

**INVESTMENT ADVISER BROCHURE**

**SAW MILL CAPITAL LLC**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Saw Mill Capital LLC (“Saw Mill Capital”). If you have any questions about the contents of this Brochure, please contact us at 914-741-1300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>Material Changes .....</b>	<b>2</b>
<b>Advisory Business .....</b>	<b>2</b>
<b>Fees and Compensation .....</b>	<b>4</b>
<b>Performance-Based Fees and Side-By-Side Management .....</b>	<b>9</b>
<b>Types of Clients .....</b>	<b>10</b>
<b>Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>10</b>
<b>Disciplinary Information .....</b>	<b>29</b>
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>29</b>
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>29</b>
<b>Brokerage Practices .....</b>	<b>31</b>
<b>Review of Accounts .....</b>	<b>33</b>
<b>Client Referrals and Other Compensation .....</b>	<b>33</b>
<b>Custody .....</b>	<b>34</b>
<b>Investment Discretion .....</b>	<b>34</b>
<b>Voting Client Securities .....</b>	<b>34</b>
<b>Financial Information .....</b>	<b>35</b>
<b>Supplemental Information About Certain Principals of Saw Mill Capital .....</b>	<b>36</b>

## MATERIAL CHANGES

This Brochure contains material changes to the Form ADV Part 2 filed by Saw Mill Capital on March 31, 2015 (the “**2015 Brochure**”). Immediately below is a discussion of such material changes. Such discussion sets forth only material changes to the 2015 Brochure.

This Brochure has been revised to reflect certain updates and clarifications relating to Saw Mill Capital’s advisory business, fees and compensation, and certain conflicts of interest, as well as to update the amount of client assets managed by Saw Mill Capital and the current list of clients.

## ADVISORY BUSINESS

Saw Mill Capital, a Delaware limited liability company and a registered investment adviser, and its affiliated investment advisers provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. Saw Mill Capital commenced operations in 1997.

Saw Mill Capital’s clients include the private investment funds listed below (each, a “**Fund**,” and together with any future private investment fund to which Saw Mill Capital or its affiliates provide investment advisory services, the “**Private Investment Funds**”).

The Funds include the following (together referred to herein as “**Fund I**”):

- Saw Mill Capital Partners, LP, a Delaware limited partnership (“**Main Fund I**”)
- Saw Mill Capital Investors, LP, a Delaware limited partnership (“**FF Fund I**”)

The Funds also include the following (together referred to herein as “**Fund II**”):

- Saw Mill Capital Partners II, LP, a Delaware limited partnership (“**Main Fund II**”)
- Saw Mill Capital Partners II-A, LP, a Delaware limited partnership (“**Main Fund II-A**”)

The following registered investment advisers are affiliated with Saw Mill Capital (together referred to herein as the “**Advisers**”):

- Saw Mill Capital Associates, LP, a Delaware limited partnership (“**Saw Mill GP I**”)

- Saw Mill Capital Associates II, LP, a Delaware limited partnership (“**Saw Mill GP II**”)
- Saw Mill Capital II, LLC, a Delaware limited liability company (“**Saw Mill Capital II**”, and together with Saw Mill GP and Saw Mill Investments III, the “**Affiliated Advisers**”)

Saw Mill GP I is the general partner of Main Fund I and FF Fund I. Saw Mill GP II is the general partner of Main Fund II and Main Fund II-A. Saw Mill Capital II is the management company to Main Fund II and Main Fund II-A.

Each Affiliated Adviser is registered under the Advisers Act pursuant to Saw Mill Capital’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the Affiliated Advisers, which operate as a single advisory business together with Saw Mill Capital.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” Saw Mill Capital’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 for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted subject to certain limitations set forth in the applicable Fund’s limited partnership agreement or limited liability company agreement, as applicable (each a “**Governing Document**”). From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Saw Mill Capital or its affiliates may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

Saw Mill Capital’s advisory services for the Funds are detailed in the applicable private placement memoranda and Governing Documents and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Governing Document. The Funds or the Advisers have entered into side letters or other similar agreements with certain investors that have the effect of establishing rights (including economic and other terms) under, or altering or supplementing the terms of, the Governing Documents with respect to such investors.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, the Advisers expect to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Advisers’ personnel and/or certain other persons associated with the Advisers and/or their affiliates. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-

invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their 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 or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment, and the co-investor or co-invest vehicle may be charged interest on the purchase to compensate the relevant Fund for the holding period, and generally will be required to reimburse the relevant Fund for related costs.

As of December 31, 2015, Saw Mill Capital managed \$410.0 million in client assets on a discretionary basis. Saw Mill Capital is controlled by its sole member, Saw Mill Capital Holdings, LP, a Delaware limited partnership, which is controlled by Saw Mill Executive GP, which is controlled by its sole member, Howard Unger. Saw Mill GP I is controlled by its general partner, Saw Mill Executive GP. SMC Investments III is controlled by its president, Howard Unger. Saw Mill GP II is controlled by its general partner, Saw Mill Capital Associates GP II, LLC ("**Saw Mill UGP II**"). Saw Mill Capital II is controlled by its sole member, Saw Mill Capital Holdings II, LP which, in turn, is controlled by its general partner, Saw Mill UGP II. Saw Mill UGP II is controlled by its managing member, Howard Unger. Howard Unger is the principal owner of Saw Mill Capital Holdings, LP, Saw Mill GP I, Saw Mill Executive GP, Saw Mill Investments III, Saw Mill Capital Holdings II, LP and Saw Mill UGP II.

#### **FEES AND COMPENSATION**

In general, Saw Mill Capital receives a management fee ("**Management Fee**") in connection with its advisory services. Saw Mill Capital or other Saw Mill entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Private Investment Funds and such additional compensation will offset in whole or in part the Management Fees otherwise payable to Saw Mill Capital. Investors in the Funds also bear certain fund expenses.

#### **Management Fees**

##### *Main Fund I and FF Fund I*

Each limited partner (each, a "**Limited Partner**") of Main Fund I and FF Fund I pays to such Fund, which in turn pays to Saw Mill Capital, an annual Management Fee, quarterly in advance equal to 2% of its capital commitment. Upon the earlier to occur of (x) December 12, 2012 or (y) the date on which the capital commitments available for draw down are zero, the Management Fee shall equal 2% of the amount of such Limited Partner's aggregate investment contributions, reduced by the amount of the distributions to such Limited Partner constituting a return of investment contributions and the amount of any write-down.

The Management Fee is charged from January 1, 2007 (the "Fund I Effective Date") based on total capital commitments, regardless of the date on which such Limited Partner is actually admitted. Limited Partners participating in a subsequent closing paid to Saw Mill Capital a Management Fee retroactive to the Fund I Effective Date and, in addition, paid an additional amount on such Management Fee at the prime rate plus 2% from the Fund I Effective Date.

Each installment of the Management Fee is reduced (but not below zero) by an amount (the "Fund I Offset Amount") equal to 50% of all Fund I Offset Fees (defined below) received by Saw Mill Capital, Saw Mill GP I, each director, officer, stockholder, member, manager, partner, employee or affiliate of Saw Mill Capital or Saw Mill GP I (including the principals) (each a "GP I Affiliate") that relate to any portfolio company (or prospective portfolio company) during the preceding (or, in Saw Mill Capital's or Saw Mill GP I's sole discretion, the then current) quarterly period multiplied by the Partnership Percentage (defined below). For purposes of this Brochure, "Fund I Offset Fees" means all closing fees, investment banking fees, management fees, consulting fees, origination fees, directors fees, monitoring fees, commitment fees, break-up fees and similar fees received by any GP I Affiliate from a portfolio company or otherwise in respect of the fund's investment in the portfolio company (but with respect to non-cash consideration, only to the extent of the net cash proceeds thereof as and when received), in each case net of any amounts received by any GP I Affiliate as a reimbursement for costs or expenses (other than Fund I Management Expenses (defined below)) incurred by the GP I Affiliate in generating such fees or in connection with any consummated or unconsummated transaction. "Partnership Percentage" means as of any date of determination, a fraction, expressed as a percentage, the numerator of which is equal to the aggregate commitments and the denominator of which is equal to the aggregate commitments plus aggregate parallel fund commitments.

Saw Mill Capital reserves the right to waive all or any portion of any future installment of a Management Fee. Any waived portion of a Management Fee installment shall (a) reduce the amount of capital contributions that a Saw Mill entity otherwise would be required to make after the date that the waived amount would otherwise be due and (b) correspondingly increase later capital contributions of the Limited Partners in an amount not to exceed the waived portion of the Management Fee. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees may be significant. Due to waived or reduced Management Fees by Saw Mill Capital and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in Main Fund I or FF Fund I, resulting in a possible net additional benefit to Saw Mill Capital.

Saw Mill Capital and the Affiliated Advisers bear (a) ordinary overhead and administrative expenses incurred by the Advisers in connection with maintaining and operating their respective businesses (including salaries, rent and equipment expenses) to the extent not borne or reimbursed by a portfolio company ("**Fund I Management Expenses**"). Saw Mill Capital or an Affiliated Adviser will bear any placement fees, either directly or indirectly through an offset to the Management Fee. For the purpose of clarity, if any placement fees are paid initially by Main Fund I or FF Fund I, the funds for payment of such placement fees shall be paid by the non-Saw Mill Limited Partners as if such placement fees were Management Fees, and one or more subsequent installments of the Management Fee payable to Saw Mill Capital is reduced by the aggregate amount of such placement fees paid by Main Fund I or FF Fund I, as applicable.

Each of Main Fund I and FF Fund I bears (and reimburse Saw Mill Capital, Saw Mill GP I and their respective affiliates for) all Fund I Organizational Expenses (defined below), in each case multiplied by the applicable allocation percentage, up to an aggregate amount equal to

\$1,000,000. Saw Mill Capital bears any Fund I Organizational Expenses in excess of that amount, either directly or indirectly through an offset to the Management Fee. For the purpose of clarity, if any Fund I Organizational Expenses in excess of \$1,000,000 are paid initially by Main Fund I or FF Fund I, the funds for payment of such excess Fund I Organizational Expenses are paid by the Limited Partners as if the excess Fund I Organizational Expenses were Management Fees, and one or more subsequent installments of the Management Fee payable to Saw Mill Capital is reduced by the aggregate amount of such excess Fund I Organizational Expenses paid by Main Fund I or FF Fund I, as applicable. (**Fund I Organizational Expenses**) means an amount equal to all fees (including legal, accounting, consulting and financial advisory fees, but excluding placement agent fees) and out-of-pocket costs and expenses of and incidental to organizing and raising capital for the Funds, parallel funds, Saw Mill Capital, Saw Mill GP I and the general partner of any parallel fund.

## Fund II

Each Limited Partner of Fund II pays to Fund II, which in turn pays to Saw Mill Capital II, an annual Management Fee, quarterly in advance equal to 2% of its capital commitment. After the earliest to occur of (i) the date the investment period of Fund II expires, (ii) the date Saw Mill GP II or its affiliates first receives or begins to accrue Management Fees with respect to a new equity investment fund with objectives, strategy and scope substantially similar to those of Fund II and (iii) the date six (6) months after a Cessation Event (as defined in the Governing Documents of Fund II), the Management Fee shall equal 2% of the sum of (x) the aggregate amount of unrecouped bridge financings plus (y) the amount of such Limited Partner's aggregate investment contributions with respect to investments that have not been disposed of or completely written-off.

The Management Fee is charged from the earlier of (i) the due date the initial investment contribution is to be made to Fund II and (ii) the first date amounts are drawn by Fund II under a revolving credit facility or similar indebtedness to fund an investment by Fund II (the **Fund II Effective Date**), and is based on total capital commitments, regardless of the date on which such Limited Partner is actually admitted. Limited Partners participating in a subsequent closing paid to Saw Mill Capital a Management Fee retroactive to the Fund II Effective Date and, in addition, paid an additional amount on such Management Fee at the prime rate plus 2% from the Fund II Effective Date.

Each installment of the Management Fee is reduced (but not below zero) by an amount (the **Fund II Offset Amount**) equal to 80% of all Fund II Offset Fees (defined below) received by Saw Mill Capital II, Saw Mill Capital Holdings II, Saw Mill GP II, Saw Mill UGP II and each of their respective partners, managers, members, shareholders, officers and employees (each a **GP II Affiliate**) that relate to any portfolio company (or prospective portfolio company) during the preceding quarterly period multiplied by the Partnership Percentage. For purposes of this Brochure, (**Fund II Offset Fees**) means all closing fees, investment banking fees, placement fees, commitment fees, breakup fees, litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors' fees and other similar fees (whether in the form of cash, securities or otherwise) received by any GP II Affiliate from any portfolio company or prospective portfolio company in respect of Fund II's investment or prospective investment therein (but with respect to non-cash consideration, only to the extent of the net cash

proceeds thereof as and when received by any GP II Affiliate), in each case net of any amounts received by any GP II Affiliate as a reimbursement for costs or expenses (other than Fund II Management Expenses (defined below)) incurred by the GP II Affiliate in generating such fees or in connection with any consummated or unconsummated transaction. Saw Mill Capital II reserves the right to waive all or any portion of any future installment of a Management Fee. Any waived portion of a Management Fee installment shall (a) reduce the amount of capital contributions that a Saw Mill entity otherwise would be required to make after the date that the waived amount would otherwise be due and (b) correspondingly increase later capital contributions of the Limited Partners in an amount not to exceed the waived portion of the Management Fee. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees may be significant. Due to waived or reduced Management Fees by Saw Mill Capital II and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in Fund II, resulting in a possible net additional benefit to Saw Mill Capital.

Saw Mill Capital II and the Affiliated Advisers bear (a) ordinary overhead and administrative expenses incurred by the Advisers in connection with maintaining and operating their respective businesses (including salaries, rent and equipment expenses and administrative expenses and other expenses as provided in Fund II's Governing Documents) to the extent not borne or reimbursed by a portfolio company ("**Fund II Management Expenses**"). Saw Mill Capital II or an Affiliated Adviser will bear any placement fees, either directly or indirectly through an offset to the Management Fee. For the purpose of clarity, if any placement fees are paid initially by Fund II, the funds for payment of such placement fees shall be paid by the non-Saw Mill Limited Partners as if such placement fees were Management Fees, and one or more subsequent installments of the Management Fee payable to Saw Mill Capital II is reduced by the aggregate amount of such placement fees paid by Fund II.

Fund II bears (and reimburses Saw Mill Capital II, Saw Mill GP II and their respective affiliates for) all Fund II Organizational Expenses (defined below), in each case multiplied by the applicable allocation percentage, up to an aggregate amount equal to \$1,500,000. Saw Mill Capital bears any Fund II Organizational Expenses in excess of that amount, either directly or indirectly through an offset to the Management Fee. For the purpose of clarity, if any Fund II Organizational Expenses in excess of \$1,500,000 are paid initially by Fund II, the funds for payment of such excess Fund II Organizational Expenses are paid by the Limited Partners as if the excess Fund II Organizational Expenses were Management Fees, and one or more subsequent installments of the Management Fee payable to Saw Mill Capital II is reduced by the aggregate amount of such excess Fund II Organizational Expenses paid by Fund II. ("**Fund II Organizational Expenses**") means an amount equal to all expenses (including legal, travel (with respect to airfare, at a cost not to exceed the cost of first class commercial airfare), printing, capital raising, accounting, regulatory compliance (including all expenses incurred prior to the final closing date to comply with the requirements of the AIFMD or similar law, rule or regulation), and any administrative or other filings (including blue sky and world sky filings)) incurred in connection with the organization, funding and start-up of Fund II, Saw Mill GP II, Saw Mill UGP II, Saw Mill Capital Holdings II and Saw Mill Capital II, including the preparation of, and negotiations with respect to, the Governing Documents and any side letters or similar agreements, but excluding placement agent fees.



## **Other Information**

The Advisers may exempt certain investors in a Private Investment Fund from payment of all or a portion of Management Fees and/or Carried Interest (as defined below), including an Adviser and any other person designated by an Adviser. Any such exemption from Management Fees and/or Carried Interest may be made by a direct exemption, a rebate by an Adviser and/or its affiliates, or through other Private Investment Funds which co-invest with a Private Investment Fund. For example, in instances where a Saw Mill professional or its affiliate invests in a Private Investment Fund, such professional or its affiliate generally will be exempt from payment of any Management Fee and/or Carried Interest for the relevant Private Investment Fund. Additionally, to the extent permitted by the relevant Governing Document, certain Advisers may have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant general partner or other vehicles that do not bear Management Fees or Carried Interest.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Governing Documents, over the term of the relevant Fund and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other current or former employees of Saw Mill may receive a portion of the Management Fee, Carried Interest or other compensation received by Saw Mill Capital or its affiliates.

In addition to the Management Fee and Carried Interest, the Funds bear certain expenses. As set forth in their Governing Documents, the Funds bear all expenses to the extent not paid by portfolio companies, including legal, accounting, consulting, research, brokerage, finder's fees, financial advisory fees and other similar fees and expenses. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

In certain circumstances, one Fund may pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances the Advisers are also expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Private Investment Funds, subject to Saw Mill Capital's related policies and the relevant Governing Documents and/or side letter(s) or similar agreement(s). Where a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Private Investment Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all Broken

Deal Expenses relating to such unconsummated transaction will be borne by the Private Investment Fund(s), and not by any prospective co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses.

The Advisers generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company like the Offset Fees and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Private Investment Funds, on the one hand, and the Advisers on the other hand.

On occasion, an Adviser may determine that a portfolio company is unable to pay, or that it is otherwise impracticable for a portfolio company to pay, a monitoring fee or similar ongoing fee to which the Adviser is otherwise entitled. In certain cases, the Advisers have determined to suspend, and, in other future cases, may determine to suspend, payment of such fee. Following any such suspension, the Adviser has reinstated (and, in the case of any future such suspensions, expects to reinstate) such monitoring fee or other similar ongoing fee, and to charge and collect interest from the portfolio company in such case, calculated over the period of suspension.

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Saw Mill Capital and Saw Mill Capital II do not receive carried interest allocations (“**Carried Interest**”) for their respective advisory services to Fund I or Fund II. Rather, Saw Mill GP I and Saw Mill GP II each receive a Carried Interest.

Saw Mill GP I receives a Carried Interest with respect to Main Fund I and FF Fund I equal to 20% of all realized profits as more fully described in the applicable Fund’s Governing Document. The Carried Interest distributed to Saw Mill GP I is subject to a potential giveback at the end of life of Main Fund I and FF Fund I if Saw Mill GP I has received excess cumulative distributions from the Funds. This practice could present a conflict of interest because Saw Mill GP I has an incentive to favor accounts for which it receives a performance-based fee. Saw Mill seeks to address this potential conflict of interest by causing Main Fund I and FF Fund I to invest, to the extent practicable, in the same portfolio companies at the same time and on the same terms.

Saw Mill Investments III receives a Carried Interest with respect to Saw Mill Capital V equal to 20% of all realized profits as more fully described in the Saw Mill Capital V Governing Documents. SMC Partners V is not directly subject to a Carried Interest but, as described above, SMC Partners V invests directly in Saw Capital V which, as described in the foregoing sentence, is subject to Carried Interest.

Saw Mill GP II receives a Carried Interest with respect to Fund II equal to 20% of all realized profits as more fully described in the applicable Fund’s Governing Document. The Carried Interest distributed to Saw Mill GP II is subject to a potential giveback at the end of life of Fund II if Saw Mill GP II has received excess cumulative distributions from these Funds.

This practice could present a conflict of interest because Saw Mill GP II has an incentive to favor accounts for which it receives a performance-based fee. Saw Mill seeks to address this potential conflict of interest by causing the two Funds comprising Fund II to invest, to the extent practicable, in the same portfolio companies at the same time and on the same terms.

The existence of performance-based compensation has the potential to create an incentive for the Advisers to make more speculative investments on behalf of a Private Investment Fund than they would otherwise make in the absence of such arrangement, although the Advisers generally consider performance-based compensation to better align their interests with those of their investors.

## **TYPES OF CLIENTS**

Saw Mill Capital provides investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Saw Mill Capital and its affiliates and members of their families or other service providers retained by Saw Mill Capital.

The Funds generally have a minimum commitment amount of \$5 million for third-party investors. Such minimum investment amount may be waived by Saw Mill Capital, but generally will not be less than \$100,000. Interests in Main Fund I and Fund II were offered solely to qualified purchasers who are also qualified clients (or knowledgeable Saw Mill personnel). Interests in FF Fund I were offered and sold solely to accredited investors who are generally qualified clients (or qualified knowledgeable Saw Mill personnel).

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

Saw Mill generally makes control investments in middle-market companies headquartered in North America in partnership with management teams that seek to leverage our strategic resources to accelerate growth through strategic repositioning, achieve operational improvement, realize scale benefits through add-on acquisitions, and achieve a leading market position. Saw Mill focuses on investments in manufacturing, specialty distribution or service companies and does not expect to invest in retail, media/telecom, information technology, financial services or personnel-based business services.

There can be no assurance that Saw Mill Capital will achieve the investment objectives of the Funds and a loss of investment may be possible.

## **Investment and Operating Strategy**

### **Proactively Target Investments Where Value is Obscured**

Saw Mill screens investment opportunities with the goal of identifying companies that are under-performing relative to their potential. Saw Mill utilizes its own research-intensive due diligence to identify the inherent value of its target companies prior to making an investment, and then develops the initiatives, timeframe and resources required to achieve this value. Saw Mill has a dedicated Research Director who works alongside each deal team to conduct comprehensive industry, market, and company-specific diligence for each investment. Saw Mill has developed productive relationships with a network of operating executives, consultants and advisors that are able to provide further diligence on critical aspects of investments that require expertise to validate the investment thesis. Saw Mill has a proven record of capitalizing on complex situations where many other potential buyers do not have the expertise, time or resources necessary to identify and realize obscured value.

### **Partner with Management and Outside Executives to Effect Change**

Saw Mill seeks to effect change by facilitating and coaching the other key constituencies that it believes are instrumental to the success of the investment, including (i) the management team who jointly develops an improvement plan and then implements the agreed upon changes and (ii) outside executives who are appointed by Saw Mill to provide experience, knowledge and direction. Saw Mill typically invests in situations where the core management team is in place but may need to be strengthened. However, Saw Mill has replaced senior managers in situations, where required, to ensure the effective execution of the business plan. Saw Mill's utilization of outside executives is an integral part of its investment strategy and the selection of outside executives is based on the following: (i) relevant operating or industry experience specific to the company and its needs, (ii) ability to assist in the research-intensive due diligence prior to closing and (iii) ability to effectively assist Saw Mill and management post-closing.

### **Actively Manage Investments to Create Value**

Upon the closing of a transaction, Saw Mill begins to implement the strategic and operational changes developed in conjunction with management during Saw Mill's comprehensive diligence process. Additionally, Saw Mill believes that strategic and operational initiatives are critical to the growth process and creation of value. Each initiative is customized for the portfolio company and often formulated prior to Saw Mill's investment. Typically, such strategic initiatives target the expansion of current product lines or entry into new sales territories, new product development, a review of pricing strategies, and upgrading distribution and marketing.

### **Investment Sourcing**

Saw Mill identifies investment opportunities through the network of longstanding relationships with executives, advisors, prior portfolio company managers and a proactive calling program on intermediaries and professional service firms. This sourcing network is further

focused based on a metric-based analysis that identifies the most productive sources based on historic deal flow and proven access to sellers in the manufacturing and services sectors.

Investments typically arise from the following situations:

- Privately held, family-owned companies represent the largest prospective source of investment opportunities due to the inherent complexity, typical investment size and large number of companies available for sale. Saw Mill believes that privately held businesses often suffer from a lack of reinvestment by the current owners or a decision that the dedication of additional time and capital to accelerate growth is not consistent with the owners' objectives.
- Corporate divestitures are also attractive targets as management and boards elect to allocate financial and managerial resources away from non-core assets.
- Saw Mill believes that sales from private equity firms represent a meaningful target market. The circumstances surrounding the sale decision vary, but are often driven by recognition that the operating and financial risk/uncertainty of holding a company exceeds the projected incremental profit to the current ownership group.

#### Portfolio Company Monitoring

Saw Mill does not manage the day-to-day operations of its portfolio companies. However, Saw Mill continuously monitors its investments by ensuring that strategic and operational plans are being implemented in a timely manner and the results demonstrate success. During frequent contact with senior management, including regular on-site company visits, Saw Mill discusses significant operating developments and actively oversees the status of strategic and operational initiatives set in the strategic deployment matrix.

In addition to its controlling equity position, Saw Mill generally retains voting control of the board of directors of each portfolio company. The board seats are filled on a deal-by-deal basis, typically with a combination of two Saw Mill principals, two or three members of senior management, and two or three independent directors. The independent directors, selected by Saw Mill and accepted by senior management, are experienced industry or operating professionals in the sectors in which a company participates or with an expertise in an area of particular need, as opposed to executives with generic business experience.

In addition to direct oversight and board participation, Saw Mill investment professionals apply their accumulated financial and operational expertise to the overall business and also provide assistance to the company in acquisition and financing activities.

#### Exit Strategies

Saw Mill's goal is to create successful businesses over a three to five year period. Saw Mill believes potential buyers would be willing to pay a premium for businesses with the following characteristics: (i) world class management team, (ii) well defined growth plan, (iii) operational excellence, and (iv) superior and sustainable financial performance. Saw Mill

portfolio companies can typically be exited through sales to strategic or financial buyers, and, to a lesser extent, recapitalizations and initial public offerings. Saw Mill reviews potential exit options on an ongoing basis while assessing the risk of continuing to hold an investment for the prospect of greater returns.

## **Risks of Investment**

An investment in any of the Funds entails a significant degree of risk and, therefore, should be undertaken only by investors capable of evaluating the risks of the Funds and bearing the risks such investment represents. Prospective investors in the Funds should carefully consider the following factors in connection with an investment in the Funds. The following list is not a complete list of all risks involved in connection with an investment in the Funds. There can be no assurance that the Funds will be able to achieve its investment objectives or that Partners will receive a return on their capital; investment results may vary substantially on a quarterly and annual basis.

*Business Risks.* Each Fund's investment portfolio may consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Future and Past Performance.* The performance of the Saw Mill principals' prior investments is not necessarily indicative of any Fund's future results. While the Advisers intend for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

*Investment in Junior Securities.* The securities in which the Funds will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect any Fund's investment once made.

*Concentration of Investments.* Each Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, any Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing 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 bear Management Fees through the Funds during the Funds' investment periods based on the entire amount of the Limited Partners' commitments and other expenses as set forth in the Governing Documents.

*Illiquidity; Lack of Current Distributions.* An investment in any Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded commitments.

*Leveraged Investments.* The Funds may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by a Fund will also result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Funds' investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency. The Funds may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). The use of leverage by a Fund also will result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The Funds may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the Advisers or any of their affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by the Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of the Fund.

*Limited Transferability of Fund Interests.* There will be no public market for Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Governing Documents and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for Fund investments, and hence, most of any Fund's investments will be difficult to value. Certain investments may be distributed in kind to a Fund's investors and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to the investors, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to the Governing Documents, including the value used to determine the amount of Carried Interest available with respect to such investment.

*Reliance on the Advisers and Portfolio Company Management.* The Funds will be dependent on the Advisers. Control over the operation of the Funds will be vested with the Advisers, and the Funds' future profitability will depend largely upon the business and investment acumen of the Advisers' principals. The loss or reduction of service of one or more of such principals could have an adverse effect on the Funds' ability to realize their investment objectives. In addition, the Advisers' principals currently, and may, in the future, manage other Private Investment Funds besides the Funds and the Advisers' principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of their time. Limited Partners generally have no right or power to take part in the management of any Fund, and as a result, the investment performance of Funds will depend on the actions of the Advisers. In addition, certain changes in the Advisers or circumstances relating to the Advisers may have an adverse effect on the Funds or one or more of their portfolio companies including potential acceleration of debt facilities.

Although the Advisers will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Funds' objectives.

*Projections.* Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the Advisers in their discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Conflicting Investor Interests.* Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in the Funds, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the Advisers regarding an investment that may be more beneficial to one Limited Partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the Advisers generally will consider the investment and tax objectives



of each Fund and its partners as a whole, not the investment, tax, or other objectives of any Limited Partner individually.

*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. 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 its investment strategy or achieve their investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent the Funds' efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Funds may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any Carried Interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of the Funds, could adversely affect the ability of the Advisers' principals, employees or other individuals associated with the Funds or the Advisers who were or may in the future be granted direct or indirect interests in the Advisers, to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from the Funds and the Advisers, which could make it more difficult for the Advisers and their affiliates to incentivize, attract and retain individuals to perform services for the Funds. These same issues may also apply to officers, directors and employees of the Funds' portfolio companies if such persons receive a profits interest in such companies.

*Alternative Investment Fund Managers Directive.* The EU Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). If a Fund is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief is available: (i) the Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses; (ii) the Fund and/or the Advisers may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in the Fund incurring additional costs and expenses or otherwise affect the management and operation of the Fund; (iii) the Advisers may be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of the Fund in relation to EEA portfolio companies including, in some circumstances, the Fund's ability to recapitalize, refinance or potentially restructure an

EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Fund to raise its targeted amount of Commitments.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that any Fund will make follow-on investments or that any Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third party invests in such portfolio company.

*Non-U.S. Investments.* The Funds may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Funds and/or the Funds' partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Funds and/or their partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Hedging Arrangements.* The Advisers may (but are not obligated to) endeavor to manage the Funds' or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Funds may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject the Funds to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Funds to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the Advisers and/or one of their affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption.

*Significant Adverse Consequences for Default.* The Governing Documents provide for significant adverse consequences in the event a Limited Partner defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from a Fund, a defaulting Limited Partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

*Dilution.* Limited Partners admitted or that increase their respective commitments to a Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing Limited Partners in such investments. Although any such new Limited Partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

*Carried Interest.* The fact that the Carried Interest is based on a percentage of net profits may create an incentive for the Advisers to cause the Funds that are subject to a Carried Interest to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case.

*Transfer by Adviser.* To the extent any of the Advisers, their partners, their principals and/or their respective affiliates commit to make a direct or indirect investment in or along-side any Fund, a material participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Governing Documents.

*Director Liability.* The Funds will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which they invest. Serving on the board of directors (or similar governing body) of a portfolio company exposes a Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

*Limitation of Recourse and Indemnification.* The Governing Documents will limit the circumstances under which the General Partner and its affiliates will be held liable to the Funds. As a result, Limited Partners may have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the Governing Documents will

provide that the Funds will indemnify the Advisers and their affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the Funds. Such indemnification obligations could materially impact the returns to Limited Partners.

*Litigation.* In the ordinary course of their business, the Funds may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Funds and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Advisers' and their principals' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Advisory Board.* The Advisers will appoint one or more Limited Partner representatives to certain Funds' Advisory Boards. The Governing Documents will provide that to the fullest extent permitted by applicable law, none of the Advisory Board members shall owe any fiduciary duties to any Fund or any other partner. In addition, representatives of the Advisory Board may have various business and other relationships with Saw Mill Capital and its partners, employees and affiliates. These relationships may influence their decisions as members of the Advisory Board.

*Delayed Schedule K-1s.* The Funds may not be able to provide final Schedule K-1s to Limited Partners for any given fiscal year until after April 15 of the following year. The Advisers will endeavor to provide Limited Partners with final Schedule K-1s on or before such date, but final Schedule K-1s may not be available until the Funds have received tax-reporting information from its portfolio companies necessary to prepare final Schedule K-1s. Limited Partners may be required to obtain extensions of the filing dates for their U.S. federal, state and local income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Funds.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Funds' portfolio companies.

*Market Conditions.* The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the

availability of attractive investment opportunities for the Funds and may affect the Funds' ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The Funds' performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Funds to sell and/or partially dispose of their portfolio company investments. Such adverse effects may include the requirement of a Fund to pay break-up, termination or other fees and expenses in the event the Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Fund to dispose of investments at prices that the General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Fund's ability to raise funding to support its investment objective.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* The global financial crisis commencing in the summer of 2007 caused a deterioration of the global credit markets and made it more difficult for investment funds such as the Fund to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, dramatically reduced investor demand for high yield debt and senior bank debt, which in turn led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. In the event that such marketplace events returned, the Funds' ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments and such events may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. The return of such marketplace events also may restrict the ability of the Fund to realize its investments at favorable times or for favorable prices.

*Monetary Policy and Governmental Intervention.* In response to the global financial crisis commencing in the summer of 2007, the Board of Governors of the Federal Reserve System (the "**Federal Reserve**") and global central banks, including the European Central Bank, in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. These and other actions by the Federal Reserve and other central bankers, including changes in policies, may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the Partnership's investments on an absolute and/or relative basis. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the global financial crisis have not been fully implemented in all cases and therefore the ultimate effects thereof are difficult to predict or measure with certainty. More recently, in response to

interagency guidance on leveraged lending by the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation intended to curtail certain leveraged lending to market participants such as private equity firms in connection with their investment activities, private equity funds may need to finance portfolio investments with a greater proportion of equity relative to prior periods and the terms of debt financing may be less flexible for borrowers compared to prior periods. These developments may impair the Funds' ability to consummate transactions and/or cause the Funds to enter into transactions on less favorable terms.

*Material Non-Public Information.* As a result of the operations of Saw Mill Capital, Saw Mill Capital frequently comes into possession of confidential or material, non-public information. Therefore, Saw Mill Capital and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or Saw Mill Capital's internal policies. Due to these restrictions, the Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

*Certain Consultants.* The Advisers, the Funds and the portfolio companies may from time to time retain other companies and individuals ("**Special Consultants**"), which may be affiliates of the Advisers, employees of such affiliates, portfolio companies of other funds managed by the Advisers or their affiliates, third party consultants (including individual consultants and external executives), "operating partners," "strategic partners," "executive partners" or "senior advisors." The Special Consultants may be engaged to provide services to, or in connection with, the Fund in relation to its activities or one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies, including operational aspects of such companies ("**Services**").

Pursuant to the Partnership Agreement, fees and expenses associated with the Services (collectively "**Consulting Fees and Expenses**"), may be paid and/or reimbursed by applicable portfolio companies and/or a Fund. Consulting Fees and Expenses may, at the discretion of the Advisers taking into account the particular Services, include a profits or equity interest in a portfolio company or other incentive-based compensation to the Special Consultant, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Special Consultant, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company.

*Unfunded Pension Liabilities of 80%-Owned Portfolio Companies.* Recent court decisions have suggested that, where an investment fund owns 80% or more of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Funds intend to manage their investments to minimize any such exposure, the Funds may, from time to time, own an 80% or greater interest in a portfolio company that has unfunded pension fund liabilities. If a Fund (or

other 80%-owned portfolio companies of a Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which the Fund invests 80% or more of the equity.

Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, the Advisers will apply a methodology they determine to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. Valuations are subject to multiple levels of review for approval. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the Advisers may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

Co-Investments. The Advisers may, in their sole discretion, provide or commit to provide co-investment opportunities to one or more Limited Partners and/or other persons, in each case on terms to be determined by the Advisers in their sole discretion. Conflicts of interest may arise in the allocation such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the Advisers in their sole discretion, may not be in the best interests of the Funds or any individual Limited Partner. In exercising its sole discretion in connection with such co-investment opportunities, the Advisers are permitted to consider some or all of a wide range of factors, which may include the likelihood that an investor may invest in a future fund sponsored by the Advisers or their affiliates. The Funds may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Funds, or may be in a position to take action contrary to the investment objectives of the Funds. In addition, the Funds may in certain circumstances be liable for actions of its third-party co-venturer or partner.

Contingent Liabilities Upon Disposition. In connection with the disposition of an investment, the Funds and the Advisers may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Funds and, ultimately, their investors.

Valuation of Investments. Generally, the relevant Adviser will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a

Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. Each Adviser will determine the value of all the 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 Adviser 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 an Adviser 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. Accordingly, the valuation decisions made by such Adviser may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

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

## **Conflicts of Interest**

Saw Mill Capital and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of Private Investment Funds, and providing transaction-related, investment advisory, legal, management and other services to Private Investment Funds and portfolio companies. Saw Mill Capital will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Governing Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of the Advisers conducting their activities, the interests of a Private Investment Fund may conflict with the interests of the Advisers, one or more other Private Investment Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, the Advisers will determine all matters relating to structuring transactions and Fund operations using their best



judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the commitment period of a Private Investment Fund, all appropriate investment opportunities will be pursued by Saw Mill Capital principals through such Fund, subject to certain limited exceptions. Without limitation, Saw Mill Capital principals currently, and may in the future, manage several other investments similar to those in which a Private Investment Fund will be investing, and may direct certain relevant investment opportunities to those investments. Saw Mill Capital's principals and investment staff will continue to manage and monitor such investments until their realization. Such other investments that Saw Mill Capital principals may control or manage may potentially compete with companies acquired by the Private Investment Funds. Following the commitment period of the Funds, Saw Mill Capital principals may and likely will focus some of their investment activities on other opportunities and areas unrelated to a Fund's investments.

From time to time, the Advisers will be presented with investment opportunities that would be suitable not only for a certain Private Investment Fund, but also for other Private Investment Funds and other investment vehicles operated by advisory affiliates of the Advisers. In determining which investment vehicles should participate in such investment opportunities, the Advisers are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of the Advisers in a portfolio company may also raise the risk of using assets of a client of the Advisers to support positions taken by other clients of the Advisers.

The Advisers must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. The Advisers generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Governing Documents, investment objectives, strategies, life-cycle and structure. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. The Advisers will determine if the amount of an investment opportunity in which a Fund will invest exceeds the amount that would be appropriate for such Fund and any such excess may be offered to one or more potential co-investors, as determined by the Funds' Partnership Agreements, side letters or other arrangements and the Advisers' procedures regarding allocation. The Advisers' procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; the Advisers' perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair the Advisers' ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; and whether the Advisers believe that allocating investment opportunities to

an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or the Advisers.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the Advisers or their related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Saw Mill investors. When and to the extent that employees and related persons of the Advisers make capital investments in or alongside certain Private Investment Funds, the Advisers are subject to conflicting interests in connection with these investments. There can be no assurance that any Private Investment Fund's return from a transaction would be equal to and not less than another Private Investment Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

The Advisers' allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While the Advisers will allocate investment opportunities in a manner that they believe in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which the Advisers may be subject, discussed herein, did not exist.

Where multiple Private Investment Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Private Investment Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by the Advisers in their sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, the Advisers may face a conflict of interest in respect of the advice they give to, and the actions they take on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable Adviser is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, the Advisers may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. The Advisers intend to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. The Advisers and their affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Governing Documents of the Funds, the Advisers will allocate fees and expenses in a manner that they believe in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, the Advisers may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by the Advisers or their affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of a Private Investment Fund's controlling interests in portfolio companies, the Advisers typically will have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to the Advisers. Such amounts will be in addition to any Management Fees or Carried Interest paid by a Private Investment Fund to an Adviser.

Additionally, a portfolio company typically will reimburse the Advisers or service providers retained at the Advisers' discretion for expenses (including without limitation travel expenses) incurred by the Advisers or such service providers in connection with its performance of services for such portfolio company. This subjects the Advisers to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. The Advisers determine the amount of these reimbursements for such services in their discretion, subject to their internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to the Advisers or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and

supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

The Advisers generally exercise their discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) the Advisers or a related person of the Advisers (which may include a portfolio company of such Fund), (ii) an entity with which the Advisers or their affiliates or current or former members of their personnel has a relationship or from which the Advisers or their affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, the Advisers may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects the Advisers to conflicts of interest, because although the Advisers selects service providers that they believe are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, the Advisers may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that the Advisers, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or the Advisers), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not the Advisers have a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Advisers and/or their affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by the Advisers and/or their affiliates; conversely, former personnel or executives of the Advisers and/or their affiliates may serve in significant management roles at portfolio companies or service providers recommended by the Advisers. Similarly, the Advisers, their affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Advisers and/or their affiliates, and/or the Funds or other investment vehicles they advise. The Advisers may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide the Advisers information about markets and industries in which the Advisers operates (or is contemplating operations) or will provide other services that are beneficial to the Advisers. The Advisers may have a conflict of interest in making such recommendations, in that the Advisers have an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

The Advisers, their affiliates, and equity holders, officers, principals and employees of the Advisers and their affiliates may buy or sell securities or other instruments that the Advisers have recommended to a Fund. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of the Advisers have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by the Advisers, are reimbursed by a Fund and/or its portfolio companies, Saw Mill Capital will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to Special Consultants and other consultants (including consultants introduced or arranged by the Advisers and/or their affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Special Consultants make use of the Advisers' resources or otherwise are associated with the Advisers. The Advisers and/or its affiliates may agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Special Consultant compensation is expected to include cash fees, securities of a portfolio company and/or a share of proceeds upon sale of a portfolio company. Additionally, portfolio companies may provide opportunities for Special Consultant to invest in such portfolio company and reimburse costs and expenses incurred by Special Consultants. Special Consultants also may have a limited partner interest in the General Partners and/or one or more Funds, may receive remuneration from the Advisers and/or their Funds or affiliates and/or be entitled to other forms of compensation. Such investment opportunities, reimbursements and other compensation paid to a Special Consultant will not offset the Management Fee of any Fund as described herein. Although the use of Special Consultant and the allocation of compensation paid to them by the Advisers, their affiliates and/or the portfolio companies subjects the Advisers and/or their affiliates to potential conflicts of interest, the Advisers believe that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Special Consultant is lower than market rates for the services provided and/or if the services of the Special Consultant align with the Advisers' model for the portfolio company and improve portfolio company performance. Although the Advisers seek to retain Special Consultants with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. The Advisers also seek to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that the Advisers believe will align such persons' interests with those of the Funds' limited partners, and seeks to retain only Special Consultants and service providers which they believe provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Because Carried Interest is based on a percentage of net realized profits, it may create an incentive for the Advisers to cause a Fund to make riskier or more speculative investments (or hold investments for longer periods) than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when the Advisers may not otherwise have done so. Since the Advisers are permitted to retain Offset Fees (as described under “Fees and Compensation”) in connection with Fund investments, an Adviser could have a conflict of interest in connection with approving transactions and setting such compensation.

The Advisers have entered into side letter arrangements with certain investors in a Fund (and may enter into similar arrangements in the future) that may provide investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Any of these situations subjects the Advisers to potential conflicts of interest. The Advisers attempt to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by Saw Mill Capital’s advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Private Investment Fund, other Private Investment Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the Advisers will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, an Adviser consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

#### **DISCIPLINARY INFORMATION**

Saw Mill Capital and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Saw Mill Capital is affiliated with the Affiliated Advisers registered with the SEC under the Advisers Act pursuant to Saw Mill Capital’s registration in accordance with SEC guidance. The Affiliated Advisers operate as a single advisory business together with Saw Mill Capital and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Advisers have adopted the Saw Mill Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of Saw Mill principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Saw Mill personnel to report their personal securities transactions,

prohibits or requires pre-clearance for Saw Mill personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Saw Mill personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Saw Mill Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to William M. Gerstner, the Saw Mill Chief Compliance Officer, at 914-741-1300. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Saw Mill personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Private Investment Funds, including the Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one of the same portfolio companies as the Funds. Co-invest opportunities may also be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company. Additionally, a Fund may invest together with other private investment funds advised by an affiliated adviser of the Advisers in the manner set forth in the Partnership Agreement. The Advisers will determine the allocation of investment opportunities in a manner that they believe is fair and equitable to their clients consistent with the Advisers' obligations and may take into consideration factors such as the following: the client's investment restrictions and objectives (including those set forth in the relevant client's governing documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition and cash level and applicable regulatory restrictions. In the case of co-investments, the Advisers may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds and may give advice and recommend securities to vehicles which may differ from

advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain vehicles sponsored by Saw Mill (the “**Reference Funds**”) may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Reference Funds or may give priority with respect to investments to such Reference Funds. Some of these restrictions could be waived by investors (or their representatives) in such Reference Funds.

From time to time, the Advisers may borrow funds on behalf of a Fund and contribute such borrowed amounts to the relevant Fund as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the relevant Fund as a Fund expense, consistent with the Partnership Agreement and the expense policy described under “Fees and Compensation.” In borrowing on behalf of a Fund, the Advisers are subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund. The Advisers will effect such borrowings in a manner it believes to be fair and equitable to the Fund, and consistent with the Advisers’ obligations to the Fund and the Governing Documents.

#### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Advisers do not intend to regularly engage in public securities transactions, to the extent they do so, they follow the brokerage practices described below.

If any Adviser sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser seeks to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but endeavors to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.



Consistent with the Advisers seeking to obtain best execution, any such brokerage commissions on client transactions might be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since Saw Mill Capital's inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, it is expected that research provided by these brokers would be used to service all of the Advisers' Private Investment Funds. However, each and every research service might not be used for the benefit of each and every Private Investment Fund managed by the Advisers, and brokerage commissions paid by one Private Investment Fund might apply towards payment for research services that might not be used in the service of such Private Investment Fund. Research services might be shared among the Advisers and their affiliates.

The Advisers do not anticipate employing any agreement or formula for the allocation of brokerage business on the basis of research services; however, the Advisers may, in their discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the Advisers have determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Advisers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

To the extent brokers are used, the Advisers periodically determine which brokers have provided research that has been helpful in the management of Private Investment Funds. To the extent consistent with the Advisers' goal to seek best execution for the Funds, the Advisers may seek to place a portion of the trades that they direct with the brokers who are identified through this process.

To the extent that the Adviser allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Private Investment Funds' interest in receiving most favorable execution.

To the extent that the Advisers engage in public securities transactions, orders for purchase or sale of securities placed first are executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Funds of the Advisers is favored over any other Private Investment Funds. When an aggregated order is filled in its entirety, each participating Private Investment Funds generally receive the average price obtained on all such

purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Funds participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally receives the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

In any private company securities transactions engaged in by the Advisers on behalf of the Private Investment Funds, the Advisers may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Private Investment Fund and/or its portfolio companies. In determining to retain such parties, the Advisers may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Advisers generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Private Investment Funds may not pay the lowest commission or fee for such services.

#### **REVIEW OF ACCOUNTS**

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Saw Mill Capital closely monitors companies in which the Private Investment Funds invest, and the Saw Mill Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

Each of Main Fund I, FF Fund I and Fund II provides to each of its Limited Partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return and (iii) periodic reports providing a narrative summary of the status of each portfolio company investment.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

Saw Mill Capital and/or its affiliates may provide certain business or consulting services to companies in the Funds' portfolios and may receive compensation from these companies in connection with such services. As described in the Funds' Governing Documents this compensation may, in many cases, offset a portion of the Management Fees paid by Funds. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation".

From time to time, Saw Mill Capital may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in the Funds or other Private Investment Fund. Any fees and expenses payable to any such placement agents will be borne by Saw Mill Capital indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Private Investment Fund(s).

### **CUSTODY**

Saw Mill Capital maintains custody of the Funds' assets held in the Funds' name with the following qualified custodians: Merrill Lynch.

### **INVESTMENT DISCRETION**

Saw Mill Capital has discretionary authority to manage investments on behalf of the Funds. As a general policy, the Advisers do not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, the Advisers may enter into "side letter" arrangements with certain Limited Partners whereby the terms applicable to such Limited Partners' investment in the Funds may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Saw Mill Capital assumes this discretionary authority pursuant to the terms of the Governing Documents, management agreements and powers of attorney executed by the Limited Partners.

### **VOTING CLIENT SECURITIES**

The Advisers have adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for each Fund's (and any Private Investment Fund's) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Each of the Advisers generally believes its interests are aligned with those of the Funds' Limited Partners, for example, through the principals' beneficial ownership interests in the Funds and therefore does not seek Limited Partners approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the Funds' advisory committees on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the Funds' advisory committees may approve the Adviser's vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by Saw Mill personnel or their receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. If you would like a copy of the Saw Mill Capital's complete Proxy Policy or information regarding how Saw Mill Capital voted proxies for particular portfolio companies, please contact William M. Gerstner, the Saw Mill Chief Compliance Officer, at 914-741-1300, and it will be provided to you at no charge.

## **FINANCIAL INFORMATION**

Saw Mill Capital does not require prepayment of Management Fees six months or more in advance or have any other events requiring disclosure under this item of the Brochure.

## SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF SAW MILL CAPITAL

### *Howard D. Unger*

#### *Educational Background and Business Experience*

Howard Unger, born 1960, is the Managing Partner of Saw Mill Capital. Howard founded Saw Mill Capital in February 1997. Before forming Saw Mill, Howard was a founding partner of Chase Capital, Chase Manhattan Bank's private equity investing group. Prior to forming Chase Capital, Howard was a Managing Director in Chase's Merchant Banking Group, providing equity as well as senior and subordinated debt to leveraged transactions. Howard's professional career began in 1983 with the Leveraged Capital Group of Citibank, providing debt financing for leveraged transactions. He has a B.S. degree in Accounting from Binghamton University and an M.B.A. from the University of Chicago.

#### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Unger.

#### *Other Business Activities*

Mr. Unger is not engaged in any investment-related business outside of his roles with Saw Mill and its affiliated investment advisers.

#### *Additional Compensation*

Mr. Unger does not receive any additional compensation that is required to be disclosed.

#### *Supervision*

As the Managing Partner of Saw Mill Capital, Mr. Unger is responsible for implementing and overseeing the investment strategy of the clients of Saw Mill. Mr. Unger is not subject to the supervision of any other individual.

## ***Scott A. Budoff***

### *Educational Background and Business Experience*

Scott A. Budoff, born 1964, is a Partner of Saw Mill Capital. Scott joined Saw Mill in 1998. Prior to joining Saw Mill, Scott was the President and Chief Operating Officer of Fulcrum Direct, Inc. Before joining Fulcrum, Scott was Vice President and Group Counsel for Sunbeam-Oster. Scott began his career as a corporate attorney at Shearman & Sterling in New York and Paris, France. Scott has a B.S.B.A. degree in Finance, Accounting and Computer Science from Washington University and a J.D. from Boston University School of Law.

### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Budoff.

### *Other Business Activities*

Mr. Budoff is not engaged in any investment-related business outside of his roles with Saw Mill and its affiliated investment advisers.

### *Additional Compensation*

Mr. Budoff does not receive any additional compensation that is required to be disclosed.

### *Supervision*

As a Partner of Saw Mill Capital, Mr. Budoff is responsible for implementing and overseeing the investment strategy of the clients of Saw Mill. Mr. Budoff is not subject to the supervision of any other individual other than Howard D. Unger.

## ***William M. Gerstner***

### *Educational Background and Business Experience*

William M. Gerstner, born 1963, is a Partner and the Chief Compliance Officer of Saw Mill Capital. Bill joined Saw Mill in 1997. Before joining Saw Mill, Bill was a Vice President in the Corporate Finance Group of Principal Financial Securities. Prior to joining Principal, Bill gained experience in all phases of leveraged transactions, including equity investments, with both Chase Manhattan Bank and Citibank. Bill has a B.A. degree in Finance from North Park University in Chicago.

### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Gerstner.

### *Other Business Activities*

Mr. Gerstner is not engaged in any investment-related business outside of his roles with Saw Mill and its affiliated investment advisers.

### *Additional Compensation*

Mr. Gerstner does not receive any additional compensation that is required to be disclosed.

### *Supervision*

As a Partner of Saw Mill Capital, Mr. Gerstner is responsible for implementing and overseeing the investment strategy of the clients of Saw Mill. Mr. Gerstner is not subject to the supervision of any other individual other than Howard D. Unger.

## ***Timothy J. Nelson***

### *Educational Background and Business Experience*

Timothy J. Nelson, born 1973, is a Partner of Saw Mill Capital. Tim joined Saw Mill Capital in 2003. Previously, Tim was an Associate with CIVC Partners in Chicago. Before joining CIVC, he was an investment banker at William Blair & Company, a Midwest bank that handles middle-market mergers and acquisitions, public offerings and other corporate finance transactions. Tim graduated with an M.B.A. in Strategic and Operations Management from the University of Pennsylvania's Wharton School, and a B.S. degree in Finance from the University of Illinois.

### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Nelson.

### *Other Business Activities*

Mr. Nelson is not engaged in any investment-related business outside of his roles with Saw Mill and its affiliated investment advisers.

### *Additional Compensation*

Mr. Nelson does not receive any additional compensation that is required to be disclosed.

### *Supervision*

As a Principal of Saw Mill Capital, Mr. Nelson is responsible for implementing and overseeing the investment strategy of the clients of Saw Mill. Mr. Nelson is not subject to the supervision of any other individual other than Howard D. Unger.



## ***Scott R. Rivard***

### *Educational Background and Business Experience*

Scott R. Rivard, born 1975, is a Partner of Saw Mill Capital. Scott joined Saw Mill in 2005. Before joining Saw Mill, Scott was an Investment Manager and Associate at Capital Resource Partners. Prior to joining Capital Resource Partners, Scott was an investment banker in the natural resource group of Credit Suisse First Boston. Scott has an M.B.A. from the Kellogg School of Management, and a B.A. degree in Economics from Middlebury College.

### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Rivard.

### *Other Business Activities*

Mr. Rivard is not engaged in any investment-related business outside of his roles with Saw Mill and its affiliated investment advisers.

### *Additional Compensation*

Mr. Rivard does not receive any additional compensation that is required to be disclosed.

### *Supervision*

As a Principal of Saw Mill Capital, Mr. Rivard is responsible for implementing and overseeing the investment strategy of the clients of Saw Mill. Mr. Rivard is not subject to the supervision of any other individual other than Howard D. Unger.