

Red Mountain Capital Partners LLC

Part 2A of Form ADV The Brochure

Item 1 – Cover Page



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This brochure provides information about the qualifications and business practices of Red Mountain Capital Partners LLC, a Delaware limited liability company ("Red Mountain", the "Firm", "we" or "us"). If you have any questions about the contents of this brochure, please contact us at (310) 432-0200. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the "SEC") or by any state securities authority. Red Mountain is a registered investment adviser with the SEC. However, any reference to being a "registered investment adviser" is not meant to imply a certain level of skill or training.

Additional information about Red Mountain also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Since the filing of Red Mountain's last brochure update, dated April 30, 2015, the Firm's brochure has been updated to revise the Firm's regulatory assets under management as of December 31, 2015 reported in Item 4 below.

In addition, the following material changes occurred between the filing of the Firm's brochure update, dated April 30, 2015, and the Firm's annual brochure update, dated March 30, 2016:

Effective September 17, 2015, in order to more appropriately match the liquidity characteristics of its Main Fund (as defined below) with its investment strategy, Red Mountain converted the Main Fund from an open-ended hedge fund structure to a closed-end fund structure and closed it to new investors. In connection with these changes, Red Mountain has agreed to reduce annual management fees applicable to investors' subscriptions in the Main Fund in excess of 1.0% to 1.0% effective April 1, 2016.

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Item 4 – Advisory Business

Firm Overview

Red Mountain was founded in January 2005 by Willem Mesdag to manage investments primarily in undervalued small cap companies and to enhance and realize shareholder value through active ownership. Red Mountain’s managing member is Red Mountain Capital Management, Inc., a Delaware corporation owned 100% by Mr. Mesdag, and Red Mountain’s principal owner (defined as any person who owns 25% or more) is the Mesdag Family Limited Partnership, a family partnership controlled by Mr. Mesdag. The other member of the Firm is Chris Teets. Mr. Mesdag serves as the Firm’s Managing Partner and Chief Investment Officer; and Mr. Teets

serves as Partner, Portfolio Manager and Chief Compliance Officer. Messrs. Mesdag and Teets are referred to in this brochure as the “Partners of the Firm.”

As of December 31, 2015, Red Mountain managed approximately \$423.8 million of regulatory assets under management on a discretionary basis on behalf of four clients, and \$0 on a non-discretionary basis.

Description of Advisory Services

Red Mountain provides discretionary investment advice and management services to private funds, which may be organized as limited partnerships or limited liability companies under the laws of the State of Delaware or another appropriate jurisdiction.

Red Mountain advises three types of private funds. The first is Red Mountain Partners, L.P., a Delaware limited partnership that is invested in small cap public companies and seeks to enhance shareholder value through active ownership (the “Main Fund”). The second is a pair of co-invest funds, RMCP PIV DPC, L.P. (“DPC PIV”) and RMCP PIV DPC II, L.P. (“DPC PIV II”), each a Delaware limited partnership organized to make a strategic investment in a private company outside of the Main Fund (together, the “DPC Funds”). The third is a co-invest fund, Red Mountain Investors I LLC – Series A, a Delaware series limited liability company organized to make a strategic equity co-investment in a public company along with the Main Fund (the “Co-Invest Fund”, and together with the Main Fund and the DPC Funds, the “Funds”). All of the Funds are closed to new investors, and investors in the Main Fund are no longer permitted to elect to make withdrawals therefrom. The Funds are the only clients of Red Mountain. An affiliate of Red Mountain serves as the general partner or managing member of each Fund.

Red Mountain manages the Funds’ investments in accordance with their respective stated investment objectives, as set forth in their respective offering and organizational documents. Please see Item 8 for additional information on our investment strategies and process.

In providing investment advisory services to each Fund, Red Mountain tailors its services to the particular needs, investment objectives and restrictions of such Fund. Red Mountain does not tailor the investment advisory services provided to the Funds to the needs of any particular investor in a Fund (each, an “investor”), and investors are not clients of the Firm.

Red Mountain currently provides investment advisory services to private funds, but reserves the right to provide advice to other types of clients. If we were to provide advisory services to a new client, whether through the formation of a new private fund, the management of a separate account or otherwise, we would tailor the advisory services to the particular needs of the client. Any new client accounts would be managed in accordance with the client’s stated investment strategies, objectives and restrictions and any other agreed upon guidelines set forth in the offering and organizational documents for such client.

Because Red Mountain does not provide individualized advice to the investors in its private funds, investors must consider whether a particular private fund meets their investment objectives and risk tolerance prior to investing. **Information about each private fund can be found in its offering documents, including its confidential offering memorandum (“offering memorandum”).** The private funds rely on certain registration exclusions available under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and exemptions available under the Securities Act of 1933, as amended (the “Securities Act”). This brochure is not an offer of interests in any Red Mountain private fund. Any such offer may be made only by delivery to the prospective investor of the offering memorandum for the private fund under consideration.

Red Mountain does not participate in wrap fee programs.

Item 5 – Fees and Compensation

Method of Compensation and Fee Schedule

The Funds compensate us for our advisory services through management fees and performance-based fees paid by each Fund to its general partner or managing member, as applicable (which the applicable general partner or managing member, in turn, distributes or allocates to us in our capacity as its managing or sole member).

Please see Item 6 for a detailed description of our performance-based fees and the related conflicts of interest such performance-based fees may raise. For purposes of Items 5 and 6, we treat fees paid by each Fund to its general partner or managing member and distributed or allocated to us as fees payable to us.

Management Fees

Except for the Co-Invest Fund, which does not incur a management fee, the Funds, and consequently the underlying investors, generally incur an annual management fee ranging from 1.0% to 1.5% (depending on the particular Fund and the particular underlying investor’s withdrawal rights) of the beginning net asset value of each investor’s interest in the Fund, payable quarterly in advance. Red Mountain has agreed to reduce annual management fees for the Main Fund in excess of 1.0% to 1.0% effective as of April 1, 2016. If new or existing investors make capital contributions to the Main Fund other than at the beginning of a fiscal quarter, such investor will pay a pro rata portion of the management fee for the remainder of such fiscal quarter. If the general partner or managing member allows an investor in a Fund to withdraw capital from the Fund before the end of a fiscal quarter, the Fund will receive a refund and the investor will receive a corresponding credit in its capital account for the unearned portion of the management fee for the period, based on the number of days remaining in the quarter after the withdrawal.

Fee Reductions and Offsets

We may, in our sole discretion, at any time and from time to time, waive, reduce, defer, assign or otherwise share all or any portion of the management fee paid by a Fund.

The Firm's investment professionals may from time to time serve on the boards of directors of public and private companies in which the Funds invest ("portfolio companies"). With respect to the Main Fund and the Co-Invest Fund, (i) Red Mountain's investment professionals will assign any compensation, including cash retainer fees, stock options, restricted stock and restricted stock units, received in connection with their service on the boards of directors of portfolio companies to Red Mountain, which, in the case of any such compensation granted on or after November 1, 2013, will be applied to offset fees and expenses paid by the applicable Fund in the amount of the compensation received, and (ii) Red Mountain will offset the fees and expenses paid by either Fund in the amount of any monitoring or other fees paid to Red Mountain or its affiliates in connection with such Fund's investment activities. Red Mountain does not currently receive any such monitoring or other fees described in the foregoing clause (ii).

Side Letters

Red Mountain enters into side letter agreements with certain large or strategic investors granting them, among other things, greater portfolio transparency, additional rights to reports, reductions in fees and expenses and more favorable withdrawal rights in comparison to the standard investment terms applicable to other investors per the disclosures in each Fund's offering memorandum. Side letter agreements also include most favored nation clauses, key man provisions, restrictions with respect to permitted investment sectors and allocations of co-investments.

Red Mountain reserves the right to charge reduced or no management and performance-based fees to Red Mountain, its affiliates, employees and their immediate family members. Currently, all non-managing members of the respective general partners of the Main Fund and the DPC Funds pay management fees and their pro rata share of all other expenses of the applicable Fund in connection with their indirect investment in the Fund through its general partner, but are not subject to any type of performance or incentive allocation. Red Mountain has no obligation to offer such additional rights, terms or conditions to all investors.

Method of Collection

The management fees payable by each of the Main Fund and the DPC Funds to us are deducted (or accrued for deduction) from each Fund's account quarterly in advance in accordance with its limited partnership agreement. Generally, each investor bears, through reductions in its capital account, the economic burden of the portion of such management fees that is attributable to its interests in the Fund. Additionally, any investor in a DPC Fund who is also invested in the Main Fund has the option either to make withdrawals from the Main Fund to pay the management fees

and other fund related expenses of the applicable DPC Fund or to pay for such fees through direct capital contributions.

Additional Expenses

In addition to the management fees described above and the performance-based fees described in Item 6, each Fund bears all reasonable out-of-pocket costs, fees, expenses and liabilities (other than the Firm's general overhead expenses described below) incurred in connection with the operation or business of such Fund, including: all brokerage costs; custodial fees; fund administration fees; transaction costs; professional fees (including legal and consulting fees) incurred in connection with the activities of such Fund; external accounting, audit and tax preparation expenses; regulatory compliance and filing expenses (except that the costs of Red Mountain's general compliance with the Advisers Act, such as the preparation and updating of Form ADV and Form PF will be borne by Red Mountain); interest expenses; premiums and other costs and expenses relating to insurance (including directors' and officers' liability insurance and errors and omissions insurance); costs and expenses relating to the offer and sale of interests in such Fund; expenses incurred in connection with such Fund's investment activities, including research, software and consulting services, travel (which may include business or first class airfare), correspondence and other fees and expenses incurred in connection with the sourcing, developing, evaluating, negotiating, structuring, acquiring, administering, managing, monitoring or disposition of any portfolio investments of such Fund; expenses relating to communications with the investors of such Fund; and the costs and expenses of dissolving such Fund, winding up its affairs and terminating its legal existence. Please see Item 12 below for additional information about our brokerage practices.

All expenses are deducted from the Funds as incurred. To the extent that we pay any Fund's expenses, such Fund will reimburse us, unless we expressly waive the right to such reimbursement. We are responsible for general operating and overhead expenses of the Funds, including office rent and utilities, charges for telephone service, furniture, fixtures and general office supplies, payroll and related taxes and expenses and employee bonuses and benefit plan expenses ("overhead expenses").

The Main Fund and any co-investment fund (including the Co-Invest Fund) will share certain expenses, other than overhead expenses, that are allocated to any investments made by both funds, including brokerage costs. Such expenses will be borne by the Main Fund and any co-investment fund, pro rata based on each fund's relative percentage ownership of the applicable investment, except that the expenses of the Main Fund incurred in connection with the preparation, research and making of an initial investment in a company before Red Mountain has determined to offer such investment to investors in a co-investment fund will not be allocated to such co-investment fund.

Further information with respect to the fees and other expenses incurred by the Funds, and ultimately the underlying investors, can be found in each Fund's offering memorandum.

Additional Compensation and Conflicts of Interest

Neither the Firm nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

Red Mountain has the potential to earn performance-based compensation in the form of “performance” or “incentive” allocations from the Funds of the net profits attributable to each investor, which the general partner or managing member of each Fund generally pays to Red Mountain at the end of the year or upon the withdrawal of an investor’s capital. Depending on the particular Fund, high water marks and hurdle rates apply to the performance allocation, as further discussed below. We calculate the incentive allocation as specified in each Fund’s offering memorandum and in compliance with the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

Main Fund and Co-Invest Fund

Red Mountain will be entitled to receive from the Main Fund and the Co-Invest Fund, with respect to each investor, an incentive allocation at the end of each fiscal year, unless an investor is permitted to make a withdrawal from the fund, in which case, the incentive allocation with respect to the withdrawn portion will be determined as of the withdrawal date.

Each Main Fund investor must elect at the time of investment whether to subject the incentive allocation to an annual hurdle. If a Main Fund investor does not elect to subject the incentive allocation to an annual hurdle, then we will be allocated either 12.5% or 15%, depending on the investor’s withdrawal rights, of the net profits attributable to the investor’s interest in the Main Fund after recovery of all amounts reflected in the investor’s loss carry-forward account.

If a Main Fund investor elects to subject the incentive allocation to an annual hurdle, then we will be allocated 25% of the net profits attributable to the investor’s interest in the Main Fund after achieving the hurdle of either 6.5% or 8%, depending on the investor’s withdrawal rights, and recovery of all amounts reflected in the investor’s loss carry-forward account. The hurdle rate for any allocation period applies only to that period, and no portion of such hurdle rate for any other allocation period will carry over or be added to the hurdle rate for any other allocation period.

Each Co-Invest Fund investor will be allocated 10% of the net profits attributable to the investor’s interest in the Co-Invest Fund after recovery of all amounts reflected in the investor’s loss carry-forward account. No hurdle applies to incentive allocations from the Co-Invest Fund.

DPC Funds

Each investor in DPC PIV is also an investor in the Main Fund, and the incentive allocation allocable to us with respect to each investor's interest in DPC PIV is the same percentage applicable to the investor's investment in the Main Fund. Such incentive allocation shall accrue (but be tentatively allocated to the investor instead of to us, subject to reversal and later reallocation to us) until the end of the allocation period in which DPC PIV disposes of its underlying investment in a specific private company. Net gains and losses for investors who participate in DPC PIV are aggregated with net gains and losses from the Main Fund for purposes of the incentive allocation. For example, to the extent an investor is allocated net losses from one of the respective Funds, such net loss will be offset against net gains in the other Fund, which will reduce or eliminate the investor's incentive allocation in such fund.

The incentive allocation percentage for DPC PIV II for all investors is 12.5% with no hurdle. As with DPC PIV, the incentive allocation will accrue, but will not be allocated to Red Mountain, until the end of the allocation period in which DPC PIV II disposes of its underlying investment in a specific private company. Net gains and losses for investors who participate in DPC PIV II are not aggregated with net gains and losses from any other fund for purposes of the incentive allocation.

Conflicts of Interest

While incentive allocations are intended to align our interests with those of the Funds and the investors, performance-based fees may create potential conflicts of interest between us, on the one hand, and the Funds and the investors, on the other hand. For example, a performance-based fee arrangement may create an incentive for us to make investments on behalf of a Fund that are riskier, more speculative or exhibit more volatility than would be the case in the absence of a performance-based fee.

Furthermore, because the incentive allocation may be based in part on unrealized gains, we may also have an incentive to seek a higher valuation of investments, especially of securities with no readily ascertainable market values. In addition, the members of Red Mountain could earn performance-based fees on unrealized gains that the Funds may ultimately never realize.

We seek to mitigate these potential conflicts of interests in a number of ways. The Partners of the Firm and their affiliates have invested a significant percentage of their net worth in the Main Fund and, therefore, any gains or losses in the Main Fund could affect them directly and materially. In addition, we have established valuation policies and procedures to help ensure that the Funds' investments are valued fairly and accurately. These policies and procedures require investments in publicly traded securities to be valued in accordance with publicly available market values and investments in private companies to be valued at fair value.

We do not represent that the incentive allocation or the manner of calculating it is consistent with the performance-based fees charged by other investment advisers under the same or similar

circumstances. The incentive allocation charged by us may be higher or lower than the performance-based fees charged by other investment advisers for the same or similar services.

We do not currently provide advisory services to clients that are subject to an incentive allocation and those that are not subject to an incentive allocation on a side-by-side management basis.

Item 7 – Types of Clients

Red Mountain provides discretionary investment advice and management services to private funds, which may be organized as limited partnerships or limited liability companies under the laws of the State of Delaware or another appropriate jurisdiction.

The Funds are currently Red Mountain's only clients. We do not, but may in the future, provide investment advisory services to other clients, including by forming a new fund, managing a separate account or otherwise. If we were to provide advisory services to a new client, whether through the formation of a new private fund, the management of a separate account or otherwise, we would tailor the advisory services to the particular needs of the client. Any new client accounts would be managed in accordance with the client's stated investment strategies, objectives and restrictions and any other agreed upon guidelines set forth in the offering and organizational documents for such client.

Red Mountain expects each private fund managed by it to qualify for an exclusion from having to register as an investment company under the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereunder and to offer interests to investors pursuant to Regulation D, Regulation S or another exemption from registration under the Securities Act. This disclosure brochure may discuss information relevant to such investors, as necessary or appropriate. **This brochure is not an offer of interests in any Red Mountain private fund. Any such offer may be made only by delivery to the prospective investor of the offering memorandum for the private fund under consideration.**

Investors in Red Mountain private funds may include a variety of institutional investors, including one or more endowment funds, insurance companies, pension funds, trusts, family offices and commingled funds of funds, and high net worth individuals.

The minimum subscription by an investor for interests in a Red Mountain private fund is \$5 million, but the private funds may accept lesser amounts at the discretion of Red Mountain and/or the general partner or managing member of the private funds. Each investor must be an "accredited investor" within the meaning of Rule 501 promulgated under the Securities Act and a "qualified purchaser" within the meaning of Section 2(a)(51)(A) of the Investment Company Act or a "knowledgeable employee" within the meaning of Rule 3c-5 under the Investment Company Act.

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

Methods of Analysis and Investment Strategies

The following description of Red Mountain's investment strategies and process is generally applicable to the Funds and, in particular, the Main Fund. Certain items are Fund specific and have been indicated as such. As described above, in order to more appropriately match the Main Fund's liquidity characteristics with its investment strategy, Red Mountain converted the Main Fund from an open-ended hedge fund structure to a closed-end fund structure and closed it to new investors effective September 17, 2015. In conjunction with closing the Main Fund, Red Mountain is not subject to investor withdrawals from the Main Fund, will not make new investments in the Main Fund, and will distribute the proceeds of realizations in the Main Fund to its investors as and when its value targets are achieved. In the future, Red Mountain may form a new fund or funds with a closed-end structure and investment strategy similar to the Main Fund.

Small Cap Public Companies. We invest primarily in small cap public companies in the United States and Canada that we believe have sustainable business models, competent management teams, identifiable growth prospects, favorable long-term industry trends and a demonstrated ability to generate returns on capital in excess of their cost of capital. While we invest primarily in common stock, we may from time to time invest opportunistically across a company's capital structure in preferred stock, senior and subordinated debt and convertible securities.

Value and Event Driven. Our investment strategy is grounded in classic value investing principles with an emphasis on asset values, earnings power and meaningful downside protection. We seek to identify companies that are trading at a discount to their intrinsic values, have a demonstrated ability to generate returns on capital in excess of their cost of capital and have the ability to grow earnings. We are also prepared to invest in companies that are in distress or subject to litigation or regulatory pressures that may mask the company's earnings power value.

Active Ownership. We engage with management teams and boards of directors on a collaborative basis to pursue value enhancing strategies, including (i) operational and financial optimization, (ii) organic growth and (iii) corporate restructuring and/or strategic development. We believe that a constructive approach is the most effective way to influence a company to preserve and create long-term value. However, we are prepared to exercise the Funds' full range of shareholder rights through regular corporate governance channels if circumstances warrant such action.

We engage with companies by (i) maintaining an active dialogue and developing a value-added relationship with management, (ii) acting as an informal adviser with access to non-public information under a non-disclosure agreement and (iii) serving on the board of directors and exerting direct influence on the company's operations, strategy and governance.

We focus on strategic, operational, financial and governance improvements at the Funds' portfolio companies and have helped them to:

- develop corporate growth strategies,
- establish performance metrics and objectives,
- improve operating margins,
- understand business segment profitability/contribution,
- implement cost reduction initiatives,
- divest underperforming businesses,
- optimize capital structures,
- establish return on capital discipline,
- raise new capital,
- renegotiate debt facilities,
- identify and analyze acquisition opportunities,
- upgrade management teams and boards,
- develop and improve management incentive arrangements,
- improve corporate governance, and
- improve investor communications.

Concentrated Portfolio. The Main Fund's investments are highly concentrated in a small number of small-cap public companies in which we have a long-term investment horizon and may have insider status. We believe that the Main Fund's concentrated exposure to those companies in which we have conviction, better information and potential influence contributes to excess net returns.

Risk Management. We view the potential for permanent loss of capital as the primary risk of an investment in the Funds. In order to avoid permanent loss, we seek to invest in securities with meaningful downside protection through strong balance sheets and entry prices at discounts to intrinsic value. We believe that we can enhance downside protection through engagement with management teams to reduce costs, refinance credit facilities, reallocate capital, rationalize businesses or seek strategic alternatives. At the fund level, we seek to avoid losses by limiting single company concentrations, minimizing fund leverage and managing redemption risk and forced sales through lock-ups and a long-term investor base.

A concentrated portfolio of small cap public companies is susceptible to significant short-term market price volatility. From time to time, we will hedge industry exposure or specific company exposure through paired short sales based upon our insights into the industries and competitive environments in which the Funds' portfolio companies operate.

Liquidity. As described above, in order to more appropriately match the Main Fund's liquidity characteristics with its investment strategy, Red Mountain converted the Main Fund from an open-ended hedge fund structure to a closed-end fund structure and closed it to new investors. In conjunction with closing the Main Fund, Red Mountain is not subject to investor withdrawals

from the Main Fund, will not make new investments in the Main Fund, and will distribute the proceeds of realizations in the Main Fund to its investors as and when its value targets are achieved. As of the date of this brochure, we consider the Main Fund to be relatively illiquid.

Exit Discipline. We are prepared to exit an investment when its valuation no longer meets our investment criteria, the expected value has been realized, the investment thesis no longer applies or an effective engagement with management cannot be established or maintained. Subject to liquidity and legal constraints, we have exited investments through secondary sales in the public market, registered public offerings, strategic sales and private equity buyouts. We have explicit realization objectives and exit strategies for each investment and seek to optimize each realization by selling to the right buyer at the right time.

Idea Generation – Quantitative and Qualitative Screening. We generate investment ideas through rigorous quantitative screening, focusing on industries and business models with which we have substantial experience. We screen for companies based upon a proprietary scoring model and certain quantitative metrics, including:

- market capitalizations in the range of the market capitalizations of companies in the Russell 2000 Index;
- positive historic spreads between return on invested capital (ROIC) and weighted average cost of capital (WACC);
- low price/tangible net worth ratios;
- high free cash flow yields;
- high, sustainable returns on equity;
- robust EBITDA margins;
- consistent/steady revenue, EBITDA and free cash flow growth rates;
- low levels of net debt;
- a history of market share gains;
- acceptable trading liquidity levels; and
- management/insider ownership.

We screen for qualitative characteristics, such as:

- industry trends and/or growth prospects;
- quality of management team;
- products and/or services that offer a clear and compelling value proposition;
- competitive position and barriers to entry;
- corporate governance structures; and
- value enhancement or realization opportunities.

Idea Generation – Networking and Macro Trends. Our extensive network of relationships with investors, management teams, fellow directors, investment bankers and other industry professionals allows us to source proprietary investment ideas. In addition, we regularly identify

broader macro trends through our research and attendance at industry conferences, strategic economic seminars, meetings with management teams and industry experts and participation on portfolio company boards. We identify attractive industry sectors and add companies in those sectors to our screening process in order to capitalize on macro trends.

Material Risks

An investment in a Fund involves substantial risk and is suitable only for investors of substantial means who have no immediate need for liquidity of the amount invested and who can afford a risk of loss of all or a substantial part of such investment. All investments made by the Funds risk the loss of capital. There can be no assurance that a Fund's investment objectives will be achieved or that a Fund will receive a return of its capital. Accordingly, an investment in a Fund is not suitable as the sole investment for a potential investor. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a Fund. These risk factors include only those risks Red Mountain believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by Red Mountain. Please refer to each Fund's offering documents for a more complete description of the risk factors for an investment in such Fund.

Reliance on Red Mountain and Key Personnel. Red Mountain and its affiliates have exclusive responsibility for the management of the Funds. Investors do not have any right or power to take part in the management or control of the investments of the Funds. The success of the Funds will depend in part upon the skill and expertise of the investment professionals of Red Mountain. The loss for any reason of the services of any member of the management team, particularly Mr. Mesdag, could have a significant adverse impact upon the business and results of operations of the Funds.

Future Results. Investments that each Fund makes are determined based on their market availability and the extent to which each investment meets such Fund's investment criteria. There can be no assurance that future investments made by the Funds will be advantageous and will meet our expectations or that future investment returns will equal or exceed the Funds' prior investment returns.

Implementation of Investment Strategy; Board Participation. The success of Red Mountain's investment strategy is in large part premised upon our ability to work with and influence management teams and boards of directors. There can be no assurance that the management or board of directors of any company in which a Fund invests will agree to Red Mountain's proposed strategic initiatives or that the strategy or strategies that Red Mountain helps to implement will be effective. The success of a Fund's ability to influence management teams and boards of directors will require, among other things: (i) that we properly identify portfolio companies whose equity prices can be improved through active ownership; (ii) that the Fund acquire sufficient shares of the securities of such portfolio companies at a sufficiently attractive price; (iii) that the Fund acquire sufficient shares to allow us to influence company management

teams or boards of directors; (iv) a positive response by other shareholders to the strategy; and (v) a positive response by the markets to any actions taken by portfolio companies in response to the Fund's interaction with the company. None of the foregoing elements can be guaranteed to succeed and, in addition, the management of portfolio companies may take defensive or other measures that erode, rather than increase, shareholder value.

Moreover, successful implementation of Red Mountain's strategy will depend in large part on our ability to establish good working relationships with management teams and the boards of directors of portfolio companies, as well as our ability to formulate successful growth and business transformation strategies that unlock value. There is no guarantee that we will be able to achieve these goals. In addition, Red Mountain will from time to time seek to designate one or more directors to serve on the boards of particular portfolio companies. Although such representation may enhance our ability to influence the outcome of the Funds' investments, it may also have the effect of impairing the ability of the Funds to sell the related securities or give rise to liability claims against the Funds and the directors. Although portfolio companies often have insurance to protect directors and officers from such liability, not all portfolio companies are guaranteed to obtain such insurance, and such insurance may be insufficient even if obtained. Each Fund will indemnify, from Fund assets, portfolio company directors designated by Red Mountain for claims arising from board representation.

Minority Investments; Limited Control over Portfolio Companies. Each Fund's investments are likely to consist of minority positions in its portfolio companies. Although Red Mountain will from time to time seek board representation, such a role may not be obtained and, even if obtained, it may not be in a position to exert significant influence on the governance or management of a portfolio company. The board of directors of a portfolio company (including any director affiliated with us) has a fiduciary duty to all shareholders and may have duties to other stakeholders in the company as well. Each portfolio company's day-to-day operations are the responsibility of such company's management team and not the responsibility of the board of directors (including any director affiliated with us).

Publicly Traded Investments. Investments in securities of publicly traded companies are generally sensitive to movements in the stock market and trends in the overall economy. A recession or adverse development in a particular country, region or financial market could have an adverse impact on some or all of a Fund's investments, and such impact could be material. In addition, factors specific to a security may have an adverse effect on a Fund's investment in such security. Consequently, the value of the Funds' investments will vary.

By investing in publicly traded securities, the Main Fund and the Co-Invest Fund will be subject to federal and state securities laws that, among other things, limit or prohibit the ability to sell securities in their portfolios. In addition, each securities exchange on which a company trades typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible for such Funds or any of the entities through which they conduct their investment activities to liquidate their positions and would thereby expose them to

losses. In addition, some of the securities in which the Funds invest are thinly traded, potentially making it difficult for the Funds to dispose of a position at the time or price desired.

Private Portfolio Investments. Because the DPC Funds have invested in a private company, investors in the DPC Funds will not receive a return of their capital, if any, until the investment can be liquidated or unless the company declares a special dividend or other distribution. Therefore, investors will not be able to readily liquidate their entire capital accounts with respect to the DPC Funds for a significant period of time.

Potential Conflicts of Interests. We manage several different Funds, which presents the possibility of overlapping investments, and thus the potential for conflicts of interest. If any matter arises that we determine in our good faith judgment constitutes an actual conflict of interest between accounts, we will generally take such actions as may be necessary or appropriate to prevent or reduce the conflict. Please see Item 11 for a further discussion of potential conflicts of interest.

Asset Allocation Risk. Red Mountain's asset allocation strategy for the Funds, which for the Main Fund includes the selection and construction of a portfolio of particular securities, may be suboptimal in light of the Funds' goals and therefore cause the Funds to underperform other investment vehicles with similar investment objectives.

Sector Risk. To the extent the Funds invest in securities that are disproportionately weighted in certain sectors of the economy, the Funds will be vulnerable to disproportionate adverse consequences if those sectors underperform other sectors of the economy or the economy as a whole.

Concentration Risk. Each Fund's investment portfolio is highly concentrated and therefore will have excess exposure to a particular issuer, security, industry sector or geographic region. Concentration of investments in a limited number of issuers or securities, industries or industry groups or countries or regions can increase investment risk and portfolio volatility. As a result of this lack of diversification, a significant loss in any one position will likely have a material adverse effect on the Fund's performance.

Volatility Risk. Asset classes in which the Funds may invest are particularly volatile types of investments. As a result, the value of each Fund's investments will likely fluctuate considerably over time. At any given time, an investor's interests in a Fund may be worth less than the price paid for them.

Investments in Undervalued Securities. One of the primary objectives of each Fund is to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognized or acquired or that the securities purchased are, in fact, undervalued.

While investments in undervalued securities offer the opportunity for above-average capital appreciation, such investments involve a high degree of financial risk and can result in substantial losses of capital. Returns generated from a Fund's investments may not adequately compensate investors for the business and financial risks assumed, and an investor may lose all or part of its investment in the Funds as a result.

Significant Positions. The acquisition by the Main Fund, the Co-Invest Fund and their respective affiliates, on an aggregate basis, of more than 5% of a class of securities of a public company will generally require the filing of a Schedule 13D with the SEC. In addition, the acquisition by such Funds and their respective affiliates, on an aggregate basis, of more than 10% of a class of securities of a single issuer will impose certain limitations on each Fund's ability to trade in such securities. The accumulation of such a significant position in the shares of a single issuer, combined with each Fund's or any such affiliate's role as an active shareholder, could lead to litigation or disputes. The Fund or any such affiliate may also seek to challenge the management of a portfolio company through a proxy contest. Such litigation or proxy contest generally will result in substantial expense to the Fund, and the outcomes of those disputes, which may affect the value of the investments, are difficult to anticipate.

Illiquid Investments. The DPC Funds have invested in equity securities for which no market exists and that are restricted as to transferability under federal securities laws, and it would be difficult for the DPC Funds to quickly dispose of such securities without adversely affecting the price.

Material Non-Public Information. By reason of its investment in a company on behalf of the Funds or otherwise, Red Mountain may acquire confidential or material non-public information or otherwise be restricted from initiating transactions in certain securities. The Funds will not be able to act upon any such information. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment within its portfolio that it otherwise might have sold.

Fund Leverage. The Main Fund may from time to time increase its investment positions by purchasing securities on margin from its broker-dealers. As a result, the possibility of profits and losses is increased. Borrowing to increase an investment position increases the Main Fund's exposure to adverse factors such as rising interest rates, downturns in the economy or deterioration in the investment positions. Interest expenses will be borne by the Main Fund and may exceed income.

Portfolio Turnover and Transaction Costs. The Main Fund may trade frequently and may exhibit a high degree of portfolio turnover. The more frequent the trading, the higher the brokerage commissions and other transaction costs. These costs will be borne by the Main Fund regardless of the profitability of its investment and trading activities. In addition, a high portfolio turnover will likely increase the recognition of short-term, rather than long-term, capital gains.

Short Sales. The Main Fund and the Co-Invest Fund may from time to time engage in short sales. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in an unlimited loss. Accordingly, short sale transactions have greater potential for losses than purchases of securities, which have a limit of potential losses equal to the purchase price of the securities.

Uncovered Risks and Hedging. We may from time to time employ various hedging techniques to reduce the risk of speculative investments in securities and hedge against the effects of market conditions. Such techniques include trading in options, participating in when-issued and forward delivery transactions, entering into repurchase agreements and investing in securities that may be restricted as to resale. There remains a substantial risk that such hedging techniques may not always be possible or effective in limiting potential risks or losses. Furthermore, in certain transactions, the Funds are not “hedging” against market fluctuations. In addition, these hedging transactions themselves involve a certain degree of risk. If, for example, our judgment about the general direction of the securities markets or other economic conditions is incorrect, the Funds could incur losses on such transactions.

Interest Rate Risk. The premiums from writing call options may decrease in declining interest rate environments. The value of the Funds’ investments in securities, in particular any investment in debt securities, may also be influenced by changes in interest rates. Securities whose issuers are substantially affected by changes in interest rates are particularly sensitive to interest rate risk.

Foreign Securities Risk. Although Red Mountain expects that the Main Fund will invest primarily in publicly traded, U.S. equity and debt securities, the Main Fund may invest in foreign securities (to the extent investments are permitted). Foreign securities may be riskier than U.S. securities because of factors such as unstable international political and economic conditions, currency fluctuations, foreign controls on investment and currency exchange, withholding taxes, a lack of adequate company information, less liquid and more volatile markets and a lack of governmental regulation.

Tax Risks. The tax aspects of an investment in a Fund are complicated, and each prospective investor should have them reviewed by professional advisers familiar with such investor’s personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles.

Risks relating to admission of ERISA Investors to the Funds. The assets of the Main Fund or the Co-Invest Fund may from time to time be deemed to constitute “plan assets” of investors that are subject to the fiduciary provisions of ERISA or the prohibited transaction rules of Section 4975 of the Internal Revenue Code. At any time a Fund’s assets are deemed to constitute “plan assets,” (i) ERISA’s fiduciary standards will apply to the Fund and could materially affect the operations of the Fund and (ii) investments and other transactions entered into by the Fund will be limited by the conflict of interest and prohibited transaction provisions of ERISA, regardless of whether

such limitations may otherwise be beneficial to the Fund. Please see Item 11 for a further discussion of potential conflicts of interest.

Investing in securities involves a risk of loss that the Funds and the investors should be prepared to bear.

Item 9 – Disciplinary Information

Neither Red Mountain nor any of its management persons has been involved in any legal or disciplinary event that is material to a client's or prospective client's evaluation of the Firm's advisory business or the integrity of its management.

Item 10 – Other Financial Industry Activities and Affiliations

Broker Dealer or Registered Representative Status

Neither Red Mountain nor any of its other employees are registered, or have an application pending to register, as a broker-dealer, principal or a registered representative of a broker-dealer.

Futures Commission Merchant, Commodity Pool Operator and Commodity Trading Advisor Status

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

Material Relationships or Arrangements with Industry Participants

RMCP GP LLC, RMCP DPC LLC and RMCP DPC II LLC, each a Delaware limited liability company and an affiliate of Red Mountain, are the general partners of the Main Fund, DPC PIV and DPC PIV II, respectively. RMCP Manager LLC, a Delaware limited liability company and an affiliate of Red Mountain, is the managing member of the Co-Invest Fund. Red Mountain is the managing member of each of the general partners and the sole member of RMCP Manager LLC. All of the Partners of the Firm are also members of RMCP GP LLC. The members of RMCP GP LLC also include certain affiliates of the Partners of the Firm and a small number of individuals with whom we have personal and professional relationships.

Other Investment Advisers

We do not recommend or select other investment advisers for our clients or receive compensation from other investment advisers.

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

Code of Ethics Overview

Red Mountain has adopted a formal Code of Ethics, which we believe adheres to Rule 204A-1 under the Advisers Act. Covered Persons (as defined below) must certify their compliance with the Code of Ethics upon joining the Firm and on an annual basis thereafter.

The Code of Ethics contains provisions designed to prevent and detect improper personal trading and insider trading on behalf of the Funds, identify conflicts of interest and provide a means to resolve any actual or potential conflicts of interest in favor of the Funds.

We generally do not permit a Covered Person to trade a security for his or her Personal Account (as defined below) if (i) any Fund has a long or short position in the security or held the security during the previous year, (ii) we are meaningfully researching, analyzing or considering a transaction in the security on behalf of a Fund, (iii) we possess material non-public information about the security, (iv) a Covered Person serves as director or officer of the issuer of the security or (v) we have otherwise decided to prohibit trading in the security.

Covered Persons are required to pre-clear transactions in various types of securities offerings, including IPOs and private placements. “Covered Person” means any employee, partner, member, director or officer of the Firm or any consultant of the Firm designated as a Covered Person by the Chief Compliance Officer. “Personal Account” means any account in which a Covered Person has a beneficial interest.

Securities transactions not requiring pre-clearance by the Chief Compliance Officer include transactions (i) that are non-volitional on the part of the Covered Person or made pursuant to an automatic investment plan, (ii) that are in an account over which a Covered Person does not exercise direct or indirect influence or control (including managed advisory accounts) or (iii) in securities issued by open-end mutual funds, money market funds, U.S. Treasury bonds, commercial paper or certificates of deposit.

Red Mountain prohibits any trading in the Funds on the basis of material non-public information and the communication of material non-public information to others in violation of the law. We have adopted policies and procedures on insider trading to prevent the misuse of material non-public information. Prior to the execution of any trade made by Red Mountain for a Fund, a Partner of the Firm must authorize the purchase or sale of a maximum number of securities on or before a specified date. Such trading will be authorized only if the Partner of the Firm believes that the Firm will not be in possession of material non-public information on or before the trading termination date. The Chief Compliance Officer will review the documentation of such authorization to ensure that the decision complies with our policies. If any employee or consultant becomes aware that the Firm possesses material non-public information regarding an

investment, then he or she must report such fact to a Partner of the Firm and stop trading in the investment immediately.

Upon commencement of employment and annually thereafter, each Covered Person must submit to the Chief Compliance Officer a summary of holdings in which the Covered Person has a direct or indirect beneficial interest, the names of any brokerage firms or banks where the Covered Person has an account in which any securities are held and a description of any business activities in which the Covered Person has a significant role or financial interest. In addition, each Covered Person must submit to the Chief Compliance Officer a quarterly securities transaction report containing information about all transactions in securities in which the Covered Person had any beneficial interest.

Covered Persons must disclose any service on the boards of directors of for-profit companies to the Chief Compliance Officer. Additionally, Covered Persons may not manage accounts for third parties other than the Funds or serve as trustees for third parties unless the Chief Compliance Officer pre-clears the arrangement after finding that the arrangement will not harm the Funds.

The Code of Ethics also addresses several other potential conflicts of interest, including political contributions and gifts and entertainment. In order to prevent the Firm from becoming accidentally disqualified from accepting investments from public pension funds and other government-affiliated investors, we require Covered Persons to obtain the consent of the Chief Compliance Officer prior to making any political contribution. Covered Persons must also, upon commencement of employment and annually thereafter, report all political contributions to the Chief Compliance Officer. In addition, all gifts from vendors and existing and prospective clients and investors and certain entertainment expenses must be reported to the Chief Compliance Officer.

Existing and prospective investors of the Funds may request a copy of our Code of Ethics by contacting us at the address or phone number listed on the cover page of this brochure.

Securities in Which the Adviser or a Related Person Has a Material Financial Interest

The Firm generally restricts Covered Persons from personally investing in the securities issued by a company in which the Fund has a position.

Board Service and Director Compensation

In connection with their service on the boards of directors of the Funds' portfolio companies, Covered Persons are sometimes granted restricted stock units, stock options or other interests in a portfolio company pursuant to the portfolio company's board compensation practices. The terms and conditions of such grants often include restrictions on the ability of the Covered Person to dispose of the securities while he or she remains on the portfolio company's board of directors. Accordingly, there may be situations where we make trading decisions on behalf of the Funds

with respect to a portfolio company when the Firm or one or more Covered Persons owns securities in the portfolio company. We do not believe that the holdings of the Firm or any Covered Person from such grants will materially influence our investment decisions on behalf of the Funds. In addition, we prohibit a Covered Person from disposing of the securities granted to him or her in connection with any board service or any investment held by the Firm unless the Chief Compliance Officer has determined that the disposition would not disadvantage the Funds and is otherwise in the compliance with the securities laws.

In general, Red Mountain's policy is to dispose of vested equity related compensation granted to a Covered Person in connection with his or her service on a portfolio company board during the same time period as the applicable Fund disposes of the majority of its shares in the portfolio company. With respect to the Main Fund, this timing may create a conflict of interest, as Red Mountain's decision to dispose of its investment in such a portfolio company will result in the realization of such compensation by Red Mountain if the equity was granted before November 1, 2013. To address the conflict, Red Mountain will seek the consent of an advisory board consisting of representatives of three limited partners of the Main Fund to the timing of any disposition of portfolio company securities that would result in the vesting of securities granted to a Covered Person before November 1, 2013. For any equity related compensation granted to a Covered Person by a portfolio company of the Main Fund or the Co-Invest Fund on or after November 1, 2013, the Covered Person will assign such equity to Red Mountain, which Red Mountain will, in turn, apply for the benefit of the investors of the applicable Fund to offset fees and expenses paid by such Fund in the amount of the compensation received. As a result, there is no conflict of interest when equity granted after November 1, 2013 vests.

Additionally, because representatives of Red Mountain may serve on the board of directors of a portfolio company in which a Fund invests, conflicts of interest may arise with respect to portfolio company proxy voting. The board of directors of a portfolio company (including any director affiliated with us) has a fiduciary duty to all shareholders as well as other stakeholders in the company. We will identify any conflicts that may exist between the duties of a Red Mountain director and the interests of the Funds. This examination will also include a review of our affiliation with the portfolio company and any of such company's affiliates to determine if the portfolio company or its affiliates have a conflicting relationship with the Funds or any of their respective investors. We will generally vote in accordance with the voting guidelines described in Item 17 below; however, in each case, we will determine whether voting in accordance with those voting guidelines is in the best interests of the applicable Funds and will endeavor to act in accordance with such best interests.

Overlapping Investments

Red Mountain manages several different Funds, which presents the possibility of overlapping investments, and thus the potential for conflicts of interest. While Red Mountain and its affiliates will seek to manage such potential conflicts of interest in good faith, there may be situations in which the interests of one Fund with respect to a particular investment or other matter conflict

with the interests of one or more other Funds, Red Mountain or one or more of their respective affiliates or related persons. Currently, each of the Main Fund and the Co-Invest Fund have an investment in the same public company. In order to manage potential conflicts of interest arising between the Main Fund and the Co-Invest Fund with respect to such investment, Red Mountain intends to direct the sale or other disposition of the shares in such company held by the Funds on a pro rata basis between the Funds, based on their relative percentage ownership of the company's outstanding shares. For example, if the Main Fund owns 10% of the company's outstanding shares and the Co-Invest Fund owns 5% of the company's outstanding shares, and a total of three shares are sold, the Main Fund will sell two shares, and the Co-Invest Fund will sell one share.

Co-Investment Opportunities

Red Mountain may, at its option, provide managed co-investment opportunities to certain investors in the Funds, affiliates, employees or other strategic investors, subject to certain minimum subscription and other limitations. To evaluate investor interest in a co-investment opportunity, Red Mountain will generally seek to identify at least one Main Fund investor to serve as a lead investor for the co-investment. Red Mountain will then use reasonable efforts to offer such opportunity to all eligible investors in the Main Fund on substantially the same terms and conditions as, and on a pro rata basis (based on each participating investor's relative percentage ownership of the Main Fund) with, the lead investors. Red Mountain will generally require that eligible investors indicate their interest in such co-investment opportunity and submit all required documentation promptly. Red Mountain may receive compensation in connection with these co-investment activities. Such compensation will not result in any offsets to the fees or expenses of any Fund.

Investing in the Same Securities as Clients

Please see “—Securities in Which the Adviser or a Related Person Has a Material Financial Interest” in this Item 11 above.

Participation in Client Transactions

Red Mountain does not anticipate entering into any principal transactions with its clients. Please see “Cross Trades” in Item 12 below for information on Red Mountain's policy on cross transactions.

Item 12 – Brokerage Practices

Broker Dealer Selection

Red Mountain selects broker-dealers to execute each Fund's securities transactions on the basis of best execution so that the overall benefit to such Fund in each transaction is the most favorable under the circumstances. In deciding what constitutes best execution, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best overall execution, taking into consideration a number of factors. In seeking best execution, we consider the full range of the broker's services, including commission rate or discount, ability to locate liquidity and minimize market impact, confidentiality considerations and the broker's financial strength and responsiveness. We also take into account research, statistical and other information services provided by the broker. While valued, these services are considered supplemental to our own efforts in the performance of our duties to the Funds.

We currently do not have any formal arrangements with broker-dealers to receive research or other services other than transaction execution in exchange for commissions from client transactions ("soft dollar" arrangements). However, our executing and prime brokers often provide proprietary or third-party research as a benefit to clients utilizing their services, including us, and we receive such research from our brokers from time to time. Research services may include information on market trends, the economy, industries, sectors and individual companies. Such research may also relate to accounting and tax law interpretations, political analyses, technical market movements and statistical investment risk management. These research services are received primarily in the form of written reports and meetings with securities analysts.

We do not consider investor referrals from broker-dealers as a factor in selecting brokers to execute client transactions.

Our only clients who trade in public securities are the Main Fund and the Co-Invest Fund. We execute transactions for the Main Fund and the Co-Invest Fund through specified broker-dealers, as outlined above. We do not request or permit the Main Fund or the Co-Invest Fund to direct brokerage assets.

Trade Aggregation

We currently do not manage other accounts that actively trade in public securities other than the Main Fund and the Co-Invest Fund. In the event that an order is aggregated for these two accounts, we will allocate execution in relative proportion to the size of each respective account and at the same weighted average price.

Cross Trades

When consistent with its duty to seek to obtain best execution, Red Mountain may use cross trades when the Main Fund and the Co-Invest Fund wish to trade in opposite directions in the same securities. A cross trade occurs when Red Mountain purchases and/or sells a particular security between accounts under its management by instructing the broker-dealer to cross the trade. Red Mountain may utilize cross trades between the Main Fund and the Co-Invest Fund when it specifically deems the practice to be advantageous for its respective clients. In no instance does Red Mountain receive additional compensation when crossing trades for client accounts. Red Mountain will seek to ensure that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable, and the transaction is done for the sole benefit of its clients.

Red Mountain believes that its clients benefit from these types of transactions by obtaining a more favorable transaction price or liquidity for the securities being purchased or sold than may otherwise be available. Red Mountain only engages in such transactions after determining that such securities are suitable and appropriate for each participating client. Broker-dealers who facilitate the execution of these cross transactions typically charge a reduced commission (i.e., agency commission or a mark-up or mark-down on the price of the security) for their efforts. Purchase and sale orders in the same security will be simultaneously entered through and effected by a non-affiliated broker-dealer at the then current market price as determined by the broker-dealer. Red Mountain will review any such trades to confirm that the compensation paid to the broker-dealer to execute these types of transactions appears to be reasonable and commensurate with the level of services being provided.

In acting as investment adviser and fiduciary to both buyer and seller, Red Mountain, its affiliates, its partners and its employees ("internal owners") may be exposed to a conflict of interest to the extent that they own interests in the private funds involved in the cross trade. To the extent that internal owners only have interests in one of the two private funds involved in a cross trade, or if internal owners have a significantly greater interest in one of the two private funds involved in a cross trade, Red Mountain may be predisposed to favoring one side of the trade in order to maximize the benefit to internal owners. In addition, Red Mountain may have an incentive to favor one side of a cross trade in order to maximize its revenues, depending on the fee structure of the Funds involved in a cross trade. To mitigate the potential conflict of interest presented by a cross trade, Red Mountain will, to the extent required by law or deemed advisable by Red Mountain, present such cross trade to an independent committee consisting of representatives of one or more investors of the applicable Funds that are not affiliates of Red Mountain, the purpose of which will be to consider and, on behalf of the investors of the applicable Funds, approve or disapprove such cross trade. In addition, Red Mountain's trader must consider the execution quality of each trade and report to the Chief Compliance Officer any unexpected deviations in price, commission rate, market impact, execution speed or other aspects of execution quality. As of the date of this brochure, Red Mountain has not directed any cross trades between Funds.

Item 13 – Review of Accounts

Account Review

The members of the Firm's investment team, including the Partners of the Firm, and the Firm's Chief Compliance Officer review the Funds' investments on a weekly basis or more frequently if market circumstances warrant. Such periodic account reviews consist of an analysis of the account's performance to date in light of its investment objectives and an evaluation of any appropriate changes that should be made to a Fund's portfolio in light of its current positions, the exposure of the portfolio to various forms of risk and Red Mountain's ongoing assessment of the overall market, current portfolio companies and alternative investment opportunities (to the extent investments are permitted). In addition, designated members of the Firm's operations team, under the supervision of the Firm's Chief Financial Officer, review the valuation procedures, income and expenses, capital activity and performance calculations of the Funds on a monthly basis. The operations team performs such review to confirm Red Mountain's adherence to guidelines set forth in each Fund's offering and organizational documents.

Factors That May Trigger Additional Reviews

In addition to the periodic reviews described above, reviews may be triggered by, among other things, changing market conditions, news concerning specific holdings, emerging trends and developments and market volatility.

Content and Frequency of Client Reports

A written report showing the overall performance of the Main Fund (including a description of the Fund's investment portfolio by industry, market capitalization and market value) is provided to Main Fund investors on a monthly basis, as required by the Main Fund's limited partnership agreement. In addition, with respect to each Fund and except as otherwise noted, we send to the investors in such Fund: (i) monthly (quarterly for the DPC Funds and the Co-Invest Fund) individual investor statements, an unaudited balance sheet, a profit/(loss) statement and a statement of changes in the Fund's net asset value, (ii) a quarterly letter discussing the performance of the Fund and other significant developments (Main Fund and DPC Funds only), (iii) annual financial statements, audited by an independent certified public accounting firm, (iv) a Schedule K-1 and other tax information and (v) such other reports as we determine to be appropriate at our discretion.

Also, due to the legal or regulatory requirements of some investors or their specific needs and requests, we may, at our discretion, agree to provide such investors with certain reports in addition to those described above.

Item 14 – Client Referrals and Other Compensation

Economic Benefits from Non-Clients

Red Mountain does not receive any economic benefit from anyone who is not an investor in the Funds for providing investment advice or other advisory services to the Funds.

Compensation to Non-Supervised Persons for Referrals

As of December 31, 2015, we do not compensate non-supervised persons for referrals. However, we reserve the right in the future to compensate independent third parties for referring investors to the Main Fund or any new private fund and to pay a portion of our management fees and incentive allocations to such third parties, in accordance with the applicable requirements of the Advisers Act.

Red Mountain expects to use the capital introduction services provided by its prime broker and another broker-dealer. Red Mountain does not have any formal agreement to directly pay its prime broker or such other broker-dealer for referring investors to its private funds. Red Mountain may face a conflict of interest between directing trades to the associated trading desk of a broker when the broker refers investors to a Red Mountain private fund and directing trades to other broker-dealers; however, Red Mountain does not expect to direct trades to a broker based on the capital introduction services provided by such broker.

Item 15 – Custody

The Funds' assets are held in accounts at Goldman, Sachs & Co. and State Street Bank and Trust Company, which are the Funds' qualified custodians and provide account statements to the Funds on a regular basis. Red Mountain has the authority to dispose of funds and securities of the Funds and, therefore, is deemed to have custody of client assets under Rule 206(4)-2 under the Advisers Act. We have procedures in place to maintain all assets of the Funds that are not exempt under Rule 206(4)-2 at Goldman, Sachs & Co and State Street Bank and Trust Company. Additionally, each Fund is audited annually by an independent public accountant and distributes its audited financial statements prepared in accordance with generally accepted accounting principles to its investors within 120 days after the end of its fiscal year.

Item 16 – Investment Discretion

Red Mountain has full discretionary trading authority over the Funds. Our investment discretion is exercised in a manner consistent with each Fund's stated investment objectives, as set forth in its offering and organizational documents. Investors generally may not place any limits on our authority beyond the limitations set forth in such documents. We do not currently perform advisory services for individual managed accounts.

Item 17 – Voting Client Securities

Red Mountain has adopted and implemented written policies and procedures that are reasonably designed to ensure that it votes the Funds' securities in a manner consistent with the best interests of the Funds.

We believe that voting proxies in accordance with the following guidelines is in the best interests of the Funds:

- generally, we will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification of common stock; and
- generally, we will vote against proposals that make it more difficult to replace members of the company's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights or create supermajority voting.

For other proposals, we determine whether they are in the best interests of the applicable Funds and may take into account the following factors, among others:

- whether the proposal was recommended by management and our opinion of management;
- whether the proposal acts to entrench existing management; and
- whether the proposal fairly compensates management for past and future performance.

Additionally, because affiliates of the Firm may serve on the board of directors of a portfolio company in which a Fund invests, conflicts of interest may arise with respect to portfolio company proxy voting. The board of directors of a portfolio company (including any director affiliated with us) has a fiduciary duty to all shareholders as well as other stakeholders in the company. We will identify any conflicts that may exist between the duties of a Red Mountain director to the shareholders and other stakeholders in the portfolio company and the interests of the applicable Funds. This examination will also include a review of Red Mountain's affiliation with the portfolio company and any of such company's affiliates to determine if the portfolio company or its affiliates have a conflicting relationship with the applicable Funds or any of their respective investors. We will determine whether voting in accordance with the voting guidelines is in the best interests of the applicable Funds and will endeavor to act in accordance with such best interests.

Investors in the Funds may contact the Firm's Chief Compliance Officer at the address or phone number listed on the cover page of this brochure to request a copy of our proxy voting policies and procedures and information regarding how we voted a particular security.

When deciding to participate in a class action or not, we will make a determination of the costs involved, the potential gains involved, our relative voting power and other circumstances in making the decision. We will weigh the potential gains to the applicable Funds against the respective costs involved.

Item 18 – Financial Information

We do not require or solicit prepayment of fees six months or more in advance.

The Firm has not been the subject of any bankruptcy petition at any time during the past ten years, and there is no financial condition that is reasonably likely to impair the Firm's ability to meet contractual commitments to clients.

Item 19 – Requirements for State-Registered Advisers

This Item is not applicable.