although investments in public companies are permitted in certain instances. The Funds make long-term private equity investments in lower middle market companies, generally referred to as “portfolio companies.” Each portfolio company has its own independent management team responsible for managing its day-to-day operations, although (i) members of Capstreet or representatives appointed by the Firm are expected to serve on the boards of, or otherwise act to influence control of the management of, such portfolio companies and will therefore have a significant impact on the long-term direction of the portfolio company, including the selection of management team members and (ii) in some cases, Capstreet will more directly influence the day-to-day management of the company by recruiting and installing certain individuals in various leadership roles, such as chief executive officer, chief operating officer, chief financial officer or in other roles.

Capstreet tailors its advisory services to the specific investment objectives and restrictions of each Fund pursuant to the investment guidelines and restrictions set forth in and governed by the relevant Fund’s partnership agreement, private placement memorandum, subscription documents, investment advisory agreements, side letters and any other governing documents of the relevant Fund, each as supplemented and/or amended and restated from time to time (collectively, the “Governing Documents”). Limited partners determine the suitability of an investment in a Fund based on, among other things, the Governing Documents. Capstreet does not tailor its advisory services to the individual needs of limited partners and Fund limited partners generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letter agreements. Limited partners in the Funds participate in the overall investment program for the applicable Fund, but will in certain cases be excused from a particular investment due to legal, regulatory or other applicable constraints, pursuant to the terms of the applicable Governing Documents. In accordance with industry common practice, Capstreet has entered into side letters or similar agreements with certain

limited partners who make substantial commitments of capital, were early-stage investors or for other reasons in the sole discretion of Capstreet and such side letter have the effect of establishing rights under, or altering or supplementing, a Fund's Governing Documents. Examples of side letters entered into include provisions whereby limited partners have expressed an interest in participating in co-investment opportunities, notification provisions, limited partner advisory board representation, reporting requirements and "most favored nations" provisions, among others. These rights, benefits or privileges are not always made available to all limited partners, consistent with the Governing Documents and general market practice. Commencing in March 2025, Capstreet will make required disclosure of certain side letters to all limited partners (and in certain cases, to prospective limited partners) in accordance with the new Private Fund Rule. Side letters are generally negotiated at the time of a limited partner's capital commitment and once invested in a Fund, limited partners generally cannot impose additional investment guidelines on such Fund. There can be no assurance that the side letter rights granted to one or more limited partners will not in certain cases disadvantage other limited partners.

Capstreet currently manages three Funds: CapStreet III, L.P. ("Fund III"), CapStreet IV, L.P. ("Fund IV") and CapStreet V, L.P. ("Fund V"). For more information about the Funds, please see Capstreet's Form ADV Part 1, Schedule D, Section 7.B.(1). Capstreet does not currently manage any independent co-investment vehicles. However, in certain circumstances, as more fully described in Item 7 below, the Firm permits certain limited partners and third parties to co-invest directly into a portfolio company. Such direct co-investments are not Funds or clients of Capstreet.

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

CapStreet Management, L.P. is the sole owner of The CapStreet Group, LLC, which was founded in 1997 and was originally named Summit Capital Group, LLC; its name was changed to The CapStreet Group, LLC in 2002. CapStreet Management, L.P. is owned by partners George B. Kelly, M. Neil Kallmeyer, Paul M. De Lisi and Adrian Guerra-Cardus. For more information about The CapStreet

Group, LLC and CapStreet Management, L.P.'s owners and executive officers, see Capstreet's Form ADV Part 1, Schedule A, Schedule B and Schedule R and Form ADV Part 2B.

As of December 31, 2023, Capstreet managed approximately \$989 million in regulatory assets under management, all managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

Capstreet and its affiliated general partners receive fees and compensation in exchange for advisory services provided to the Funds, including management fees, carried interest, additional compensation in connection with management services performed for the portfolio companies of the Funds and reimbursements from portfolio companies for certain expenses advanced on their behalf. Differences exist in fees and expenses exist from Fund to Fund, as certain Funds do not charge certain fees, compensation or expenses that other Funds charge or charge them in different amounts. The following is a general description of fees, compensation and expenses of the Funds. Limited partners should refer to the Governing Documents of the applicable Fund for a complete understanding of how Capstreet is compensated for its advisory services; the information contained herein is a summary only and is qualified in its entirety by such documents.

### **Management Fees**

Capstreet charges each Fund a management fee ("Management Fee") that is generally payable quarterly in advance and is pro-rated for any period that is less than a full calendar quarter. The Management Fee charged to each Fund is described (i) in full detail in the relevant Fund's Governing Documents and (ii) more briefly below. All Management Fees were negotiated with the Fund's limited partners during the fundraising period of the applicable Fund and are not subject to negotiation thereafter. The Management Fees are charged at a maximum annual rate of 2% (assessed quarterly) of the capital commitments of non-affiliated limited partners. Following the earlier of the termination of a Fund's investment period and the first date a Management Fee is paid with respect of a subsequent fund, Management Fees are calculated based on the Fund's invested capital, subject to various other factors. The amount of Management Fees will not correspond with fluctuations in a Fund's net asset value, including following the stepdown date, and will not be reduced in connection with any write-downs unless the overall value of the assets is below the cost basis for such investments. Generally, limited partners participating in a subsequent closing after the initial closing of a Fund are responsible for paying the Management Fee as of the date of the initial closing of such Fund, plus interest, as applicable. In addition, Management Fees are payable during term extensions unless otherwise agreed to with limited partners.

Capstreet is permitted, in its sole discretion, to reduce or waive all or a portion of the Management Fee for certain limited partners. In particular, Capstreet waives Management Fees for employees (or former employees) who have invested in the Funds through a Fund's general partner and/or as a limited partner. For Fund V and future funds, Capstreet also waives Management Fees for Operating Executives and Operating Advisors investing in a Fund through a general partner. In all such cases,

employee and Operating Executive/Operating Advisor limited partners generally pay their pro rata share of certain Fund expenses.

Management Fees are collected through a capital call, through a draw-down on the line of credit (for Fund IV and Fund V only) or offset against a distribution to limited partners. In either case, Management Fees are remitted to Capstreet by the Funds and treated as a Fund expense. Most other fees discussed in this Item 5, including transaction fees, are paid to Capstreet either directly by a portfolio company in which a Capstreet Fund has an investment or through the funds' flow for a consummated transaction. In the event an investment management agreement or a Fund itself is terminated, any Management Fees paid in advance would be reimbursed to the Fund pro rata based on the portion of the period for which Management Fees were paid but for which services were not rendered. However, the Funds generally invest on a long-term basis and accordingly limited partners generally cannot withdraw from a Fund and thus cannot request a return of Management Fees.

### **Carried Interest**

For each Fund, a separate Capstreet affiliate has been established which is entitled to be allocated carried interest ("Carried Interest") with respect to that Fund, which is equal to a specified percentage of realized Fund profits net of all expenses and is subject to preferred return and catch-up provisions. The Funds' Carried Interest arrangements are further described (i) in full detail in the relevant Fund's Governing Documents and (ii) more briefly in Item 6, below.

### **Supplemental Fees**

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

Capstreet generally has discretion over whether to charge portfolio company fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure. In general, supplemental fees are not typically negotiated with portfolio companies on an arm's-length basis and such supplemental fees could adversely affect a portfolio company's financial performance. When applicable, such compensation is reviewed or approved by an independent third party. There can be no assurance that the amount of fees charged will be proportional to the amount of hours performed on behalf of a portfolio company.

On occasion, in certain circumstances (such as a portfolio company's liquidity needs or otherwise) Capstreet determines in its discretion to waive, defer or renegotiate, in whole or in part, the amount of supplemental fees received from a portfolio company. Capstreet endeavors to require the payment of such fees only to the extent permitted by the earnings or cash position of the applicable portfolio company, and Capstreet will defer or forego the payment of such fees if too burdensome for the portfolio company or at such time a senior credit agreement prohibits the payment of such fees. In the case of amounts deferred, such payments will generally be payable in the future, which can result in a single payment or installments of repayment amounts that are larger than if the fees had originally been paid in increments. Capstreet makes such determinations on a case-by-case basis and reserves the right to take different actions (or no action) with respect to similarly situated portfolio companies. Capstreet does not accelerate monitoring fees.

### **Management Fee Offset**

The allocable portion of the above supplemental fees (determined at cost basis) are offset, in whole or in part (depending on the Fund), against, and therefore reduce, the applicable Fund's Management Fees by a pre-established sharing percentage that was negotiated between Capstreet and each Fund's limited partners, net of any expenses incurred in connection with such portfolio company and as further defined in each Fund's Governing Documents.

For clarity, the following fees or expenses do not offset Management Fees, in each case as applicable: (i) for Fund V only, any fees or compensation received by or on behalf of Operating Executives paid directly to Capstreet on behalf of such Operating Executive (except as qualified in the paragraph immediately below); (ii) for Fund III and Fund IV only, any fees or compensation received by Operating Advisors; (iii) reimbursements from a portfolio company; (iv) fees or expenses borne by a Fund; (v) broken deal expenses; (vi) profits interests or compensation to an Operating Executive that was entered into prior to such person becoming an Operating Executive of Capstreet, regardless of when the interests, compensation or amounts crystallize or vest; (vii) fees paid to third parties (and not Capstreet or its employees) who Capstreet appoints to the board of a portfolio company; or (viii) any portfolio company directors' or board fees paid by a former portfolio company to a Capstreet employee (or former employee) who remains on the company's board of directors following the Fund's disposition of its investment in the company.

With regard to Fund V only, (i) options or other non-cash compensation (including incentive units) awarded to Operating Executives for services rendered as members of boards of directors of portfolio companies, where the award is in the ordinary course and the options or non-cash compensation cannot be transferred or conveyed directly to the Firm under the applicable documents or agreements governing such option or other non-cash compensation, and (ii) any fees or compensation and expense reimbursements received in cash or otherwise (including stock options or similar incentive compensation at the time of exercise) paid in respect of any Operating Advisors who serve as directors or provide services in respect of the business or affairs of the portfolio companies at the request of Capstreet, in each case will not be offset against the Management Fees. Any supplemental fees with



respect to an investment or potential investment (including a transaction not consummated) are permitted to be allocated to Fund V (and offset against the Management Fee) only to the extent of Fund V's relative ownership (or anticipated ownership) of such investment or potential investment, except as otherwise set forth in the Governing Documents. Accordingly, Fund V is permitted to only benefit from the Management Fee reduction described above with respect to its allocable portion of any such supplemental fees and not the portion allocable to any other investor (which could include other Funds, co-investors, third parties, portfolio company management or employees and/or others) that holds an economic interest in (or, in the case of a transaction not consummated, would have held an economic interest in) the applicable investment. Further, any such reduction of Fund V's Management Fee is only applicable to the extent a Management Fee is payable currently or in the future. Receiving an allocable amount of supplemental fees that do not offset the Fund V Management Fee gives Capstreet an incentive to maximize such amounts and to make and structure and potentially syndicate investments that could generate such amounts.

To the extent that an offset credit would reduce a Fund's Management Fee for a given quarter below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon dissolution, a payment will be made to limited partners that have not elected to waive such amount for tax or other reasons.

## **Fund Expenses**

Each Fund is governed by its own Governing Documents, which details a description of expenses for such Fund. While differences exist among Funds, the following is a description of expenses generally charged to each Fund. Each Fund will generally pay all costs and expenses relating to the Funds' (and its subsidiaries' and immediate entities') activities (to the extent not reimbursed by a portfolio company), including: (i) all reasonable out-of-pocket costs and expenses incurred in pursuing, investigating, diligencing, analyzing, holding, administering, monitoring, developing, negotiating, structuring, making, acquiring and disposing of Fund investments, including any financing (*e.g.*, structuring and commitment fees and expense reimbursement to financing sources or potential financing sources), legal, accounting, management and consulting fees and expenses and termination fees in connection therewith, including the foregoing expenses related to potential Fund investments or disposition of portfolio companies that are not consummated, including for any investments where co-investment was contemplated; (ii) all reasonable and customary administrative expenses of a Fund incurred in the ordinary course, including the cost of the preparation of the annual audit, financial and tax returns and tax reports required for limited partners or a Fund, custodial expenses, financing expenses, cash management expenses, depository expenses, advisory and consulting expenses, routine legal and accounting expenses and regulatory and compliance expenses relating to a Fund's filings with the SEC or other regulatory bodies (including in foreign or local jurisdictions and regulatory expenses of the general partner and the Firm relating to the activities of the Funds) including expenses related to regulatory and governmental inquiries, subpoenas and proceedings; (iii) all out-of-pocket costs and expenses incurred in holding or monitoring portfolio companies, including, without limitation, legal, travel and related expenses, research (including expenses of any software used for underwriting and

monitoring portfolio companies), insurance, accounting, technological support, custodial and safekeeping, consulting and auditing expenses (to the extent such costs and expenses are not reimbursed by portfolio companies or other third parties); (iv) reasonable brokerage commissions, registration fees and expenses, custodial expenses and other investment costs (to the extent not reimbursed by a portfolio company) incurred in connection with Fund investments; (v) reasonable interest on and fees and expenses arising out of all borrowings made by a Fund, including, but not limited to, the arranging thereof; (vi) reasonable out-of-pocket costs of any litigation, indemnification or extraordinary expense or liability relating to the affairs of a Fund, excluding, however, with respect to litigation expenses or liabilities where such expense or liability is limited pursuant to the Governing Documents; (vii) reasonable expenses in connection with the dissolution, winding up or termination of a Fund; (viii) registration expenses and any taxes (subject to any restrictions in the Governing Documents), fees or other governmental charges levied against a Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of a Fund; (ix) reasonable expenses of the relevant Fund's advisory board and meetings of a Fund's partners, regardless of whether all of the individuals attending or otherwise participating in any such meeting are Fund limited partners or representatives thereof; (x) reasonable private placement fees and expenses paid to third-party placement agents relating to the formation of a Fund and obtaining the relevant capital commitments, but only to the extent Management Fees payable to Capstreet are subsequently reduced pursuant to the applicable Governing Documents; (xi) reasonable fees and disbursements of attorneys, consultants, accountants, advisors, third-party appraisers, fund administration service providers and valuation experts and other professionals for work performed in respect of the business or affairs of the Funds or their portfolio companies (including, without limitation, legal fees in connection with any legal opinions required to be delivered on behalf of the Funds or the relevant general partner pursuant to the Governing Documents); (xii) reasonable fees and expenses attributable to the Operating Executives or Operating Advisors for work performed (including, but not limited to, due diligence) in respect of the business or affairs of the portfolio companies or potential portfolio companies or investments; (xiii) the amounts required to be paid to certain persons or entities affiliated with the Firm in connection with indemnification; (xiv) any insurance premiums or expenses incurred by a Fund in connection with the activities of a Fund, including errors and omissions, fidelity, general partner liability, fiduciary, directors' and officers' liability and similar coverage; (xv) reasonable expenses related to or arising from defaults in the payment of capital contributions; (xvi) reasonable expenses incurred in connection with distributions to partners; (xvii) reasonable costs and expenses incurred in relation to obtaining waivers, consents or approvals pursuant to the relevant Governing Documents and all reasonable costs and expenses of, and/or incidental to, the preparation of amendments, modifications, revisions or restatements to the Governing Documents; (xviii) all out-of-pocket costs and expenses of, and/or incidental to, the preparation and dispatch to the relevant Fund's partners of all checks, reports, circulars, forms and notices and any other documents necessary or desirable in connection with the business and administration of such Fund; (xix) except as otherwise provided in the relevant Governing Documents, the costs of forming and maintaining limited partnerships or other similar vehicles to effect the making or holding of all or any portion of such investment outside of the Fund; (xx) post-closing obligations under agreements relating to the

disposition of portfolio companies including indemnification and purchase price adjustment obligations; (xxi) expenses related to attending industry meetings, conferences or similar events in connection with the evaluation of investment opportunities or business sector opportunities (including the evaluation of potential investments, regardless of whether such investment is ultimately consummated); and (xxii) all other out-of-pocket costs incurred in connection with the administration of the Fund or otherwise authorized by the applicable Governing Documents or approved by a majority in interest of the relevant Fund's limited partners or the relevant advisory board. Costs and expenses noted above generally also include travel, private premium hired cars, premium lodging (including temporary housing), ground transportation and meals.

Out-of-pocket expenses associated with completed transactions are either billed directly to a Fund, reimbursed by a portfolio company or capitalized as part of the acquisition price of a consummated transaction. Further, as Capstreet does not manage co-investment vehicles as Funds, the relevant Fund will generally bear all fees and expenses related to investments that are not consummated, or "broken deal" expenses, regardless of whether co-investment was contemplated, and regardless of the broken deal expenses were incurred prior to a limited partner's admission to a Fund. As a result, the Fund selected as a proposed investor for such proposed transaction will bear more than what would otherwise have been its pro rata share of such broken deal expenses. Conversely, direct co-investors who commit to a transaction after a Fund signs a definitive purchase agreement will avoid the risk of broken deal or similar expenses incurred by such Fund (and indirectly, by such Fund's limited partners) in connection with such transaction based on the timing of when a co-investor becomes contractually obligated to invest.

## **Expense Reimbursement**

Certain expenses related to Capstreet's oversight of portfolio companies incurred on behalf of the Funds are reimbursed by a portfolio company pursuant to a management services agreement with the portfolio company. These expenses are paid by Capstreet and reimbursed by a portfolio company or paid directly by a portfolio company. Such expenses can include, without limitation: (i) travel expenses, which include expenses for economy class travel and meals and entertainment expenses (such expenses including, as applicable, those relating to (a) use of premium black car and other car services, which from time to time include waiting time and (b) social and entertainment events, including closing dinners and mementos, with portfolio company management, customers, clients, borrowers, brokers and service providers); (ii) expenses relating to training programs, meetings, conferences or other events (to the extent such programs, meetings or events are attended by portfolio company personnel); (iii) premium meals (including outside normal business hours); (iv) expenses relating to hiring portfolio company personnel (including background checks, recruiting and relocation expenses); (v) indemnification expenses; (vi) insurance; (vii) corporate filings; (viii) certain legal expenses; (ix) similar out-of-pocket expenses; (x) consulting fees; and (xi) other consideration and expenses.

In addition, to the extent a Fund or Capstreet initially bears the cost of certain fees or expenses but the benefit of the related services or expense is also received by another Fund, portfolio company or future fund or portfolio company, Capstreet will determine, subject to its ultimate discretion, whether to cause such other Fund or portfolio company to reimburse the initial Fund or Capstreet for such fees or expenses. As these types of expenses reflect reimbursement by a Fund or a portfolio company for certain out-of-pocket expenses incurred by Capstreet, a general partner or their respective affiliates, such reimbursements will not be offset against the Management Fee payable by the Funds.

For more information regarding Capstreet's brokerage practices, please see Item 12, below.

### **Organizational Expenses**

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

### **Operating Executives and Operating Advisors**

Capstreet retains certain operating executives with specific functional expertise, including employee Operating Executives and third-party Operating Advisors, to provide strategic and other advisory services to the Firm, the Funds and portfolio companies. Operating Executives and Operating Advisors assist the Firm in assessing potential portfolio companies and assist portfolio companies in developing improved operating platforms capable of sustaining organic and acquisition growth. Operating Executives and Operating Advisors are experts in a specific aspect of operations or a specific industry whose service to the Firm, and often to a specific portfolio company, Capstreet believes will benefit the Funds. The nature of the relationship with each of the Operating Executives and Operating Advisors and the amount of time devoted or required to be devoted by them varies. There can be no assurance that any of the Operating Executives or Operating Advisors will continue to serve in such role and/or continue their arrangement with Capstreet and/or any portfolio company throughout the terms of the Funds.

While both Operating Executives and Operating Advisors provide services to Capstreet, the Funds and portfolio companies, Operating Executives are employees of Capstreet and Operating Advisors are not employees of Capstreet. Fees, compensation in any form and related expenses payable to Operating Executives and Operating Advisors are either paid by Capstreet, a Fund or a specific portfolio company, depending on the nature of the services performed and the specific Fund, as detailed in each Fund's Governing Documents. Operating Executive compensation includes salary and incentive units of a portfolio company with their role as an executive chair of the portfolio company board. Compensation to Operating Advisors can include independent contractor fees,

board fees, success fees, finder's fees, co-investment rights, equity allocations, a profits interest and options in a portfolio company. Capstreet on occasion appoints an Operating Executive or Operating Advisor to serve on the board of a Capstreet portfolio company. Board fees for Operating Executives are paid directly to Capstreet; board fees for Operating Advisors are paid directly to such Operating Advisor by a portfolio company. Certain fees payable to Operating Advisors are associated with a particular transaction and are typically included in the closing costs payable at closing. Work performed by Operating Executives and Operating Advisors for unconsummated transactions is borne by the Fund that was to have participated in such transaction as part of broken deal expenses. To the extent retainers or guaranteed minimum compensation amounts are paid, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Operating Executive and Operating Advisor's services at a time when fewer portfolio companies or Funds make use of such Operating Executive and Operating Advisor. Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount of work generated by the Operating Executive or and Operating Advisor. The determination of the appropriate form and amount of compensation for such services takes into account a variety of factors and follows each Fund's Governing Documents and in some cases will be at the discretion of Capstreet and/or the portfolio company, as applicable.

Operating Advisors typically incur expenses while working with Capstreet portfolio companies or potential portfolio companies, including but not limited to, the cost of travel to portfolio companies and other out-of-pocket costs, and such expenses are paid or reimbursed by either Capstreet, the relevant portfolio company (for consummated transactions) or the relevant Fund (generally in the event the deal is not consummated). Travel reimbursement with regard to Operating Executives and Operating Advisors follows the expense policies as established by Capstreet.

### **Fee Receipt Allocation**

From time to time, Capstreet, a Fund or a portfolio company agrees to pay all or a portion of a transaction fee, equity grant or other fee to a third party, such as a consultant, adviser, Operating Executive, Operating Advisor, finder, placement agent, joint venture partner, broker and/or investment banker. Similarly, on occasion certain members of a portfolio company management team receive additional cash and equity compensation, including bonus payments based on the applicable portfolio company meeting certain success hurdles. All such compensation, whether in the form of a profits or equity interest in a portfolio company or immediate holding company, generally has a dilutive impact on a Fund's investment and indirectly reduces the proceeds available for distribution to the relevant Fund at the time of such portfolio company's exit. None of these fees or compensation allocations offset Management Fees payable by a Fund.

### **Allocation of Expenses**

In good faith and in its fair and reasonable discretion, Capstreet determines on a case-by-case basis whether an expense should be borne by the Firm, a Fund, multiple Funds or a portfolio company.

To the extent that the Governing Documents do not expressly provide for a method of allocation or to the extent that an invoice does not relate to a specific Fund, Capstreet will typically allocate common expenses among multiple Funds on a pro rata basis and in accordance with its policies and procedures on expense allocation, unless another method is more equitable. Some expenses are incurred on an aggregate basis for the benefit of multiple Funds and/or Capstreet. The aggregate cost of such expenses are allocated in a fair and reasonable manner and in Capstreet's sole discretion. Where one or more Funds to which an expense would otherwise be allocable are not permitted to receive an allocation based on the applicable Governing Documents, the portion of the expense attributable to such Fund(s) will be borne by Capstreet.

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

A Carried Interest allocation represents an adviser's compensation based on a percentage of net profits of the Funds it manages. A Capstreet Fund general partner is entitled to earn a Carried Interest allocation based on the profits of each Fund, which is deducted from the investment proceeds of the limited partners. Generally, an affiliate of the relevant Fund's general partner receives Carried Interest of 20% of certain realized profits of a Fund, subject to an 8% annual preferred return (or hurdle) and subject to reimbursement of all capital called to pay relevant Fund expenses, including Management Fees. Calculated based on cumulative realized gains and income only, Carried Interest is allocated to a general partner as portfolio holdings are liquidated or otherwise monetized and is subject to a potential giveback if the respective general partner has received excess cumulative distributions. Each Fund's Governing Documents include further detail concerning its Carried Interest allocation, which is received by each limited partner prior to investment in such Fund.

These Carried Interest allocations have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. While not generally negotiable, the general partner of each Fund is permitted, in its sole discretion, to waive or reduce the amount of Carried Interest for a limited partner in a Fund, particularly with regard to Capstreet employees who invest in a Fund through the general partner.

The fact that each general partner's Carried Interest distributions are based on the performance of the respective Fund can create an incentive for a general partner to make investments that are more speculative than would be the case in the absence of such distributions or to allocate an investment to a Fund that earns a higher Carried Interest, if applicable. However, Capstreet believes that this incentive is sufficiently mitigated by the fact that: (i) the applicable Governing Documents create limitations on the ability of Capstreet to establish new investment funds; (ii) losses will reduce such Fund's performance and thus a general partner's Carried Interest distributions; (iii) Carried Interest is generally calculated only after limited partners have received as distributions 100% of their capital contributions plus a preferred return, for certain Funds, subject to various other factors; (iv) a general partner, and the principal thereof, often make a substantial commitment to the Fund to invest their own capital alongside the limited partners; and (v) Capstreet's ability to attract future limited partners is tied to the performance of its investments. Capstreet generally considers performance-

based compensation to better align its interests with those of its limited partners, particularly in instances where the Governing Documents include terms requiring clawback or giveback of performance-based compensation amounts at the end of the relevant Fund's life or at certain interim intervals.

Capstreet manages multiple Funds with similar investment strategies on a side-by-side basis. Management of multiple vehicles on a side-by-side basis has the potential to create conflicts of interest with regard to Capstreet's allocation of investment opportunities, expenses, time and attention of advisory personnel and consideration for certain transactions. Although Capstreet generally makes new investments for a Fund with the same investment objectives only after a predecessor Fund is substantially invested or committed as more fully described in the applicable Fund's Governing Documents, management of side-by-side Funds can create an incentive for the Firm or its personnel to favor a Fund in which Capstreet or an affiliate has a greater financial interest. To the extent that Capstreet manages Funds with varying Carried Interest terms (including amount, timing waterfall conditions or other terms) and/or Capstreet personnel are assigned different percentages of Carried Interest in different Funds, Capstreet and such personnel are subject to potential conflicts of interest to the extent they are involved in identifying investment opportunities as appropriate for a Fund from which they are entitled to receive a higher Carried Interest percentage.

To help minimize such conflicts of interest, Capstreet allocates investment opportunities which satisfy the investment parameters of more than one Fund in accordance with Capstreet's policies and procedures regarding investment allocation, applicable Governing Documents and taking into consideration certain factors, as determined in the Firm's sole discretion, which include, but are not limited to: the amount of available capital commitments of the applicable Fund(s); anticipated future capital requirements of an investment opportunity; life-cycle of the applicable Fund(s); expected time to obtain liquidity; legal, tax and regulatory considerations; and any other factors deemed relevant by Capstreet. Capstreet's procedures are designed to ensure that all investment decisions are made in accordance with Capstreet's fiduciary duties to its Funds and without consideration of Capstreet's (or its affiliates' or employees') pecuniary interest. Capstreet will not allocate investment opportunities based, in whole or in part, on the relative fee structure or amount of fees paid by any Fund. Investment allocation decisions are determined by the Investment Committee.

## **Item 7 – Types of Clients**

Capstreet provides advice directly to pooled investment vehicles, which are U.S. limited partnerships sponsored by Capstreet. The Funds limit their respective limited partners to persons or institutions who are both (i) "accredited investors" as defined in the Securities Act of 1933, as amended ("Securities Act"), and (ii) either (A) "qualified purchasers" or "knowledgeable employees," each as defined in the Investment Company Act, or (B) "qualified clients," as defined in the Advisers Act. The Funds are not registered or required to be registered under the Investment Company Act; are not made available to the general public; their securities are not registered or required to be registered under the Securities Act; and Fund interests are privately placed to qualified investors. Qualified

investors include individuals or entities to which Fund interests are permitted to be sold, which generally includes (i) in the United States, people or organizations who meet certain net worth, income and/or financial sophistication requirements as described above or (ii) in other countries, as permitted by the relevant securities laws in such jurisdiction and in compliance with any foreign offering provisions applicable to Capstreet and/or the Funds. Eligibility to invest in a Fund is limited to limited partners who meet specified minimum criteria relating to such items as financial holdings and investment experience, which are further detailed in each Fund's Governing Documents.

The limited partners within Capstreet's Funds include institutions, funds of funds, pension plans and sophisticated high net worth individuals. Limited partners in the Funds also include employees, Operating Executives and Operating Advisors investing through a general partner.

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

Capstreet will generally pursue all appropriate investment opportunities through its Fund vehicles, subject to certain limited exceptions. From time to time, Capstreet requires additional capital in order to complete a portfolio company transaction and will reach out to select limited partners or other parties for additional capital. Co-investment opportunities may be made available to select Fund limited partners and third parties, including, without limitation, management or founders of the applicable portfolio company, co-sponsors, strategic investors, lenders, investment bankers, deal sources (including finders and consultants), other sponsors (including other private equity or venture capital firms), service providers, sector experts, strategic advisors, other persons or entities associated or otherwise known to Capstreet or its personnel. While one or more limited partners in the Funds are on occasion invited to co-invest in a Fund's portfolio companies, Capstreet is authorized in its sole discretion to offer any or all of a co-investment opportunity to investors that are not limited partners in the Funds. Additionally, certain individuals who source or provide financing to a transaction have in the past and may in the future negotiate co-investment rights or co-investment priority rights as a component of their compensation or other arrangements with the relevant Fund(s) in connection with the services provided.

Direct co-investments are not managed by Capstreet, are not subject to custody by Capstreet, are not charged Management Fees and/or Carried Interest, are not included the amount of regulatory assets under management and are not deemed to be clients of Capstreet. Nevertheless, Capstreet will perform oversight, advisory and other services for the portfolio companies in which these co-investors invest alongside the Funds, generally at no additional cost to such co-investors except portfolio company fees and expenses (which such expenses are recorded at the portfolio company).

Co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as a Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-investment vehicle purchases a



portion of an investment from a Fund after such Fund has consummated its investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment; however, in certain instances, a post-closing sell-down or transfer could occur well after the Fund's initial purchase. When co-investors purchase their interest from a Fund after the Fund has consummated the investment, the price paid by co-investors is typically determined by the Fund's general partner in its sole discretion. The price may not reflect the full cost incurred by the Fund in connection with the investment, any interest charge on the co-investment amount, the cost of establishing the credit facility utilized to acquire the portfolio company (if applicable) or the risk borne by the Fund in connection with purchasing and warehousing the investment. Where appropriate, and in Capstreet's sole discretion, Capstreet reserves the right to charge interest on the purchase to the co-investors (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund. The Funds will bear the risk that any co-investors acquiring an interest in an investment after the closing of such investment will acquire such interest on terms that do not reflect the then-current value of such investment. In either case, potential co-investors typically do not bear any transaction costs of investments that are not consummated and are not subject generally to the same risks to which a Fund is throughout the investment process. Finally, as Management Fees for certain Funds are offset based on such Fund's invested capital in an investment, the inclusion of co-investors presents a conflict of interest in that Capstreet could be incentivized to allocate a greater portion of an investment to a co-investor than it would have otherwise allocated absent such an arrangement. Capstreet seeks to address any such potential conflict of interest by investing in accordance with its policies and procedures governing investment allocation and co-investments. In addition, to the extent that Capstreet engages in a secondary liquidity transaction in connection with an investment, co-investors will not necessarily receive the same liquidity options as investors in a Fund and may therefore be compelled to receive cash or continue to hold an interest in the investment, depending on the particular facts of the transaction.

In the event Capstreet is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, a Fund is likely to consequently hold a greater concentration and have greater exposure in the related investment opportunity than was originally intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto and would result in a greater concentration of risk as a result. To mitigate such risk, each investment is subject to concentration limits as described in the relevant Fund Governing Documents. Despite these concentration limits, it is possible an investment that is not syndicated to co-investors as originally anticipated could result in a significant impact on a Fund's overall investment returns.

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

### **Investment Strategies and Methods of Analysis**

Although Capstreet’s investment strategy varies somewhat from Fund to Fund, the Firm, on behalf of the Funds, generally makes control investments in lower middle market companies (typically with enterprise values of less than \$150 million). Capstreet primarily targets lower middle market companies in the software, tech-enabled services and industrial business services sectors. Specifically, (i) within the outsourced business service sector, Capstreet targets companies with unique outsourced business-to-business service models that target end markets with a trend toward increased outsourcing and (ii) within the industrial sector, Capstreet’s primary focus is on industrial businesses capable of creating a competitive advantage through customization, assembly, logistics, use of technology, superior service levels and technical sales.

Capstreet primarily invests in businesses owned by entrepreneurs, families, management teams or employee stock ownership plans. Capstreet applies a disciplined and methodical approach to drive operational improvement and growth at its portfolio companies.

Capstreet has sourced platform investments through a combination of sources, including its network of relationships (which includes industry executives, business owners, entrepreneurs, intermediaries and other professionals), limited or broken auctions and traditional auctions and, in response to increasingly competitive market conditions, Capstreet has shifted its deal-sourcing focus primarily to direct sourcing over the last few years, and has developed, and continues to develop, a pipeline of potential investment opportunities which it believes will provide ample investments for its targeted fund size. As part of its direct sourcing strategy, Capstreet utilizes the services of intermediaries that specialize in Capstreet’s targeted investment sectors and geographic markets to assist in identifying and reaching out to targeted prospective platform portfolio companies and potential add-on acquisitions for portfolio companies.

After identifying a potential control investment opportunity, Capstreet undertakes a comprehensive due diligence process. Because of its direct sourcing strategy, Capstreet is able to conduct a systematic and thorough due diligence process over a longer period of time than is possible in competitive auction processes. Such due diligence includes: analysis of the market opportunity, the company’s competitive position, its relationships with customers, suppliers and other relevant third parties, and potential risk factors; and extensive background checks of management and interviews with customers, suppliers and industry experts. Capstreet engages external resources in the diligence process, including legal, accounting, insurance, industry and technology experts as well as specialist consulting firms to assist in quantifying market opportunities or to assess specific risks. During the course of the negotiations and due diligence for a potential acquisition, the members of the Capstreet team directly involved in the sourcing of and performance of diligence on the acquisition (the “Deal Team”) present a plan to the Investment Committee detailing the nature, scope and timing of due diligence procedures and the key steps and timeline leading to the closing of the transaction. The Investment Committee is regularly updated by the Deal Team, and questions and concerns raised by members of the Investment

Committee, and other members of Capstreet's investment team, are addressed at every stage of the due diligence process.

Capstreet's initial focus following an acquisition is on the creation of an operating platform capable of scaling to support significant long-term growth. Value creation initiatives commonly include talent acquisition, strategic pricing, marketing and branding, product development, sales organization, processes and tools, business process improvements, supply chain and sourcing, offshoring and outsourcing, organic growth initiatives and mergers and acquisitions.

As part of the initial investment process, Capstreet analyzes potential exit alternatives for each of its portfolio companies. Capstreet's goal is to transform its portfolio companies through its value creation process into larger, more profitable businesses capable of supporting growth.

## **Risks**

An investment in a private equity fund involves a substantial degree of risk, and Fund limited partners must be prepared to bear the risk of a complete loss of their investments. Limited partners and prospective limited partners in a Fund should review the Governing Documents of such Fund for a detailed description of the risks associated with an investment in the Fund. It is likely that different or new risks not addressed below will arise in the future and, therefore, the following list is not intended to be exhaustive. Investments in the Funds are subject to many material risks, including the following:

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

*Risk of Total Loss of Capital.* There can be no assurance that: (i) a general partner will be able to choose, make and realize investments on behalf of a Fund in any particular company or portfolio of companies, (ii) a Fund will be able to generate positive returns for its limited partners or that any positive returns will be commensurate with the risks of investing in the type of companies and transactions described herein; or (iii) a limited partner will receive any distributions from a Fund. Limited partners could experience a loss of their entire investment in a Fund. Accordingly, an investment in the Funds should only be considered by persons who can afford a loss of their entire investment.

*General Economic Conditions.* The success of the Funds will be affected by general economic conditions in the U.S. and regional economic conditions affecting its portfolio investments. The expected concentration of the Funds' investments in a few regional markets has the potential to result in volatility due to localized economic downturns. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the U.S. and regional financial markets can affect the value and number of investments made by the Funds or considered for prospective investment.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. In particular, the SEC has increased emphasis on investment adviser and private fund regulation and has both adopted and proposed a number of new rules that impose significant changes on private fund advisers and their management of private funds. Such changes are expected to materially impact Capstreet, the Funds and/or the investments, as well as increasing their expenses. Significant time and resources are expected to be required to comply with new regulations. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute their investment strategy or achieve their investment objectives.

In perhaps the most sweeping of rulemaking changes, on August 23, 2023, the SEC adopted new rules and amendments (collectively, the "Private Fund Rule") to existing rules under the Advisers Act specifically related to advisers to private funds. In particular, the Private Fund Rule (i) requires quarterly reporting by registered private fund advisers to limited partners concerning performance, fees and expenses; (ii) requires registered investment advisers to obtain an annual audit for private funds; (iii) requires registered investment advisers to obtain a fairness opinion or a valuation opinion and make certain disclosures in connection with adviser-led secondary transactions; (iv) imposes limitations and new disclosure requirements regarding preferential treatment of limited partners in private funds in side letters or other arrangements with the adviser; and (v) prohibits advisers to private funds from taking certain actions without providing disclosures to limited partners and, in some cases, without obtaining limited partner consent. The Private Fund Rule is expected to have a significant effect on Capstreet, the Funds and their operations, including increased compliance burdens and associated regulatory costs, increased limited partner reporting and disclosures to limited partners, enhanced risk of regulatory action and additional regulatory uncertainty. Significant time and

resources are expected to be required to comply with the Private Fund Rule, which potentially will detract from the time and resources dedicated to the Funds.

In addition, in recent years, the Antitrust Division of the Department of Justice and the Federal Trade Commission have been more aggressive in evaluating potential anti-competition concerns with respect to certain strategies of private equity sponsors, including “roll-up” strategies where a sponsor ultimately acquires a significant share of an industry through a series of smaller transactions. Such regulatory focus (including enforcement activity) could result in additional costs in connection with acquisitions and dispositions and other adverse impacts to a Fund’s investments.

*Geopolitical Risks and Force Majeure.* An unstable geopolitical climate and continued threats of terrorism could have a material adverse effect on general economic conditions, market conditions and market liquidity. Military actions around the globe; the threat or occurrence of terrorist attacks in the future; rising oil, energy and other commodity or material prices (including those resulting from the unavailability thereof); and the United States’ military, economic and political responses to terrorism all can have material consequences on the U.S. and global economies. Capstreet is not able to predict the extent, severity or duration of the effect of any past or future terrorist attacks and related events or quantify the impact that these events can have on investment objectives or the markets where an underlying Fund investment will be located. For example, the United States and governments globally have seen a rise in populist and nationalist tendencies, with political parties espousing such themes gaining strength in local and national elections. The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for certain commodities and could affect certain portfolio companies’ financial results. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence has the potential to increase the risk of default of particular portfolio investments, negatively impact market value, increase market volatility and cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on a Fund’s returns and ability to make new investments. No assurance can be given as to the effect of these events on the value of or markets for portfolio investments.

Additionally, the Funds or portfolio investments can be affected by force majeure events such as events beyond the control of the party claiming that the event has occurred including, without limitation, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes. Some force majeure events may adversely affect the ability of a party, including a Fund, portfolio company or a counterparty to a Fund or a portfolio company, to perform its obligations until it is able to remedy the force majeure event. In certain circumstances, a Fund or a portfolio company may be a party to a contract which does not provide a remedy in favor of the Fund or such portfolio company if a force majeure event occurs. In this event, the Fund or such portfolio company may be required to continue to comply with its obligations (including, but not limited to, payment or performance of its obligations) under the contract even though it may not receive some or all of the benefits to which it is entitled under such contract. Such a circumstance can cause the Fund or such portfolio company to suffer economic loss,

and such loss has the potential to be exaggerated if a force majeure event subsists for an extended period of time.

Certain force majeure events, such as war or an outbreak of an infectious disease, could have broader negative impact on the world economy and international business activity generally or in any of the countries in which a Fund has invested. A resulting negative impact on economic fundamentals and consumer confidence can increase the risk of default with respect to particular investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, each of which could have an adverse effect on the performance of portfolio investments, the Funds' returns and the ability of a Fund to make and/or dispose of portfolio investments. No assurance can be given as to the effect of these events on the value of, or markets for, portfolio investments, or a Fund's or a portfolio investment's ability to recover therefrom.

*Financial Institution Risk; Distress Events.* An investment in a Fund is subject to the risk that one of the Fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Capstreet, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, or the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Capstreet to manage the Funds and their investments, and on the ability of Capstreet, any Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Fund to pay fees and expenses in the event the Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well the inability of a Fund to acquire or dispose of investments at prices that the relevant general partner believes reflect the fair value of such investments and/or the inability of Capstreet and/or the portfolio companies to make payroll, fulfill obligations and maintain operations. Although Capstreet expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. In addition, in the

event Capstreet determines to change Financial Institutions, there is a risk that the transfer of cash or other assets, especially if done in an expedited manner, will result in a technical violation of Advisers Act Rule 206(4)-2 (the “Custody Rule”), even if performed in the Firm’s best judgment of its efforts to fulfill its obligations and maintain operations, including its ability to close transactions, make payroll or otherwise.

Many Financial Institutions require, as a condition to using their services or otherwise, that Capstreet and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with such Financial Institution or its affiliate(s) (each, a “Custodian”), which heightens the risks associated with a Distress Event with respect to such Custodians. Although Capstreet seeks to do business with Custodians that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, Capstreet is under no obligation to use a minimum number of Custodians with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

*Inflation.* The U.S. economy is currently in a period of high inflation. Investments could have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, an investment could earn more revenue but could incur higher expenses. As inflation declines, an investment might not be able to reduce expenses commensurate with any resulting reduction in revenue. Furthermore, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. Accordingly, there can be no assurance that a higher rate of inflation will not have a material adverse effect on the Funds’ investments.

*Environmental, Social and Governance Matters.* Capstreet recognizes that, for many investors, environmental, social or governance (“ESG”) concerns and the societal impact of their portfolios is an important consideration which cannot be viewed in isolation from overall investment performance. Therefore, the Firm will endeavor to take certain ESG considerations into account in its investment decision and oversight process and will, in appropriate circumstances, incorporate similar considerations into the Firm’s ongoing management decisions with respect to certain portfolio companies. Capstreet seeks to make investments that maximize risk-adjusted returns generally, including by, where applicable, reducing ESG-related risk and/or creating additional value consistent with the terms of the Funds. While Capstreet believes ESG factors can enhance long term value, the Funds do not pursue an ESG or impact-based investment strategy nor do the Funds limit their investments to those that meet specific ESG criteria or standards. However, ESG is only one of the many factors Capstreet will consider in making investment decisions, and unless otherwise required pursuant to a Fund’s Governing Documents, the weight placed on any such ESG considerations will be in Capstreet’s sole and absolute discretion. Further, applying ESG standards to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Capstreet or any judgment exercised by Capstreet will reflect the beliefs or values of any particular limited partner or group of limited partners. Finally, an assessment of ESG factors is not necessarily determinative and Capstreet’s investment decisions will always be subject to being made in a manner that is consistent with the Firm’s fiduciary duty to act in the best interests of the Fund’s limited

partners. Investments made by the Funds are not required, and may not, create positive ESG-related impacts.

In evaluating an investment and executing its ownership strategy, Capstreet expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources, which could be incomplete, inaccurate or unavailable, and which could cause Capstreet to incorrectly assess a company's ESG practices and/or related risks and opportunities.

To the extent that Capstreet engages with companies on ESG-related practices and potential enhancements thereto, there can be no guarantee that (i) such engagements will achieve either or both of the desired financial and social impact or results and/or (ii) the market or other stakeholders (community members, portfolio company employees, customers, etc.) will view any such changes as desirable (either socially or to a Fund's financial health).

There is a risk that the Funds will underperform other funds that do not take ESG-related factors into account or conversely, could underperform specialized funds that are largely or exclusively focused on sustainable investing principles.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Capstreet's adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. Additionally, market pressures, including the potential adverse reaction by limited partners and other participants in the investment industry to the application of ESG factor to investment processes, could result in tensions, conflicts of interest or other potential issues as private fund sponsors navigate how to balance competing interests with respect to ESG considerations. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. Capstreet's ESG policy and ESG practices could become subject to additional regulation in the future, and the Firm cannot guarantee that its current approach will meet future regulatory requirements or predict the manner in which any such future requirements (including any enforcement with respect thereto) could affect a Fund or its investments, including with respect to future administrative burdens and costs.

*Business and Management.* Investments in portfolio companies subject the Funds to the general risks associated with the underlying businesses, including but not limited to market conditions, changes in regulatory requirements, reliance on management at the portfolio company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. The success of the Funds' portfolio companies will likely depend on the development and marketing of new technologies that at any time can be rendered unattractive or obsolete by technological advances, new social trends and/or communication methods as seen in the recent emergence of social networking tools and platforms. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance.



*Dependence on Principals.* The success of a Fund will depend on Capstreet's ability to identify and consummate suitable investments, to manage and monitor portfolio companies, and to dispose of investments of a Fund at a profit. Capstreet's success will in turn be highly dependent on its investment professionals. The loss of one or more of these individuals could have a material adverse effect on the performance of a Fund. Although Capstreet's investment professionals will commit substantially all of their business efforts to Capstreet, they are not all required to devote all of their time to a specific Fund's affairs. None of the investment professionals are obligated contractually to remain with Capstreet. Unless restricted by the Governing Documents or Capstreet's policies, Capstreet Personnel are permitted to serve on boards or act in other roles unaffiliated with Capstreet, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles. Such companies are not portfolio companies of a Fund and, as a result, any compensation received by an employee is not subject to the Management Fee offset described above, or otherwise shared with the Funds and/or limited partners.

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

*Possibility of Fraud or Other Misconduct of Personnel and Service Providers.* Misconduct by personnel of the Firm, portfolio company officers or employees, service providers to the foregoing and/or their respective affiliates could cause significant losses to the Funds. Misconduct can include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting the Funds' business prospects or future marketing activities, non-compliance with applicable laws or regulations; and the concealing of any of the foregoing. Such activities could result in reputational damage, litigation, business disruption and/or financial losses to the Funds. The Firm has controls and procedures through which it seeks to minimize the risk of such misconduct occurring. However, no assurances can be given that the Firm will be able to identify or prevent such misconduct.

*Highly Competitive Market for Investment Opportunities.* The business of identifying, completing and realizing on attractive private equity investments is highly competitive and involves a high degree of uncertainty. Other private equity firms or investors can sometimes make competing offers for investment opportunities that are identified, and even after an agreement in principle has been reached with the board of directors or owners of an acquisition target, consummating the transaction is subject to a myriad of uncertainties, only some of which are foreseeable or within the control of the Firm. There can be no assurance that Capstreet will be able to locate and complete investments which satisfy a Fund's rate of return objectives or realize upon these investment values, or that the objectives of a

Fund will be achieved if such investments are made, or that a Fund will be able to invest fully its committed capital. Even if the Firm takes advantage of an investment opportunity, there is a risk that such investment opportunity will result in losses. Competition for investments can have the effect of reducing the number of suitable investment opportunities and increasing the costs associated with a Fund's investments, thereby reducing a Fund's investment returns. If the Firm is not able to identify and/or take advantage of suitable investment opportunities, it will potentially change its risk parameters in order to deploy capital, which can have a material adverse effect on the Firm's investment results. In addition, the Firm sometimes relies on market participants to inform it of particular investment opportunities. Returns shall generally be reduced if market participants fail to provide such information or if the Firm is otherwise unable to source opportunities it considers appropriate for its investment strategies.

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

*Concentration of Investments; Potential Lack of Diversification.* The Funds will participate in a limited number of investments. As a consequence, the aggregate returns or losses of a Fund are more likely to be affected significantly by the performance of a single investment.

*Fund Leverage.* The Firm will, in certain cases and in its discretion, recommend that a Fund borrow money under a credit facility or similar agreement to facilitate the making of portfolio companies. If the interest expense on borrowings were to exceed the net return on the portfolio of securities purchased with borrowed funds, returns would be lower than if no such leverage were incurred. Additionally, the use of leverage, while providing the opportunity for higher returns, also increases volatility and the risk of loss. The cost and availability of leverage is highly dependent on the state of the broader credit markets (which can be impacted by regulatory restrictions and guidelines) which state is difficult to accurately forecast. As a result, at times it can be difficult for portfolio companies to obtain or maintain the desired degree of leverage. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) can restrict or otherwise discourage lending that results in companies carrying large amounts of debt.

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

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

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

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

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

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

*Valuation of Portfolio Companies.* Restricted and privately-held portfolio companies, which will likely not have readily ascertainable market values, are valued by Capstreet at fair value, which is the estimated amount that would be received in a sale of the portfolio company in an orderly transaction between market participants at the measurement date. The Firm has established a valuation policy, which it will follow when performing portfolio company valuations. Each general partner will determine the value of the relevant Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant general partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a general partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. While the valuation of the Funds' assets is performed internally by Capstreet's own team and such valuations are not reviewed by an independent third-party valuation consultant, all valuations are subject to an annual review by the Funds' auditors as part of each Fund's annual financial statement audit. The exercise of discretion in valuation by the Firm has the potential to give rise to conflicts of interest, including excess valuations which would impact the amount and timing of distributions of Carried Interest and the calculation of Management Fees. Generally, there will be no retroactive adjustment in the valuation of any investment or the fees and/or performance-based compensation paid to the Firm to the extent any valuation proves to not accurately reflect the realizable value of an investment. Various valuation techniques and inputs are considered in valuing private portfolio companies, including purchase multiples paid in other comparable third-party transactions, comparable public company trading multiples, discounted cash flow analyses, market conditions, liquidity, current operating results and other pertinent information. Although Capstreet estimates the fair value of each portfolio company at each quarter-end using valuation techniques that Capstreet believes are in compliance with U.S. Generally Accepted Accounting Principles (and year-end fair value estimates are audited by a Fund's auditors as part of a Fund's year-end audit), due to the inherent uncertainty of valuation estimates, Capstreet's determination of values is expected to differ significantly from values that would have been realized had a ready market for the investments existed, and the differences could be material. The actual realized returns on unrealized investments will depend on, among other factors, future operating results, the value of assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which will sometimes differ from the assumptions on which the valuations are based. Accordingly, the actual realized returns on unrealized investments will, at times, differ materially from the returns indicated. In particular, where the Management Fee is calculated based on the valuation of an investment, or a determination of whether an investment has been written-off or otherwise permanently impaired, Capstreet will have an incentive to make determinations that result in the continued payment of the, or a higher, Management Fee. In situations where the Management Fee is calculated based on committed capital or the lower of cost or market basis of investments, the Management Fee generally

will not be reduced based on reductions in investment value. Absent bad faith or manifest error, valuation determinations in accordance with Capstreet's valuation policy will be conclusive and binding. Moreover, because Capstreet will determine in its discretion the value of any such assets, Capstreet will have an apparent conflict of interest in making that determination, given the potential impact of such valuations on a Fund's performance results. Generally, there will be no retroactive adjustment in the valuation of any investment or the fees and/or performance-based compensation paid to the Firm to the extent any valuation proves to not accurately reflect the realizable value of an investment.

In addition, the Firm regularly reports to Fund limited partners, prospective limited partners and the limited partner community more generally, metrics of each Fund's performance, such as rates of return and multiples-of-money, whose calculation depends on the value of the Funds' investments, including unrealized investments. These reports are an indication of the overall performance of a Fund and are important to the Firm's efforts to attract limited partners to the Firm and any current or future Fund. An objective of Capstreet's valuation methodologies and procedures is to eliminate any influence these incentives have on fair value determinations.

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

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

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

*Exclusivity Arrangements.* In connection with certain investments or potential investments, the Firm is sometimes required to enter into exclusivity arrangements with other transaction participants or a prospective portfolio company. These arrangements can restrict the Funds from participating in an investment with other parties or restrict the Funds from pursuing investments that are deemed

competitive with a portfolio company or potential portfolio company. These restrictions would require the Funds to forgo desirable investments it would otherwise have made or require the Funds to seek the consent of third parties to pursue such investments. The Firm will seek to minimize the impact of any such exclusivity arrangements on the Funds' investment program, when and where practicable.

*Control Investments.* In general, the Funds will endeavor to have a meaningful influence on the management, operations and strategic direction of the portfolio companies in a manner that will encourage growth and profitability. Any such exercise of control or influence over a portfolio company has the potential to result in additional risks of liability including but not limited to environmental harm, product defects, claims of failure to supervise management and other types of liability in which the limited liability generally characteristic of a portfolio company is expected to be ignored. Such exercise of control or influence over a portfolio company would expose the assets of the Funds to claims by such portfolio company, its security holders and its creditors. The general partners intend to manage the Funds in a manner that will minimize a Fund's exposure to any such risks, but the possibility of successful claims cannot be precluded.

*Non-Controlling Investments.* The Funds on occasion hold meaningful minority stakes in privately held companies and will, in some cases, have limited minority protection rights. In addition, during the process of exiting investments, a Fund at times will hold minority equity stakes of any size such as would generally occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that a Fund holds will not always have the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it is possible that it will be more difficult for such Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company.

To the extent a Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant portfolio companies will be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or its limited partners. Such third parties will potentially be in a position to take action contrary to a Fund's business, tax or other interests, and the Fund will not necessarily be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, a Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

*Risks Relating to Due Diligence.* Before making investments on behalf of the Funds, the Firm will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence entails evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal

advisors, accountants, investment banks and other third parties will likely be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto, which expenses will be borne by the Funds. The due diligence investigation that the Firm carries out with respect to any investment opportunity will not necessarily reveal or highlight all relevant facts that would be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return of invested capital. In the event that an investment is not consummated, the Funds will bear some or all third-party expenses and any termination fees.

*Expedited Transactions.* Investment analyses and decisions by the Firm can be undertaken on an expedited basis in order for the Funds to take advantage of investment opportunities. In such cases, the information available to the Funds at the time of an investment decision could be limited, and the Funds would not have access to the detailed information necessary for a full evaluation of the investment opportunity. Therefore, no assurance can be given that the Firm will have knowledge of all circumstances that would adversely affect an investment. In addition, where diligence information is available, the Firm will, at times, rely upon independent consultants in connection with its evaluation of proposed investments; however, no assurance can be given that these consultants will accurately evaluate such investments and the Funds would incur liability as a result of such consultants' actions.

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

*Lower Middle Market Companies.* Investments in lower middle market companies such as those that the Funds invest in, while often presenting greater opportunities for growth, also entail larger risks than are customarily associated with investments in larger companies. Smaller companies generally have more limited product lines, markets and financial resources, and are often dependent on a smaller or less experienced management group. As a result, such companies typically are more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth is dependent on additional financing, and there can be no guarantee that such financing will be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which will make realizations of gains more difficult, by requiring sales to other private investors. Finally, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in smaller

companies, could make it difficult for a Fund to react quickly to negative economic or political developments.

*Investments in Technology-Related Sectors.* The Funds make investments in the technology, enterprise software and software-enabled technology services sectors. Concentration in certain sectors can involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns. The technology, enterprise software and software-enabled technology services sectors are challenged by various factors, including rapidly changing market conditions and/or participants, new competing products and/or services, and improvements in existing products and/or services. The Funds' portfolio companies will compete in this volatile environment. There is no assurance that products or services sold by the portfolio companies will not be rendered obsolete or adversely affected by other challenges. Instability, fluctuation or an overall decline within the technology sector will likely not be balanced by investments in other industries not so affected, as the Funds' investments are likely to be concentrated in middle-market enterprise software and software-enabled companies in transition that have embedded next-generation assets and are primarily located in North America. In the event that the technology, enterprise software and software-enabled technology services sectors decline, returns to the limited partners would be adversely impacted.

*Competition in Technology-Related Sectors.* Competitors of the Funds and their portfolio companies range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower product lines may let them be more effective in deploying technical, marketing and/or financial resources. Barriers to entry in the software and technology industries are low and software products can be distributed broadly and quickly at relatively low cost. Many of the areas in which the Funds and their portfolio companies participate evolve rapidly with changing and disruptive technologies, shifting user needs and frequent introductions of new products and services.

*Investing in Emerging Growth Software Companies.* The Funds are authorized to invest in emerging growth and other software companies or companies with interests in these companies. These companies are often characterized by short operating histories, new technologies and products, evolving markets, intense competition and management teams that may have limited experience working together. The products of emerging growth software companies, and of other companies in which the Funds invest, can be unproven at commercial scale. A portfolio company's ability to succeed will be dependent not only upon its ability to develop the right products for the right market, but to constantly evolve its business to be sure that its products keep pace with changing technologies and markets. Such a portfolio company will need to implement appropriate sales and marketing, inventory, finance, personnel and other operational strategies in order to become and remain successful. In addition, emerging growth companies can be more susceptible to macroeconomic effects and industry downturns, including those resulting from acts of terrorism or war. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Funds will be successful.



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

*Side Letters:* During the process of raising a new Fund, the relevant general partner expects to enter into a side letter or other similar agreement with limited partners in connection with its admission to a Fund without the approval of any other limited partner, which would have the effect of establishing rights under or supplementing the terms of the Governing Documents with respect to such limited partner in a manner more favorable to such limited partner than those applicable to other limited partners.

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

*Lack of Liquidity, Transferability and Withdrawal.* Limited partner interests are a new issue of securities for which there is no established trading market. A limited partner cannot expect to be able to resell any of his/her/its interests readily, if at all. In reliance upon exemptions that depend in part upon the accredited investor status and investment intent of the limited partners, the limited partner interests are not being registered for public sale under federal or state securities laws. The limited partner interests will also have significant contractual restrictions on transfer. For such reasons, there is little liquidity in an investment in the limited partner interests. The limited partners also have no right to withdraw capital during the term of a Fund. Accordingly, the limited partner interests should be acquired for investment purposes only and not with a view toward resale. Limited partners would be required to bear the financial risks of an investment in his/her/its interests indefinitely and limited partners should have the financial ability and willingness to accept the risks of this lack of liquidity.

*Investments Longer than Term.* A Fund will, on occasion, make investments that ultimately cannot be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of such Fund's term or otherwise. Although Capstreet expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and Capstreet has a limited ability to extend the term of the applicable Fund, such Fund would have to sell, distribute or otherwise dispose

of investments at a disadvantageous time as a result of dissolution. In addition, there can be no assurances with respect to the time frame in which the winding-up and the final distribution of proceeds to the limited partners will occur.

*Risk Management; Operational Controls.* The operational controls and risk management techniques used by the Funds involve third parties over whom Capstreet does not exercise control, including outsourced providers of legal, information technology and custody services. The proper operation of a Fund and safekeeping of its assets depend on the performance and financial wherewithal of these third parties, as well as the continued operation and security of their systems. The operational controls and risk management techniques Capstreet uses also necessarily include subjective elements, making the judgment and discretion of the Firm's professionals fundamental to the risk management process. The greater the importance of subjective factors, the more challenging it becomes for the Firm to control for risk, which in turn increases the likelihood of unpredictable results with respect to a portfolio company and a Fund's overall performance.

Additional operational risks arise from such factors as processing errors, human errors, inadequate or failed internal or external processes, failures in systems and technology (including those highlighted below under "Cybersecurity Breaches and Identity Theft"), changes in personnel, errors caused by third parties or other disruptive events. While Capstreet has adopted a business continuity program designed to minimize the disruption these events could otherwise cause to normal business operations, business continuity programs are inherently limited. For example, the Firm could experience unanticipated contingencies or the planned controls and oversight may not function as intended. In addition, certain circumstances, including natural disasters, war, terrorism, public health crises, power or utility shortages and other system failures and malfunctions, could prevent the Firm and its service providers from performing certain tasks, potentially for extended periods of time, including funding an investment, finalizing valuations, making a distribution or reporting to limited partners. Disruption to third parties, especially critical service providers, such as the Funds' auditors, external counsel, financial institutions, administrator, and custodian, can result in disruptions in the Funds' operations. Any such failure could cause losses to a Fund.

*Cybersecurity Breaches and Identity Theft.* Cybersecurity incidents, cyber-attacks, denial of service attacks, ransomware attacks and social engineering attempts (including business email compromise and wire fraud attacks), both generally and within the financial services industry, have been occurring globally at a more frequent and secure level and will likely continue to increase in frequency in the future. The information and technology systems for Capstreet, the Funds and the portfolio companies are vulnerable to damage or interruption from computer viruses, ransomware attacks, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. The use of internet or cloud-based programs, technologies and data storage applications generally heighten these risks, and the risks of attack are expected to be heightened in remote work environments. In addition, Capstreet's systems could be vulnerable to supply-chain attacks, wherein attackers target third parties providing software or

services in order to introduce vulnerabilities in Capstreet's network or systems. Although Capstreet has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Capstreet, the Funds and/or a portfolio company would potentially incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Capstreet's, the Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to limited partners (and the beneficial owners of limited partners). Data taken in such breaches can be used by criminals in identity theft, in obtaining loans or payments under false identities and other crimes that could affect the limited partners directly as well as affect the value of assets in which a Fund invests. Such a breach or failure could harm Capstreet's, the Funds' and/or a portfolio company's reputation, subject any such entity and its respective affiliates to legal claims or otherwise affect their business and financial performance.

### **Potential Conflicts of Interest**

The material conflicts of interest that a Fund encounters include those discussed below and elsewhere in this Brochure. The following summary is not intended to be an exhaustive list of all conflicts or their potential consequences. The Governing Documents for each Fund include a description of what Capstreet believes to be the most significant conflicts of interest associated with an investment in such Fund. Limited partners should carefully consider the conflicts of interest herein as well as those outlined in each applicable Fund's Governing Documents prior to investing in a Fund. Identifying potential conflicts of interest is complex and fact intensive and it is not possible to foresee every conflict of interest that will arise during a Fund's life. Limited partners should be aware that Capstreet, its personnel, and its affiliates will likely in the future engage in further activities that can result in additional conflicts of interest not addressed below. There can be no assurance that Capstreet will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to the Funds. In particular, Capstreet expects in the future to identify additional conflicts of interest that currently are not apparent to the Firm or to the broader alternative investments industry, as well as conflicts of interest that arise or increase in materiality as the Firm develops new investment platforms or business lines and otherwise adapts to dynamic markets and an evolving regulatory environment. To the extent that Capstreet identifies conflicts of interest in the future, the Firm may, but is under no obligation, to disclose these conflicts and their implications to limited partners through a variety of channels, including in subsequent Brochures or in other written or oral communications to the advisory boards or to limited partners more generally. However, limited partners are not entitled to receive notice or disclosure of the actual occurrence of conflicts nor do limited partners have any right to consent to conflicts as they arise except as otherwise required by law or in the Governing Documents.

*Conflicting Interests.* Each Fund has a diverse range of limited partners that have conflicting interests stemming from differences in investment preferences, tax status, and regulatory status (see

immediately below for a discussion of additional conflicts of interest). Capstreet will consider the objectives of each Fund and its limited partners as a whole when making investment decisions with respect to the selection, structuring and sale of portfolio companies. However, such decisions can sometimes be more beneficial for one limited partner than for another. Other possible conflicts of interest that can affect the Funds include:

- Follow-on investments can present conflicts of interest, including determination of the equity component and other terms of the new financing.
- The Funds will, under certain circumstances, participate in recapitalization transactions involving portfolio companies. Recapitalization transactions present conflicts of interest including determinations of whether existing limited partners are being cashed out at a price that is lower than market value and whether new limited partners are paying too high a price for the company or purchasing securities with terms that are less favorable than prevailing market terms.
- The counsel to the Funds and the auditor for the Funds will, under certain circumstances, represent the general partners, Capstreet, or their respective affiliates.
- The existence of the general partners' Carried Interest can create an incentive for the general partners to cause the Funds to make investments with higher risk profiles than it would otherwise make in the absence of performance-based compensation.
- The members of the advisory boards have other professional obligations including senior executive, supervisory or board positions, which are not related to the Funds or portfolio companies. Therefore, conflicts of interest can arise in allocating time, services or functions among the Funds and the time required for these other obligations.
- Capstreet is permitted to charge commitment, break-up, topping, advisory, monitoring and oversight or other fees in connection with an investment or ongoing activities of a portfolio company. All such fees (whether paid to the Funds, Capstreet or the general partners) will be property of Capstreet and only a portion of such fees received by Capstreet will be shared with the Funds, potentially creating an incentive for the general partners to focus available resources on generating such fees.

No limited partner will have the right to participate in any profits, income or business opportunities accruing or presented to the general partners, Capstreet or their affiliates other than the investments made through and on behalf of the Funds.

*Investment Allocation.* Capstreet will generally not raise a successor Fund with similar investment objectives until its current Fund is substantially invested, subject to the terms and conditions of the relevant Fund's private placement memorandum. Where Capstreet is presented with the opportunity to allocate an investment opportunity across multiple Funds (other than parallel Fund vehicles that

are expressly formed to invest pro rata), it will do so on a fair and equitable basis, consistent with its fiduciary obligations, applicable Governing Documents and any other underlying documents, if applicable. Capstreet's Investment Committee will review and approve all investment allocations across multiple Funds. Capstreet will not allocate investment opportunities based in whole or in part, on: (i) the relative fee structure or amount of fees paid by any Fund; or (ii) the profitability of any Fund. The Investment Committee reviews the merits of each investment opportunity and is ultimately responsible for the allocation of each investment.

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

*Limited Partner Transfer of Interests.* In certain cases, Capstreet will have an opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interest in a Fund. In the case of ordinary transfers, Capstreet will not receive compensation for identifying such transferees and will use its discretion to select such transferees based on eligibility and other factors, and unless required by the relevant Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund limited partners.

*Co-Investments.* The Firm shall generally, but will be under no obligation to, offer co-investment opportunities to any persons, including limited partners, strategic investors, affiliates of the Firm or third parties, the terms of which will be determined by the general partner but is expected to include the opportunity to co-invest on a no-fee, no-carry basis. Such co-investments will generally be limited to the capital invested in the applicable portfolio company and will likely not bear the expenses associated with developing and consummating the investment opportunity or post-closing monitoring expenses, in each case not reimbursed by the portfolio company. Such potential co-investors will also sometimes not bear broken deal expenses, in which case the full amount of such expenses would be borne by the Fund. As a general matter, the Firm, in determining the allocation of discretionary co-investment opportunities, generally expects to take into account various facts and circumstances deemed relevant by the Firm. Such factors include, among others, whether a potential co-investor has expressed an interest in evaluating co-investment opportunities, whether a potential co-investor has a history of participating in co-investment opportunities with Capstreet, the size of the potential co-investor's interest to be held in the underlying portfolio company as a result of a Fund's investment (which will be based on the size of the potential co-investor's investment in the Fund), whether the potential co-investor has demonstrated a long-term and/or continuing commitment to the potential success of Capstreet, the Funds, or other co-investments, and such other factors that Capstreet deems relevant under the circumstances. Prospective limited partners should also note that limited partners are not required to participate in co-investments offered by the Firm.

*Use of Consultants and Operating Executives and Operating Advisors.* The Firm employs Operating Executives to provide strategic and other advisory services to the Firm, the Funds and portfolio

companies. The Firm also engages third-party Operating Advisor consultants to assist in special projects, to help source deals in specific industry sectors and/or to assist with and provide consulting and other administrative services to certain prospective or existing portfolio companies. These arrangements have the potential to create conflicts of interest. Relationships between portfolio companies and Operating Executives/Operating Advisors are often initiated to meet a portfolio company need, and the arrangements between such Operating Executives/Operating Advisors and the portfolio companies are expected to change over time, and in many cases will be terminated when the portfolio company is sold. In addition, given that Capstreet (and not a Fund) otherwise pays the salaries of Capstreet employees, Capstreet has incentives to retain individuals as Operating Advisors instead of hiring them as employee Operating Executives. The Firm will use efforts to assure that the compensation paid by the Funds and its portfolio companies to the Operating Advisors or to the Firm in respect of services provided by the Operating Executives are commercially reasonable, on an arm's length basis and consistent with market terms and conditions offered by third parties for similar services of a comparable quality.

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

*Portfolio Company Board Service.* As a result of a Fund's significant and often controlling interests in portfolio companies, Capstreet and/or its affiliates typically have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. Capstreet Personnel, and those appointed by them, generally serve on the boards of Fund portfolio companies. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to Capstreet in connection with services provided by the Firm and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the offset provisions in the relevant Fund's limited partnership agreement, are in addition to the Management Fee or Carried Interest. Capstreet's authority to appoint or influence the appointment of portfolio company board members who will potentially be involved in approving compensation payable to the Firm subjects Capstreet and any such portfolio company board appointees to potential conflicts of interest. Serving in such capacity has the potential to give rise to conflicts to the extent that an employee's fiduciary duties to a portfolio company as a director conflict with the interests of a Fund in general; however, as the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned. Generally, Capstreet Personnel do not receive board fees for serving on the boards of Capstreet portfolio companies during the time of a Fund's investment in such companies.

*Advisory Boards.* Capstreet has established advisory boards for each Fund under the respective Fund's Governing Documents. These advisory boards are comprised of select limited partners of each Fund. In such situations, a conflict of interest exists in that not all limited partners are asked to join a Fund's advisory board. The Governing Documents provide that to the fullest extent permitted by applicable law, none of the advisory board members shall owe any fiduciary duties to the Funds or any other limited partner. Members of the advisory board can have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the advisory board for consideration or review. Members of the advisory board will often have various business and other relationships with Capstreet and its members, partners, managers, directors, officers, employees and affiliates. These relationships have the potential to influence their decisions as members of the advisory board. To the extent that a limited partner is not directly represented by a member of the advisory board, such limited partner will have no influence over matters submitted to the advisory board for review or approval.

In addition, members of one Fund's advisory board are also a member of another Fund's advisory board. In such instances, a conflict of interest could be deemed to exist if an advisory board is requested to provide consent with respect to transactions which involve a conflict of interest between two or more Funds on which such advisory board members serve, and such members would be unlikely to recuse themselves from any such vote. To the extent members of an advisory board vote regarding conflicts or otherwise participate in matters involving a vote or action, such members may not vote solely in accordance with their interests related to one Fund vis a vis another Fund, including for example, if such a member is required to vote on issues regarding conflicts between the Funds. Such members are unrestricted from voting and have the potential to affirmatively vote in a manner that is in their own interest and adverse to the interest of other limited partners. Finally, advisory board members may choose to abstain from voting on certain issues, which means that certain votes and issues could be decided only by non-abstaining members and less than a complete group of advisory board members.

*Borrowing.* A Fund from time to time will borrow funds or enter into other financing arrangements for various reasons, including, but not limited to paying various Fund expenses or making or facilitating new or follow-on investments (including borrowings pending receipt of capital contributions from limited partners). If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing generally would be used for all limited partners in such Fund on a pro rata basis, including the general partner, except in circumstances when a limited partner has indicated for tax purposes to not participate in borrowing.

Although borrowings by a Fund have the potential to enhance overall returns that exceed the Fund's cost of capital, such borrowings increase the potential exposure of a Fund to a particular investment above the level the Fund would have typically made had an investment been limited to equity. Any such borrowings would further diminish returns (or increase losses on capital) to the extent overall returns are less than the Fund's cost of funds. To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions, the Fund's limited partners generally make later capital

contributions, but the Fund will bear the expense of interest on such borrowed funds. Calling a large amount of capital at once to repay the then-current amount outstanding under the credit facility could cause liquidity concerns for limited partners that would not arise had the Firm called smaller amounts of capital incrementally over time as needed. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. The Funds typically pay interest on amounts borrowed under the credit facility and also pay a fee on the undrawn portion of the credit facility. Funds customarily pay a one-time fee for establishing the credit facility as well as certain other one-time and recurring fees and expenses. While a Fund will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by the Fund's general partner by effectively reducing or eliminating the preferred return received by the limited partners and accelerating or increasing distributions of Carried Interest to the relevant general partner. Further, the Management Fee payable by limited partners in certain Funds depends on the amount of the limited partners' "invested capital," "invested capital contribution" or words of similar import. In turn, invested capital generally includes amounts borrowed in lieu of calling capital. Therefore, a limited partner would generally pay Management Fees on borrowed amounts used to fund investments despite the fact that such amounts would not accrue preferred return as described directly above. The general partner therefore has a conflict of interest in deciding whether to borrow funds because the general partner has the potential to receive disproportionate benefits from such borrowings. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's Management Fee calculation, such as during periods where Management Fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's Management Fee calculation under the Governing Documents.

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

*Use of Credit Facilities.* The Funds are permitted to borrow funds pursuant to a revolving credit facility or other debt facility, including a facility based on the aggregate commitments available to be called. Utilizing the credit facility to borrow funds in advance or in lieu of calling capital affords the Firm flexibility to manage cash flows to and from a Fund's limited partners and ease the limited partners' burden of responding to multiple capital calls. A Fund's use of such facilities will be determined by Capstreet, and the performance of a Fund can be impacted by how Capstreet causes a Fund to utilize such facilities. Although the use of such a facility has the potential to increase a Fund's ability to swiftly invest capital, it also will cause the Fund to incur interest expense and other costs. Potential



conflicts of interest are expected to arise in that the use of such facilities likely would delay the need for limited partners to make certain contributions to the Fund, which has the potential to enhance the Fund's performance figures and thereby benefit Capstreet.

In borrowing on behalf of a Fund, Capstreet is subject to potential conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, Capstreet is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when a Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had Capstreet called capital, and thus could result in Capstreet receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner would pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

*Bridge Financing to Portfolio Companies.* On occasion, a Fund draws on its line of credit to bridge financing to a portfolio company. In such circumstances, the portfolio company is not a guarantor on the line of credit although it does receive the benefit of the loan. Capstreet seeks to have the portfolio company repay the loan and all interest and fees on the loan.

*Industry Relationships.* As with other private fund managers, as part of the Firm's business, the Firm, its affiliates and their respective employees have developed many relationships with third parties which have the potential to raise conflicts of interest. Such third parties include, but are not limited to, attorneys, administrators, lenders, investment bankers, consultants, finders (including portfolio company finders), restructuring advisors (such as attorneys and accountants), turnaround specialists, brokers and other service providers, private equity and hedge fund investors, former limited partners in funds sponsored by investment management firms at which the Firm's investment professionals were formerly employed, limited partners, co-investors, and current and former directors, officers and employees of former portfolio companies and members of Capstreet as well as family members or close contacts of such persons. Certain of such third parties (or their affiliates) can, on occasion: introduce investment opportunities to the Firm; arrange for, or facilitate the financing or recapitalization of potential portfolio companies or other portfolio companies; introduce portfolio companies to potential acquisition or merger candidates; facilitate the disposition of portfolio company securities or other portfolio companies; provide investment banking, consulting or advisory

services to the Firm; invest in other funds managed by or otherwise affiliated with the Firm; co-invest in portfolio companies or other portfolio companies; or provide other significant business, investment or other services to the Firm, the Funds or the portfolio companies. In other instances, such third parties provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Capstreet's entities) to Firm personnel and their estate planning vehicles. Such third parties receive direct commercial compensation from a portfolio company, the Funds or the Firm for providing these services, which compensation and services are intended to be on arm's length terms. Employees of the Firm also obtain personal financial and other services on an arm's length basis from banking institutions that also provide services to the Funds and their portfolio companies, including financing with respect to personal commitments to the Funds. Compensation in the form of profits or equity interests in a portfolio company or immediate holding company will generally have a dilutive impact on a Fund's investment. The Firm seeks to assure that such transactions are conducted on an arm's length basis and at prevailing market rates and that service providers are chosen based on their ability to benefit the Funds and their portfolio companies. However, no guarantee can be made that such policies and procedures will prevent actions that are detrimental to the Funds.

*Service Providers.* Certain service providers (or their affiliates), including administrators, lenders, brokers, attorneys, consultants and investment banking firms, that the Firm has retained or sought to have retained for the Funds or their portfolio companies (or with respect to the Funds' portfolio companies therein) also have relationships with, or have provided goods or services to, the Firm, its affiliates or other organizations to which senior investment professionals of the Firm have been affiliated. The Firm will choose to engage or seek to have engaged the same service providers to provide services to the Funds, portfolio companies, the Firm or its affiliates. In some cases, these service providers provide services for one or more of these parties on terms (including on a fixed fee basis) that are different and more beneficial than those afforded to other of these parties. There can be no guarantee that a Fund or any of its portfolio companies will receive the most beneficial terms offered by any particular service provider. These services and relationships, or more favorable terms offered by service providers, will influence the Firm in deciding whether to select such a provider to perform services for the Funds or portfolio companies.

*Employees and Portfolio Companies.* On occasion, former employees of Capstreet Personnel leave Capstreet and transition to become employees of a Capstreet portfolio company. In such circumstances, such persons leave the Firm permanently in order to serve in a dedicated role at a portfolio company. Capstreet treats any such person who has been granted a temporary or indefinite leave of absence as a former employee, and any compensation received by such person from the relevant portfolio company is not subject to the Management Fee offset described in Item 5 above. The determination of the salary of the former Capstreet employee will be made by the relevant portfolio company, taking into account the market rate of similar employees serving in such position.

*Potential Conflicts in Calculation and Allocation of Certain Fund Expenses.* The Governing Documents provide that the Funds will be responsible for all costs and expenses in connection with their

operation, other than the costs and expenses that will be the responsibility of the Firm or other third parties. To the extent possible, third-party expenses incurred in connection with consummated transactions will be borne by the respective portfolio companies. The Firm's out-of-pocket expenses are generally reimbursed by the applicable portfolio company or the Funds. Because the allocation process can be subjective, a conflict of interest could arise in the Firm's determination of whether certain costs or expenses that are incurred in connection with the operation of a Fund meet the definition of "partnership operational expenses" for which a Fund is responsible, or whether such expenses should be borne by the Firm. The Fund will be reliant on the determinations of the Firm in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as between Funds advised by Capstreet. There can be no assurance that errors will not arise in such allocations.

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

Capstreet and its affiliates will from time to time incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of the Funds. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment will be charged to the applicable portfolio company. To the extent such fees, costs and expenses are not charged to a portfolio company, they will be paid by each Fund that participated or was expected to participate in such investment.

Some expenses are incurred on behalf of one Fund which have the potential to benefit other Funds. For example, information Capstreet obtains in connection with a Fund's research, due diligence and investment activities will be valuable to other Funds. Additionally, tools and resources developed at Capstreet's expense will be the intellectual property of Capstreet and not the Fund.

*Other Benefits.* In connection with its services to the Funds and their investments, Capstreet expects to receive the benefit of certain tangible and intangible benefits. For example, in the course of Capstreet's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Capstreet and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "the Capstreet Information"). In many cases, Capstreet Information will include tools, procedures and

resources developed by Capstreet to organize or systematize Capstreet Information for ongoing or future use. Although Capstreet expects its Funds and their portfolio companies generally to benefit from Capstreet's possession of Capstreet Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by Capstreet and its personnel) and not by the Fund or portfolio company from which Capstreet Information was originally received. Capstreet Information will be the sole intellectual property of Capstreet and solely for the use of Capstreet.

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

*Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements.* The Governing Documents of each Fund and related documents are detailed agreements that establish complex arrangements among Capstreet, the limited partners, the Fund, the general partner and other entities and individuals. Questions can arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, can be broad, general, ambiguous or conflicting, and permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While Capstreet will construe the relevant agreements in good faith and in a manner consistent with its legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations Capstreet adopts will not necessarily be, and need not be, the interpretations that are the most favorable to the Funds or their limited partners.

*Conflicts Related to the Withholding of Certain Information.* The Governing Documents of the Funds generally permit the applicable Fund's general partner to withhold information from designated limited partners in such Fund under specified circumstances. For instance, information will at times be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The relevant general partner may also from time to time elect to withhold certain information from limited partners for reasons relating to the general partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

*Cross Fund Transactions.* In infrequent circumstances, Capstreet effects a cross transaction between Funds. Such cross fund transactions create conflicts of interest because by not exposing such buy and sell transactions to market forces, it is possible that a Fund will not receive the best price possible or Capstreet will have an incentive to improve the performance of one Fund by selling underperforming

assets to another Fund in order, for example, to earn fees. In effecting a cross transaction, the Firm will seek to ensure that the purchase or sale is effected at a price that is comparable to what price could be obtained through an arm's-length transaction with a third party and that is otherwise fair to both parties, which in some cases can include receiving a fairness opinion, receiving a legal opinion, engaging a placement agent and/or investment banker, each as appropriate. In certain circumstances, Capstreet reserves the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Fund under then-current market conditions. The Firm will maintain documentation to memorialize the basis for determining fairness in pricing.

*Employee Limited Partners.* It is expected that certain of Capstreet's employees and personnel will invest in a Fund directly or as part of a general partner's commitment to a Fund. Subject to applicable law, the terms of an investment by an employee differ from, and are more favorable than, those of an investment by an external Fund limited partner. For example, employee limited partners generally will not be subject to a Management Fee and/or Carried Interest with respect to their investment and receive information regarding investments at different times than other limited partners.

## **Item 9 – Disciplinary Information**

Like other registered investment advisers, Capstreet is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a limited partner's evaluation of Capstreet or the integrity of Capstreet's management. No events have occurred at Capstreet that are applicable to this Item.

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

Neither Capstreet nor any of its management persons are registered, or has an application pending to register, as a broker-dealer, futures commission merchant, commodity trading adviser, or a registered representative or associated person of the foregoing, and Capstreet does not anticipate such affiliations in the future. CapStreet GP V, L.P., the general partner of Fund V, qualifies, and has filed for an exemption from registration as a commodity pool operator with the CFTC pursuant to Regulation 4.13(a)(3), due to its de minimis amount of commodity interest trading.

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

Capstreet has no arrangements with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading

adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory business or to the Funds, or their limited partners. Capstreet does not recommend or select other investment advisers for the Funds. Capstreet has and will continue to develop relationships with professionals who provide services it does not provide, including but not limited to legal, accounting, banking, investment banking, tax preparation, insurance brokerage services, information technology and compliance, among others. Some of these professionals provide services to the principals, the Funds or their portfolio companies. Additionally, some of these professionals are limited partners in Capstreet Funds, either personally or through their company.

From time to time, Capstreet receives training, information, promotional materials, meals, gifts, entertainment or other perquisites from vendors and others with whom it does business or to whom it makes referrals. At no time will Capstreet accept any benefits, gifts, entertainment or other arrangements that are conditioned on directing business to a specific vendor. Similarly, Capstreet Personnel have in the past, and expect in the future, to speak at or attend conferences and programs for potential limited partners interested in investing in private funds and other industry events that are sponsored by various investment bankers, broker-dealers or others. Through such capital introduction and other industry events, prospective limited partners have the opportunity to meet with Capstreet. Neither Capstreet nor any Fund compensates these investment bankers, broker-dealers or others for organizing such events or for investments ultimately made by prospective limited partners attending such events other than registration, sponsorship, membership or other similar fees paid to attend such events.

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

### **Code of Ethics and Personal Trading**

Capstreet has adopted a Code of Ethics in accordance with Section 206 and Rule 204A-1, each under the Advisers Act (the “Code”). The Code provides for a high level of ethical conduct applicable to the Firm’s partners and employees (“Capstreet Personnel”) and obligates all Capstreet Personnel to put the interests of the Funds over their own. The purposes of the Code are to: (i) educate Capstreet Personnel about Capstreet’s expectations regarding their conduct and the laws and principles governing their conduct; (ii) protect the Firm’s Funds and Fund limited partners; (iii) instill in Capstreet Personnel that they are fiduciaries, in a position of trust and must act with complete propriety and in the best interests of Capstreet’s Funds and limited partners at all times; (iv) protect the interests of the Funds and limited partners by deterring misconduct by Capstreet Personnel; (v) protect Capstreet’s reputation; (vi) guard against violation of the federal securities laws, including through reporting of personal securities transactions as discussed in further detail below; and (vii) establish procedures for Capstreet Personnel to follow to assess compliance with the fiduciary and ethical principles espoused by the Code, such as with relation to acceptance of gifts and entertainment

and outside business activities, among other topics. Capstreet's Chief Compliance Officer monitors compliance with the Code by reviewing required disclosures of Capstreet Personnel's personal securities accounts and transactions. Violation of the Code can result in sanctions as deemed appropriate by Capstreet's Chief Compliance Officer, including, but not limited to, a letter of censure, fines, suspension or termination of the employment of the violator.

With respect to third parties that are not subject to the trading restrictions under Capstreet's Code of Ethics and that may otherwise obtain sensitive and nonpublic information relating to a Fund deal (*e.g.*, co-investors, legal, financial, diligence, public relations, Operating Advisors and other similar service providers), such persons typically are subject to contractual provisions in confidentiality agreements or professional obligations that prohibit the misuse of any such information.

Because Capstreet's business focuses primarily on private market investments, the Firm expects that instances of Capstreet Personnel having access to material nonpublic information regarding publicly-traded securities will be relatively infrequent. While unlikely, however, in the course of its investment management and other activities, Capstreet may come into possession of confidential or material non-public information about issuers, including issuers in which Capstreet or its related persons have invested or seek to invest. The Code includes procedures concerning "inside information" that are designed to prevent the misuse of material, non-public information. The Firm maintains a restricted list regarding issuers about which it may have or may obtain material non-public information. Capstreet Personnel are permitted to make securities transactions in their personal accounts, subject to certain limitations. Pre-clearance is required by Capstreet Personnel and their covered family members for certain personal securities transactions, including restricted list securities, initial public offerings and limited offerings. In addition, Capstreet Personnel are required to file certain reports and link certain brokerage accounts to the Firm compliance software to enable monitoring of personal trading by the Chief Compliance Officer or her designee. Capstreet Personnel are required to certify to their compliance with the Code, which contains the insider trading policy, upon hire and on an annual basis.

Capstreet Personnel carry on investment activities for their own account and for family members, friends or others, and give advice and recommend securities which differs from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives are the same or similar. In addition, Capstreet Personnel are permitted to buy securities in transactions offered to the Funds but rejected because they are not consistent with the Fund's investment objectives and guidelines. All such Capstreet Personnel private investments are subject to pre-approval and review by the Chief Compliance Officer.

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

## Participation or Interest in Client Transactions

Certain Capstreet employees and their family members have invested in the Funds through such Funds' general partners and/or as limited partners. Capstreet generally reduces all or a portion of the Management Fee and Carried Interest related to investments held by such persons. Capstreet does not believe this arrangement presents any material conflict of interest since the general partners' interests are aligned with the interests of limited partners in such Funds.

Section 206(3) of the Advisers Act generally prohibits investment advisers from engaging in principal, cross and agency cross transactions without the appropriate disclosure and consent. Capstreet will only enter into a principal, cross or agency cross transaction with the appropriate disclosure and consent.

Principal transactions occur when an adviser, acting as a principal for its own account, or the account of an affiliated broker-dealer, knowingly buys a security from, or sells a security to, the account of an advisory client. This applies to any affiliates or controlling persons of the adviser (*i.e.*, an owner, employee or affiliate of the adviser, such as a Fund general partner). Cross trades between funds can also be deemed to be principal transactions if the adviser (and/or its affiliates, owners, or controlling persons) own, in the aggregate, 25% or more of either fund. In the context of Capstreet's business, a principal transaction would most likely refer to the practice of warehousing an investment for the formation of a future fund or Capstreet or a Fund general partner purchasing the interest of an existing limited partner.

Cross transactions occur when an adviser arranges a transaction (*i.e.*, acts as broker) between two or more funds or accounts that are managed by that same adviser or an affiliate. An adviser is not "acting as a broker" within the meaning of Section 206(3) if the adviser receives no compensation (beyond the advisory fee it stands to receive in the ordinary course of managing the assets) for effecting the transaction and therefore is not considered to be conducting a cross transaction under Section 206(3) of the Advisers Act. In the context of Capstreet's business, a cross transaction occurs when selling a portfolio company, investment or other asset from one Fund to another. Agency cross transactions occur where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, which is not applicable to Capstreet.

When Capstreet recommends a principal transaction or cross transaction, it does so only after: (i) the Firm has determined the transaction to be in the best interest of the participating Fund(s); (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the relevant general partner, advisory board or limited partners, as appropriate; (iv) consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction.



## **Item 12 – Brokerage Practices**

Typically, the Funds' investments in portfolio companies are private transactions directly negotiated between prospective portfolio companies (or their representative) and Capstreet and are not facilitated by broker-dealers engaged by Capstreet or the Funds. However, portfolio companies periodically engage broker-dealers or investment bankers to perform various services, such as assisting in capital raising, merger and acquisition activity or the sale of a portfolio company. In pursuit of best execution in both privately negotiated or publicly traded transactions, for those investments where Capstreet has a controlling interest, Capstreet has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker-dealer or investment banker, if any, to be used to effect transactions for the Funds. In executing such transactions, Capstreet will seek best execution of the transaction. Best execution is a qualitative assessment that takes into account the full range and quality of a broker-dealer or investment banker's services and is satisfied by obtaining the most advantageous overall terms for the Fund(s) when weighing all factors relevant to the transaction. Best execution is therefore not necessarily determined by lowest possible commission rates.

Selection of a broker-dealer or investment banker will be based on Capstreet's best judgement of who can provide best execution, taking into consideration a variety of factors, including: Capstreet's prior experience with the broker-dealer or investment banker; the broker-dealer or investment banker's execution capability, financial responsibility, reputation and expertise within the industry; the broker-dealer or investment banker's responsiveness to Capstreet; the broker-dealer or investment banker's expertise in dealing with investments that are restrictive or illiquid in nature; the type and size of the transaction involved; the value of any research services provided; and commission rates, among other factors Capstreet deems relevant to the specific transaction.

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

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

## **Item 13 – Review of Accounts**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, Capstreet's review process is not normally focused on a short-term decision to dispose of securities. Decisions as to when to purchase or sell a portfolio company are made by the Investment

Committee and a team of Capstreet investment professionals maintains ongoing oversight of each Fund's investments as outlined below.

### **Oversight and Monitoring**

Capstreet works closely with its portfolio companies' management teams and Boards of Directors to develop and set the strategic and operational direction of each portfolio company. Utilizing the complementary backgrounds of its investment team, Capstreet begins with an overall investment thesis, and then, in conjunction with management, develops detailed company goals and objectives.

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

### **Reporting**

Limited partners in the Funds receive: (i) annual financial statements of each Fund audited in accordance with U.S. generally accepted accounting principles ("GAAP") and delivered within 120 days of the fiscal year-end as required by the Custody Rule (and generally within 105 days of the fiscal year end as agreed to relevant Fund Governing Documents); (ii) quarterly unaudited financial statements and descriptive investment information for each portfolio company within 45 days of each interim quarter-end; and (iii) annual tax information necessary for the completion of tax returns (K-1s). All reports are written and provided to limited partners through the Firm's limited partner portal. In addition, Capstreet holds annual meetings of the limited partners of the Funds to review and discuss each Fund's investment activities. The Firm also has contact with limited partners (*e.g.*, personal visits, video conference, telephone and email) throughout the year as requested and/or as conditions warrant.

In the course of conducting due diligence, potential limited partners periodically request information pertaining to Capstreet's investments and track record. Capstreet responds to these requests, and in answering these requests provides information that is not always made available to other potential limited partners or existing limited partners who have not requested such information. Additionally, as it pertains to existing limited partners, upon request or pursuant to contractual obligations, certain limited partners receive additional information and reporting that other limited partners do not receive. As a result, certain limited partners will have more information about a Fund than other limited partners. Capstreet will ensure that the disclosure of preferential information rights complies with the Private Fund Rule commencing with its effective date in March 2025.

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

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

Capstreet did not engage the services of a placement agent for the fundraising of its most recent Fund, Fund V.

## **Item 15 – Custody**

Capstreet is deemed to have custody over each Fund's assets because the general partners are not operationally independent from Capstreet: each Fund's general partner generally has full discretion and control over Fund investments and cash, including the ability to deduct fees from Fund accounts. To comply with Advisers Act Rule 206(4)-2 ("the Custody Rule"), Capstreet has elected to undergo annual GAAP financial audits for each of its Funds by a Public Company Accounting Oversight Board-registered and inspected auditing firm, copies of which (or will be, for recently closed Funds) delivered to the Funds and their limited partners within 120 days of the fiscal year-end as required by the Custody Rule (or earlier as agreed to the relevant Fund limited partnership agreement (generally within 105 days of the fiscal year-end)). In addition, upon the final liquidation of a Fund, Capstreet will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all underlying limited partners promptly upon completion of the audit. Limited partners in the Funds are encouraged to carefully review such financial statements.

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

## **Item 16 – Investment Discretion**

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

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

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

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

By virtue of each Fund's Governing Documents, Capstreet has the authority to vote client proxy statements on behalf of its Funds. Given the nature of Capstreet's advisory business, the Funds seldom hold public securities; the majority of "proxies" received by Capstreet will be written shareholder consents or similar instruments for private companies in which the Funds have investments. Specifically, from time to time, portfolio companies request Capstreet (usually through the general partner of the applicable Fund) to consent to certain issues pertaining to the portfolio company's business and requiring equity owner approval. In these cases, Capstreet considers factors that could affect the value of the investment and will act in the manner that it believes maximizes the value of its long-term investment in portfolio companies.

Capstreet has adopted proxy voting policies and procedures pursuant to Advisers Act Rule 206(4)-6. Capstreet's proxy voting policy seeks to ensure that proxies are voted in the best interest of the Funds with a goal towards maximizing overall value. The guiding principle by which Capstreet votes all proxies is the maximization of the ultimate long-term economic value of the relevant Fund holdings. Capstreet does not permit proxy voting decisions to be influenced in any manner that is contrary to this guiding principle.

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

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

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

#### **Item 18 – Financial Information**

Capstreet (i) does not require prepayment of more than \$1,200 in fees per Funds, six months or more in advance, (ii) has no financial condition that impairs its ability to meet contractual commitments to limited partners and (iii) has not been the subject of a bankruptcy petition; therefore, no disclosures are required.