

**Webster Capital Management, LLC**

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**3/18/2016**

**FORM ADV PART 2  
BROCHURE**

This brochure provides information about the qualifications and business practices of Webster Capital Management, L.L.C. ("Webster Capital"). If you have any questions about the contents of this brochure, please contact us at (781) 419-1515. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Webster Capital is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Webster Capital is 156729.

Webster Capital is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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## II. Material Changes

Since this Brochure was last filed on March 31, 2015, there have been no material changes at Webster Capital Management, LLC ("Webster Capital").

Currently, our Brochure may be requested by contacting Mark Greene at 781-419-1515 or [mgreene@webstercapital.com](mailto:mgreene@webstercapital.com). Our Brochure is also available on our web site [www.webstercapital.com](http://www.webstercapital.com), also free of charge.

Additional information about Webster Capital Management, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Webster Capital Management, LLC who are registered, or required to be registered, as investment adviser representatives of Webster Capital Management, LLC.

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#### Advisory Business

Form ADV Part 2A, Item 4

##### A. Overview of Webster Capital

Webster Capital Management, L.L.C. is a Delaware limited liability company organized in Delaware on June 27, 2003, and registered in Massachusetts on July 15, 2003 ("**Webster Capital**" or the "**Company**"). Donald Steiner is the Managing Member, as well as the principal owner of the Company. David Malm and Charles Larkin are the other two owners of the Company and each own 26%.

##### B. Advisory Services

Webster Capital acts as investment adviser and manager to four private equity funds: Webster Capital III, L.P. ("**Webster III**"), Webster Capital II, L.P., Webster Capital II-QP, L.P., and Webster Capital Founders Fund, L.P. ("**Founders Fund**", and together, all four are the "**Funds**") pursuant to the terms of management agreements by and between Webster Capital and the respective general partner of each Fund (the "**Management Agreements**"). Webster II, L.P. and Webster Capital II-QP, L.P. (collectively, "**Webster II**") comprise a parallel fund structure, the distinction among them being that Webster Capital II-QP, L.P. is limited to investors that are "qualified purchasers" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

Webster Capital also acts as investment advisor and manager to three additional small limited partnerships, each of which was formed for the purpose of making one investment alongside either Webster II or the Founders Fund: Webster I, LLC, Webster V, LLC and Webster JP, LLC (collectively the "**Coinvestments**"). The general partner of the Founders Fund is Webster Capital. The general partner of Webster II is Webster GP, LLC. The general partner of Webster III is Webster Capital III GP, LLC. Webster Capital is the Managing Member of Webster GP LLC. Both Webster Capital III GP, LLC and Webster GP, LLC are not, nor do they intend to become, registered investment advisers under the Investment Advisers Act of 1940, as amended. Pursuant to the terms of the Management Agreements, Webster Capital is not authorized to manage the affairs of, act in the name of or bind Webster Capital III, L.P., Webster Capital II, LP, or Webster Capital II-QP, L.P. The management, policies and operations of the Funds shall be the responsibility of Webster Capital III GP, LLC, Webster GP, LLC, or Webster Capital as the case may be, acting pursuant to and in accordance with the applicable Fund partnership agreement and all decisions relating to Fund matters, including the selection and management of the Fund's investments, shall be made by the general partner of the applicable Fund, as the case may be.

The Funds sponsor acquisitions, buyouts, growth financings and recapitalizations of branded companies with enterprise values typically under \$100 million. As of December 31, 2015, the Funds have invested in 23 companies and have 14 still active under management. Webster II has an average investment of approximately \$13.0 million per company. Webster III has an average investment size of \$23.8 million. The Founders Fund has an average investment of \$2 million. The Funds' objectives are to achieve significant long-term capital appreciation on their investments. Webster Capital will assist the Funds with their general investment strategy, using the combined experience of Webster Capital's members to monitor the performance of the Funds' current investments and advise them on any future investments.

##### C. Tailored Advisory Services

Webster Capital provides investment advisory and management services to only Webster III, Webster II, the Founders Fund, and the Coinvestments limiting such services to the particular types of investments identified for each Fund.

##### D. Wrap Fee Programs

Webster Capital does not participate in any wrap fee program.

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#### E. Assets Under Management

As of December 31, 2015 the following assets are managed by Webster

Capital:	\$ 746,249,060
Discretionary Basis	
Non-Discretionary Basis	\$ - 0 -
Total Assets under Management	\$ 746,249,060

**Note:** Your method for computing the amount of “client assets you manage” can be different from the method for computing “assets under management” required for Item 5.F in Part 1A. However, if you choose to use a different method to compute “client assets you manage,” you must keep documentation describing the method you use. The amount you disclose may be rounded to the nearest \$100,000. Your “as of” date must not be more than 90 days before the date you last updated your brochure in response to this [Item 4.E.](#)

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#### ***Fees and Compensation***

Form ADV Part 2A, Item 5

##### **A. Advisory Fees.**

Webster Capital provides investment advisory services in exchange for Advisory Fees equal to a percentage of the committed capital under its management. With respect to Webster II and Founders' Fund, the Management Agreement provides that the general partner of such Fund shall pay over to Webster Capital all or a portion of the Management Fee (as defined, calculated and adjusted pursuant to the terms of each Fund's partnership agreement) received by such general partner, with such portion to be determined in the sole discretion of such general partner. With respect to Webster III, the Investment and Advisory Agreement provides that the Fund shall pay its Management Fee directly to Webster Capital.

With respect to each Fund, the general partner, in the case of Webster II and Founders' Fund, and the management company, in the case of Webster III, receives an annual management fee, equal to a specified percentage of aggregate capital commitments to the Fund, payable quarterly in advance. Upon the earlier to occur of a specified number of years from the initial closing of the Fund, or certain other defined events, the management fee rate for each fund will decrease.

Webster Capital also provides advisory services to its portfolio companies under a Management Advisory Services Agreement entered into with each company individually. Fees earned under these Agreements are shared with the Funds under agreed upon terms between each fund and Webster Capital and are used to reduce management fees paid by the Funds. Webster Capital does not earn any fees in connection with Founders Fund. For Webster II, Webster Capital and the fund share the first \$2 million of these fees 50/50 with the fund receiving a reduction in the Management Fee for their share. Advisory Fees received above that amount are credited back to the fund 100%. All Transaction Fees and Directors' Fees are credited back to the fund 100% as a reduction in Management Fees. For Webster III, 60% of the first \$5 million in Advisory Fees received by Webster Capital are offset against the Fund's Management Fees. Advisory Fees above \$5 million are credited back to Webster III 100%. All Transaction Fees and Directors' Fees are credited back 100% to Webster III as a reduction in Management Fees.

##### **B. Payment of Fees**

The Company does not deduct fees from clients' assets. Fees are payable quarterly in advance, as described in Item 5(A) above.

##### **C. Additional Fees and Expenses**

In addition to the management fees described above, the Funds are responsible for a number of expenses that are incurred by or on behalf of the Fund. Below is a list of general expenses and fees that could be expected to be incurred by a private equity fund managed by Webster Capital:

- Fees and expenses associated with the organization of the Fund and the offer/sale of interests
- Costs of selecting, acquiring, holding, monitoring and disposing of investments
- All expenses relating to litigation and threatened litigation involving the fund
- Legal, auditing, tax and accounting services, custodian fees, brokerage, travel, marketing and other fees, commissions and expenses incurred by the Fund
- Taxes, insurance, and any costs incurred from dissolving and liquidating the fund

The fee structures described above may be modified from time to time. Fees may differ from one fund to another, as well as among investors in the same Fund. The above list is not all-encompassing and only provides a

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sampling of the fees and expenses that may be incurred by a private equity fund. For more information, please refer to each Fund's offering documents.

#### **D. Payment of Fees in Advance**

Management Fees are payable by each fund quarterly in advance, as described in Item 5(A) above.

A client may obtain a refund of a pre-paid management fee if the advisory contract is terminated before the end of the billing period. Upon notification of termination, Webster Capital will determine if any refund of the quarterly management fee is due to the Client for any overpayment resulting from the termination. Typically, the overpayment would be determined based on a ratio of numbers of days not lapsed during the quarter over total number of days in that quarter.

#### **E. Compensation for Sale of Securities or Other Investment Products**

The information required by this item is not applicable to Webster Capital. Webster Capital does not use Broker-Dealers to sell interests in their Clients. As described in Item 6, the General Partners of Webster II and Webster III receive a carried interest in the net profits of the respective Funds.

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#### ***Performance-Based Fees and Side-By-Side Management***

Form ADV Part 2A, Item 6

Webster Capital does not directly receive performance-based fees. The General Partners of Webster Capital III, L.P. and Webster Capital II, L.P. receive a carried interest in their respective Fund, which is indirectly paid by the investors in such Fund. Carried interest distributions are based on the return of the Fund in excess of the investors' original capital contributions plus a specified return. The principal owners of Webster Capital are members of Webster Capital Associates II, LLC, which in turn is a member of Webster GP LLC, along with the Founders Fund. The general partner of Webster Capital Founders' Fund, LP does not receive a carried interest. The principal owners of Webster Capital and additional members of the management team are members of Webster Capital III GP, LLC.

The Founders Fund is fully invested so there do not exist any conflicts of interest between Webster III, Webster II and Founders Fund for future potential investments. However, conflicts of interest are likely to arise in the future as Webster Capital becomes the advisor to new or additional funds or where an adviser and its affiliates manage more than one private investment fund. Webster Capital or an affiliate may give advice to a Fund which differs from the advice given to another Fund, even though the Funds' investment objectives may be the same or similar. Conflicts of interest also will exist in the allocation of an investment opportunity among the Funds. The Investment Period for Webster II has ended, however, a conflict of interest could arise between Webster III and Webster II if an investment opportunity for Webster III could also be considered as a follow-on investment for an existing company in Webster II. **[Rich May: This happened in 2015 – Fund III invested \$25M directly into a portfolio company held by Fund II because Fund II was out of money. We have a file of the communications that occurred amongst the Adv Boards of both funds to document the disclosure of the conflict...do we need to disclose any of this here??]**

Because of differing objectives or other factors that may arise with future funds under management, the members, managers, employees, and related persons of Webster Capital and the Funds they manage may take investment positions in securities that are different from, or opposite to, the positions taken by a Fund. Generally, Webster Capital, its members, managers, employees, or related persons may become aware of, and participate in, business opportunities in which a Fund will not be given an opportunity to participate, even if such opportunity is of a character that, if presented to the Fund could be taken by the Fund.

For a discussion of potential conflicts that may arise in connection with the management of multiple funds, and the steps that the Company takes to minimize and mitigate those conflicts, please refer to Item 11.



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#### *Types of Clients*

Form ADV Part 2A, Item 7

Webster Capital advises only Webster III, Webster II, the Founders' Fund, and the Coinvestments described in Item 4(B). Webster Capital does not have a minimum size for a Fund, but minimum commitments may be established for investors in the Funds. The general partner of each Fund may in its sole discretion permit investments below the minimum amounts set forth in the offering documents of such Fund. Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended. Subscriptions to the Funds are made pursuant to customary subscription documents for private equity funds containing customary representations and warranties of the investor including, without limitation, with respect to the investor's financial and tax status and compliance with applicable law. The general partner of a Fund, in its sole and absolute discretion, can reject all or any part of an investor's subscription at any time prior to the general partner's acceptance of the subscription and execution of the subscription agreement with such investor.

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#### ***Methods of Analysis, Investment Strategies and Risk of Loss***

Form ADV Part 2A, Item 8

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

##### **Webster III, Webster II & Founders' Fund**

The Funds sponsor acquisitions, buyouts, growth financings and recapitalizations of branded companies with EBITDA levels of \$3 million to \$10 million and enterprise values typically under \$100 million. As of December 31, 2015, the Funds have invested in 23 companies and have 14 still active under management. Webster II has an average investment of approximately \$13.0 million per company. Webster III has an average investment of approximately \$23.8 million per company. The Founders Fund has an average investment of \$2 million per company. The Coinvestments have invested alongside the Funds for the purpose of investing in the selected transactions, and have done so in order to provide additional equity not provided for by the Funds.

The Funds seek to invest in companies in the branded consumer and healthcare services sectors with EBITDA in the range of \$3 million to \$10 million that have an attractive product/service proposition and loyal customers. The goal of the Funds is to produce outstanding financial returns for investors by identifying, creating, structuring, developing and harvesting attractive opportunities of private U.S.- and Canada-based [Fund III acquired a Canadian company] companies with enterprise values typically under \$100 million operating in these two markets and industries where the managers of the Fund, and the members of Webster Capital, have deep equity investing, operating and transactional experience. Webster Capital will advise the Funds in sponsoring acquisitions, buyouts, growth financings and recapitalizations of branded, profitable companies that meet its investment criteria. Webster Capital will advise the Funds in accordance with the following general criteria for identifying investments:

- Value: Realistic current value for well-positioned companies with proven business models and unrealized potential;
- Growth: Companies with the management resources and clear competitive opportunities and advantage to generate significant growth;
- Control: Investments where a majority equity position is available or the Fund's principals can structure a path to liquidity through earn-outs, call rights, or optional redemption.

As part of their due diligence and decision process, the Investment Committee looks at several long term business trends of the Company and its industry sector, as well the overall size and characteristics of its market sector to determine if they are interested in the Company and the space. They also perform an evaluation of the management team, as well as surveying their customers. Webster Capital's due diligence is designed to identify both opportunities for growth as well as any impediments that may limit Webster Capital's ability to drive growth. Where appropriate, Webster Capital utilizes internal and external resources to identify factors that may impact growth prospects and exit valuations.

The results of Webster's due diligence serve to inform the investment thesis for each investment. Webster's due diligence framework is built upon a series of simple questions:

- Is this an attractive industry in which to deploy capital?
- Is the business model attractive and sustainable?
- Does the company have a strong competitive position in the market?
- How competitive is the industry?
- Will the company's strategy enable it to gain market share and sustain or improve margins?
- Is the team properly matched for the strategy and do they have the right incentives?
- Are risk and reward properly correlated?
- Is there anything proprietary about the company's service or product offering and, if so, how defensible is it?
- What areas can be improved utilizing Webster's industry and operating expertise?
- Can Webster's extensive network add value to enhance growth?

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In recognition of the risk profile of each potential portfolio company, and informed by the sector experience of the transaction team, Webster conducts a diligence effort designed to identify and evaluate those specific risks and to address the above diligence framework questions. As a small firm, Webster typically involves a variety of professional service providers as appropriate to complement its in-house staffing resources

#### **B. Risk Factors**

Investment in securities involves significant risks. There can be no assurance that Webster Capital will achieve its investment objectives. The investment is suitable only for investors of substantial means who have no immediate need for liquidity of the amount invested and who can afford a risk of complete loss of such investment. Each prospective investor should consult with his, her or its personal legal, tax and financial advisers and carefully consider and evaluate the risks before executing any documents with respect to any investment in a Fund. Risks associated with an investment in the Funds include, but are not limited to, the following, and should be carefully evaluated before making an investment in the Funds.

##### No Assurance of Investment Return

The task of identifying investment opportunities in operating companies and managing such investments is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage, and realize such investments successfully. There is no assurance that a Fund will be able to invest its capital on attractive terms or generate returns for its investors. There is no assurance that the investments by a Fund will be profitable and there is a risk that the losses and expenses of the Fund will exceed income and gains. As such, there is no assurance of any distribution to the investors in a Fund prior to or upon liquidation of the Fund. Investors in the Funds should be prepared and able to absorb a loss of some or all of the capital invested in the Funds.

##### Economic and Market Risk

General fluctuations in the market prices of securities and economic conditions generally, particularly of the type experienced since 2008, may affect the Funds' ability to make investments and the value of the investments held by the Funds. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the Funds' investments. While current market conditions may create opportunities for the Funds to make investments at prices that Webster and the General Partner believe are attractive, it creates a number of risks. There can be no assurance that the market will, in the future, become more liquid than it is at present and it may well continue to be volatile for the foreseeable future. The Funds may be adversely affected to the extent that it seeks to dispose of any of its investments into an illiquid or volatile market, and the Funds may find themselves unable to dispose of an investment at a price that Webster and the General Partner believe reflect the investment's fair value. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

##### Changes in Environment

The Funds' investment programs are intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environments within which the Funds operate may undergo substantial changes. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by the Funds or considered for prospective investment. Instability in the securities markets may also increase the risks inherent in investments. Legal and regulatory changes could occur during the term of the Funds that may adversely affect the Funds.

##### Time Required to Maturity of Investment

It is anticipated there will be a significant period of time (up to six years or more) before the Funds have completed its investments in portfolio companies. Such investments may typically take from 3 to 10 years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Transaction structures typically will not provide for liquidity of a Fund's investment prior to that time. In light of the foregoing,

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it is likely that no significant return from the disposition of a Fund's investments will occur for a significant period of time from a Fund's initial closing date.

#### Reliance on Portfolio Company Management

Although it is the intent of each Fund to invest in companies with strong and stable management, there can be no assurance that the existing management team of a portfolio company, or any new one, will be able to operate such company successfully. Furthermore, although the general partner and Webster Capital will monitor the performance of each portfolio company, it will be primarily the responsibility of company management to operate the business on a day-to-day basis.

#### Competitiveness of Private Equity Investment Industry

The business of identifying and structuring transactions of the nature contemplated by the Funds is highly competitive. The Funds will be competing for investments with other private equity investment vehicles as well as other institutional investors. The size and number of private equity investment vehicles has grown dramatically in recent years, and this trend may continue in the future. There can be no assurance that the Funds will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve targeted returns, or fully invest its committed capital.

#### Limited Number of Investments

Each Fund intends to participate in a limited number of portfolio investments and, as a consequence, the aggregate return of the Fund may be adversely affected by the unfavorable performance of even a single portfolio investment. Although the general partner of a Fund and Webster Capital intend to diversify that Fund's portfolio, the ability of the general partner and Webster Capital to achieve this objective could adversely affect the performance of a Fund. Furthermore, to the extent that the capital raised for a Fund is less than the targeted amount for such Fund, that Fund may invest in fewer portfolio companies and thus be less diversified.

#### Illiquidity of Portfolio Investments.

It is anticipated that all or a substantial portion of a Fund's investments will consist of securities that are subject to restrictions on sale by the Fund because they were acquired from the issuer in "private placement" transactions or because the Fund is deemed to be an affiliate of the issuer. Generally, the Fund will not be able to sell these securities publicly without the expense and time required to register the securities under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or will be able to sell the securities only under Rule 144 or other rules under the Securities Act, which permit only limited sales under specified conditions. When restricted securities are sold to the public, the Fund may be deemed an "underwriter," or possibly a controlling person, with respect thereto for the purpose of the Securities Act and be subject to liability as such under the Securities Act.

In addition, practical limitations may inhibit a Fund's ability to liquidate certain of its investments in the portfolio companies since the issuer will be privately held and the Fund will own a relatively large percentage of the issuer's equity securities. Sales may also be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. The above limitations on liquidity of a Fund's investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

#### Leveraged Nature of Investments.

While investments in highly leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. The Fund's portfolio companies may involve high degrees of leverage, as a result of which recessions, operating problems, and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Also, increased interest rates generally increase portfolio company interest expenses. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company. The Fund may also guaranty the obligations of its portfolio companies. If a portfolio company defaults on its obligations, the Fund may be required to satisfy such obligation.

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#### Geographic Concentration Risk

The Funds will focus their investments primarily in companies headquartered in, or with revenues primarily derived from, the United States or Canada and therefore will be particularly vulnerable to events affecting companies in these regions. Additionally, the economy of a particular country in which the Funds may invest is influenced by economic and market considerations in other countries in the region. Investors' reactions to events in one country can have adverse effects on the securities of companies and the value of property and related assets in other countries in which the Funds may invest. The Funds' performance may be worse than the performance of other funds that invest more broadly geographically.

#### Investments in Less Established Companies

The Fund may invest in the securities of companies that have little operating history. Investments in such companies may involve greater risks than are generally associated with investments in more established companies. Such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. Further, the marketplace for the sale of interests in smaller, private companies may be more limited than that for the sale of larger companies and thus may make realizations of gains more difficult if a portfolio company remains smaller. Less established companies may have lower capitalizations and fewer resources than companies with long operating histories, and therefore may be more vulnerable to financial failure.

#### Lack of Control in Minority Investments

While the Funds will typically make control investments, certain of the Funds' investments may represent minority positions in portfolio companies, without power individually to exert significant control over such portfolio companies' boards of directors and management. In such cases, the Fund will rely significantly on the existing management and boards of directors of such companies, which may include representatives of other investors with whom the Fund is not affiliated and whose interests or views may conflict with the interest of the Fund.

#### Need for Additional Capital

The Funds' portfolio companies may require additional financing from sources outside their respective Fund to satisfy their capital requirements. The availability of such capital may be a function of capital market conditions that are beyond the control of the respective Fund or any portfolio company. There is no assurance that additional funds will be available from desired sources or on terms favorable to the portfolio companies.

#### Reliance on the General Partner and the Principals

The investors in the Funds will have no right or power to participate in the management of the Funds. Accordingly, no investor should purchase any interest in a Fund unless it is willing to entrust all aspects of management of such Fund to the general partner of the Fund. The investors will be relying on the management expertise of the Fund's general partner and Webster Capital in identifying, acquiring, administering and disposing of investments by the Fund. The investors in a Fund will not receive detailed financial information issued by portfolio companies in which the Fund invests, which will be available to the Fund's general partner. In addition, if for any reason Webster Capital (or its principals) should cease to be involved in the management of a Fund, suitable replacements may be difficult to obtain, with the result that the performance of the Fund may be adversely affected.

#### Illiquidity of LP Interests

An investment in a Fund is a long-term commitment. Interests are highly illiquid and have no public market value. No secondary market for the Fund interests exists, and no such market will be established or supported by the general partner or Webster Capital. Furthermore, the sale or transfer of an interests in a Fund is subject to approval of the Fund's general partner and other restrictions contained in the Fund's partnership agreement. An investment in the Fund is suitable only for persons and entities which have no need for liquidity with respect to their investment. Voluntary withdrawals of the Fund interests are not permitted except under certain limited

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circumstances, generally relevant only with respect to ERISA investors. The Fund interests have not been registered under the Securities Act, nor is any such registration contemplated.

#### Consequences of Default

If an investor fails to pay in full any requested capital contributions, the Fund's general partner may take certain actions against the investor, including pursuing any legal and/or equitable remedies that may be available or taking additional actions as are more fully described in the Fund's partnership agreement.

#### Distributions in Kind

The general partner of a Fund may distribute the proceeds of certain of the Fund's investments in securities or other non-cash property. Significant sales of securities by investors following such distribution in kind could create downward pressure on the trading price of those securities.

#### Confidentiality

The partnership agreement for each Fund contains confidentiality provisions intended to protect the proprietary and other information relating to the Fund and the Fund's portfolio companies. To the extent that such information is publicly disclosed, competitors of the Fund and/or competitors of its portfolio companies, and others, may benefit from such information, thereby adversely affecting the Fund, its portfolio companies, the general partner of the Fund, and the economic interests of the Fund's investors.

#### Litigation Risks

Each Fund will be subject to a variety of litigation risks, particularly if one or more of its portfolio companies face financial or other difficulties during the term of the Fund.

#### Investments in Pass-Through Entities

As more and more businesses are organized as limited liability companies, it is possible that the Funds' investment portfolio may include one or more such entities, which may be treated as "pass-through entities" for U.S. federal income tax purposes. A Fund's investment in an entity which is treated as a pass-through entity could result in: (a) the generation of taxable income for the Fund and its Partners (as defined below), even though they will not necessarily receive the cash flow related to such taxable income, (b) the generation of additional unrelated business taxable income for tax-exempt investors that invest directly in the Fund, and (c) the treatment of the Fund (and therefore its Partners, including Partners that are domiciled outside the United States that invest directly in the Fund) as being engaged in the conduct of a United States trade or business. See Section IX ("Certain Tax, ERISA, and Regulatory Considerations — Certain U.S. Federal Income Tax Considerations").

#### Limited Recourse and Indemnification

Each Fund's partnership agreement limits the circumstances under which the Fund's general partner (and certain other related or affiliated parties) and Webster Capital ("Covered Persons"), can be held liable to the Fund. As a result, investors may have a more limited right of action in certain cases than they would have in the absence of such a limitation. In addition, each Fund's partnership agreement provides for indemnification of the Covered Persons regarding activities undertaken by them on the Fund's behalf. Any indemnification claim may be paid out of Fund assets, and investors may be required to return distributions in satisfaction of such a claim.

#### Securities Law Matters

The interests in each Fund are not and will not be registered under the Securities Act, or any other securities laws, including state securities or blue-sky laws. The interests in each Fund will only be offered and sold to "accredited investors" as defined in Rule 501 of Regulation D promulgated under the Securities Act. Such interests will be offered without registration in reliance upon the Securities Act exemption for transactions not involving a public offering. Investors in a Fund will be required to make certain representations to the Fund,

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including that they are acquiring interests in the Fund for their own account, for investment purposes only and not with a view to their distribution.

#### Investment Company Act Considerations

The funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Therefore, investors in the Funds are not afforded the protection provided by the Investment Company Act and the extensive regulations thereunder.

#### C. Recommending Specific Types of Securities

Webster Capital’s investment strategy and methods of analysis are described in Item 8 herein.

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#### ***Disciplinary Information***

Form ADV Part 2A, Item 9

As a registered investment adviser, Webster Capital is required to disclose all material facts regarding any legal or disciplinary events that would materially affect an evaluation of the Company or the integrity of its management. However, information required by this Item is not applicable to Webster Capital.



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#### ***Other Financial Industry Activities and Affiliations***

Form ADV Part 2A, Item 10

Information required by this Item is not applicable to Webster Capital.

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

Form ADV Part 2A, Item 11

##### **A. Code of Ethics**

Webster Capital has adopted a code of ethics that sets forth standards of ethical conduct and requires compliance with federal securities laws. The code of ethics requires that designated personnel report personal securities holdings and transactions and obtain preapproval of certain investments. Webster Capital has also adopted an insider trading policy that restricts the use and communication of material nonpublic information. Webster Capital will provide a copy of the code of ethics and insider trading policy to clients and prospective clients upon request. Key tenets of Webster Capital's code of ethics include the following:

- Avoid activities that could interfere with obligations Webster Capital owes to its clients;
- Maintain independence in the investment decision-making process;
- Never engage in any act, practice or course of business that could be considered fraudulent, deceptive or manipulative in respect of any current or prospective client or Fund investor; and
- Act in a manner that complies not only with the letter of the law, but also the ideals of openness, integrity, honesty and trust.
- Employees are required to certify their receipt of Webster Capital's code of ethics.
- Employees may not give or accept gifts or entertainment that are inappropriate or could be seen as excessive.
- All supervised persons are required to pre-clear any transactions in privately offered securities and initial public offerings.
- Employees that become aware of any violation of the code of ethics are required to report such violation to the Chief Compliance Officer.

##### **B. Conflicts of Interest**

Due to the nature of its business activities, Webster Capital and its related persons may experience times where a conflict of interest might arise between certain parties. Set forth below are certain possible conflicts of interest and courses of action Webster capital may take to mitigate these conflicts.

##### Impact of Carried Interest Structure

In Webster II and Webster III, The General Partner is entitled to 20% of the net profits generated by the Fund, but does not have to bear 20% of the net losses, if any, suffered by the Fund. This feature may cause the General Partner to make investments that have a greater risk/reward profile than would be the case in the absence of such a feature.

##### Management Fee Payable Regardless of the Fund's Performance

For Webster II and Webster III, the Management Fee is required to be paid to Webster even if the Fund experiences net losses in a particular year or over the term of the Fund.

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#### Other Activities of the Partners

The Partners will devote such time as is necessary to conduct the affairs of the Fund in an appropriate manner. However, the Partners will be engaged in some activities unrelated to the Fund, including without limitation supervising the investments of the prior funds. The performance of the Fund could be adversely affected by the other professional commitments of the Partners.

#### No Arms-Length Negotiation

The agreements and arrangements among the Fund, its general partner, its members, Webster Capital and their affiliates have been established by the Fund's general partner and are not the result of arm's-length negotiations. In addition, investors in the Founders Fund received a percentage of the carried interest in Webster II, which was negotiated as an inducement to invest in the affiliated fund.

#### General Partners' Interests

The capital commitment of each general partner represents only a small portion of the applicable Fund's aggregate capital commitments. Distributions of portfolio profits to investors may be proportionally less than those corresponding to their aggregate capital commitments, and distributions of portfolio profits to the Fund's general partner may be proportionally greater than those corresponding to its capital commitment. The right of the Fund's general partner to its carried interest may create an incentive for the general partner to make investments that may be more risky or speculative than otherwise.

#### Diverse Investors

The investors in a Fund may have conflicting investment, tax, and other interests with respect to their investments in such Fund. The conflicting interests of individual investors in a Fund may relate to or arise from, among other things, the nature of investments made by such Fund, the structuring or the acquisition of investments, and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with a recommendation made by Webster Capital and decisions made by the general partner of the Fund, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, particularly with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the partnership, Webster Capital and the General Partner will consider the investment and tax objectives of the Fund and their respective partners as a whole, not the investment, tax, or other objectives of any investor individually.

#### Formation of Successor Funds

Pursuant to the terms of the Partnership Agreement, the General Partner may, under certain conditions, establish additional investment funds which may be competitive with the other Funds, or other types of funds, and there can be no assurance that the creation of such additional partnerships will not give rise to conflicts of interest between the limited partners of the respective partnerships.

#### Co-investment Opportunities

The General Partner may determine that it is desirable for any portion of an investment opportunity to be purchased by third parties (including, without limitation, Limited Partners, strategic partners, other investors or such persons acting as finders or brokers of transactions). To the extent the General Partner determines that it is desirable for any portion of an investment opportunity to be purchased by such third parties, such opportunity need not be made available to the Fund.

No Limited Partner has a right to participate in any such co-investment opportunity, subject to any side letter requirements with such Limited Partner. Decisions regarding whether and to whom to offer such co-investment opportunities are made in the sole discretion of the General Partner. Such co-investment opportunities may be offered to some and not other Limited Partners, or to third parties, in the sole discretion of the General Partner. Limited Partners and/or third parties may purchase their interests in a portfolio company at the same time as the

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Fund, or purchase such interests from the Fund after the Fund has consummated its investment in the portfolio company (also known as a post-closing sell-down or transfer).

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment to and among potential co-investors and the terms thereof, the General Partner may consider some or all of a wide range of factors, which may include, but are not limited to, the following:

- The General Partner's evaluation of the co-investment party's level of interest in investment opportunities (including level of interest in a particular industry or type of business), and size and financial resources of the potential co-investment party;
- The General Partner's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the Fund without harming or otherwise prejudicing the Fund, in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
- Whether the General Partner believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide longer-term benefits to the Funds or successor funds, the General Partner or the applicable portfolio company;
- The General Partner's evaluation of its past experiences and relationships with the potential co-investor, such as the willingness or ability of such person to respond promptly and/or affirmatively to potential investment opportunities previously offered by the General Partner;
- The General Partner's evaluation of whether the profile or characteristics of the potential co-investor may have a positive or negative impact on the viability, prospects or terms of the proposed investment opportunity and the ability of the Fund to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investor, or the jurisdiction in which the potential co-investor is based, may affect the terms, structure, or cause other issues with respect to the Fund's participation in such investment opportunity);
- The General Partner's evaluation of whether the investment opportunity may subject the target company, the Fund or the potential co-investor to legal, tax, regulatory, contractual, reporting, public relations, media or other burdens that make it less desirable for such co-investor to participate in a potential investment opportunity; and
- Any confidentiality concerns the General Partner may have that may arise in connection with providing the potential co-investor with specific information relating to the investment opportunity in order to permit such person or entity to evaluate the investment opportunity.

The General Partner's exercise of its discretion in allocating investment opportunities among the persons, including the Fund, Limited Partners and third parties, 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 other such persons. While the General Partner will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that the 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 General Partner may be subject did not exist.

#### Conflicts Related to Purchases and Sales

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by other Funds, or in a transaction where another Fund has already made an investment. Investment opportunities may be appropriate for Funds at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in 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

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finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. Investments by more than one client of the Adviser in a portfolio company may also raise the risk of using assets of a client of the Adviser to support positions taken by other clients of the Adviser. Employees and related persons of the Adviser and its affiliates have made or may make capital investments in or alongside certain Funds, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A Fund may invest in opportunities that other Funds have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds have invested.

From time to time the Adviser may, in its discretion, enter into transactions with investors in one or more Funds to dispose of all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, the Adviser may consider some or all of the factors listed above under "Co-Investment Opportunities". The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s). Any such transactions will comply with the organizational documents of the applicable Fund(s).

#### Fee Structure

Because there is a fixed investment period after which capital from investors in the Funds may only be drawn down in limited circumstances and because Advisory Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure may create an incentive to deploy capital when the Adviser may not otherwise have done so.

Additionally, as discussed above in Item 6, the General Partners of Webster II and Webster III are entitled to Carried Interest under the terms of the limited partnership agreements of such Funds. Such general partners are affiliates of the Adviser. The existence of the General Partners' Carried Interest may create an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

#### Co-Investment by Principals.

The principals of Webster Capital and their affiliates may co-invest in investments by a Fund, provided that such investments are made on terms that are no more favorable than the terms upon which the Fund invests. In addition, such co-investment is permitted only after a Fund has participated in such investment to the extent judged desirable by the general partner of the Fund.

#### Agreements with Certain Investors

The General Partner, on its own behalf and on behalf of a Fund, may enter into a side letter or similar agreement with a Limited Partner, which has the effect of establishing, supplementing, or altering the terms of the Partnership Agreement applicable to such Limited Partner in a manner that is more favorable to such Limited Partner. Other Limited Partners will not benefit from the terms of such side letter or similar agreement.

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#### Excluded Investment Opportunities.

Certain types of investments that might be suitable for one or both of the Funds are excluded from the general obligation of the respective general partners of the Funds and the principals of Webster Capital to offer to the Funds suitable investment opportunities. Excluded opportunities generally include those related to current portfolio holdings of prior investment funds and activities and investment opportunities related to companies for which the principals of Webster capital have fiduciary duties. This may result in certain investment opportunities that are otherwise suitable for one or both of the Funds not being presented to the Funds.

#### Exculpation and Indemnification

Certain exculpation provisions contained in the Partnership Agreement may limit the rights of action otherwise available to Limited Partners against the General Partner and its affiliates, including the Management Company and the Key Persons (as defined below). In addition, the Fund is obligated to indemnify the General Partner and its affiliates in respect of the operations of the Fund, subject to certain limited exceptions involving willful misconduct and gross negligence. In addition, the Fund may be required to advance indemnification expenses to the General Partner and its affiliates in advance of a final determination that such parties are entitled to indemnification.

#### Other Conflicting Interests

In connection with the current and potential future activities of the General Partners of the Funds and Webster Capital, the interests of the General Partners of the Funds and Webster Capital may conflict with the interests of the Funds and its Limited Partners. The relationships between the Funds managed by Webster Capital and the General Partners of the Funds, and certain transactions, may also present actual and potential conflicts of interest. Potential conflicts of interest include, but are not limited to, the following:

Follow-on investments may present conflicts of interest, including determination of the equity component and other terms of the new financing.

1. A Fund may participate in leveraging and recapitalization transactions involving portfolio companies. Recapitalization transactions present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is lower than market value and whether new investors are paying too high a price for the company or purchasing securities with terms that are less favorable than prevailing market terms.
2. Legal counsel to a Fund and the auditor for a Fund may also represent the General Partner, Webster Capital, and the other Funds, and their respective affiliates.
3. The existence of the General Partner's carried interest may create an incentive for the General Partner to cause a Fund to make more speculative investments than it would otherwise make in the absence of performance-based compensation.

The General Partner and the general partners of the other Webster Funds will attempt to resolve all such conflicts using their best judgment but in their sole discretion, and the General Partner and the Fund nonetheless may engage in such activities and pursue such transactions actively, except as specifically restricted by the Partnership Agreement. By acquiring an Interest, each investor will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and, to the fullest extent permitted by applicable law, to have waived any claims with respect to such conflicts of interest.

#### Resolution of Conflicts

Webster Capital will seek to disclose to the advisory board for a Fund any specific conflicts of interest that arise and that are considered material to investors in such Fund. Conflicts of interest will be resolved by considering the relative interests of each party (including the interests of the principals of Webster Capital, the interests of the Fund and its investors, and the interests of any company to which a principal of Webster Capital owes a fiduciary duty, if applicable) involved in the conflict and other appropriate factors, such as the benefits and burdens relating to the interests in conflict, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles.

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The following organizational structure has been put in place to mitigate any conflicts of interests between and among Webster Capital and its clients:

- Use of an Investment Committee for each Fund with majority vote requirements to approve investments involving other Funds;
- Financial compensation for principals of Webster Capital working exclusively on a Fund is based solely on the performance of that Fund
- Veto rights of the Fund Managing Member
- Recusal by interested principals of Webster Capital from investment decisions involving conflicts over investment opportunities for Fund clients
- Third-party co-investors will be brought in to support certain investments made by a Fund in support of another Fund.
- Each Fund will have an investor Advisory Board consisting of more than three investors that will need to approve all Fund investments in portfolio companies of other Webster Capital funds
- Incorporation of dispute resolution often involving requirement for Webster Capital and the applicable Fund to work with investor representatives to determine appropriate action in the event of a dispute or conflict situation.

Webster Capital has also adopted a code of ethics that sets forth standards of ethical conduct and requires compliance with federal securities laws. The code of ethics requires all supervised persons to report personal securities holdings and transactions and obtain preapproval of certain investments. Webster Capital has also adopted an insider trading policy that restricts the use and communication of material nonpublic information, and a Political Contributions Policy to comply with applicable law and to avoid the appearance of impropriety in connection with political contributions.

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#### ***Brokerage Practices***

Form ADV Part 2A, Item 12

Due to the nature of the Funds as private equity funds and their respective stated investment strategies, broker-dealers are generally not involved in any material way in executing transactions on behalf of the Funds. In the event a broker-dealer is required to provide services to a Fund, the selection of such broker-dealer will be directed by the Fund's general partner. Webster Capital has advised the general partner of each Fund that not all advisers require their clients to direct brokerage and that by directing brokerage the adviser is not able to assist the Funds in achieving the most favorable execution of transactions, where applicable, and accordingly this practice may cost the Funds more money. The impact of directed brokerage is expected to be limited because of the limited nature of the use of broker-dealers in the operation of the Funds.



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#### ***Review of Accounts***

Form ADV Part 2A, Item 13

For each investment, a Fund typically will have a board seat or board observation rights and will receive monthly, quarterly and annual financial reporting packages that address operational and financial performance.

Detailed reports on portfolio company progress and financial performance will be presented annually to each Fund's advisory board and/or investment committee, as the case may be. Webster Capital will assist each Fund with monitoring its investments. The metrics to be monitored vary by company based on industry but typically will include: measurements of revenue and profit margins, customer acquisition and growth, cost to acquire, customer stability and satisfaction; operating efficiencies, service measurements, such as cost per transaction and profit per transaction, product capacity, efficiency, output, quality, product mix, product line profitability, return on investment for newer initiatives, capital expenditures, retail store openings (if retail), and new product or services launched, etc.

Each Fund will furnish to its investors: (i) audited financial statements to the investors annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each investor's tax returns, and (iv) descriptive investment information for each portfolio company annually.

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#### ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

Neither Webster Capital nor any related person has any arrangements, oral or in writing, where it is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients. Webster Capital's code of ethics generally prohibits employees from accepting gifts, favors, and other inducements from counterparties or service providers. Webster Capital does not compensate any person who is not a supervised person of Webster Capital for client referrals.

While not a client solicitation arrangement, the Adviser may from time to time engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Such fees are generally paid by the Adviser.

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#### ***Custody***

Form ADV Part 2A, Item 15

Funds and securities of the Funds are held by qualified custodians. Investors receive account statements directly from the qualified custodian at least quarterly. Each Fund is audited at least annually by an independent public accountant registered with, and subject to regulation inspection by, the Public Company Accounting Oversight Board and each investor in a Fund receives audited financial statements within 180 days of the end of the Fund's fiscal year.

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#### ***Investment Discretion***

Form ADV Part 2A, Item 16

Under the terms of each Fund's partnership agreement, the general partner of the Fund will exercise final approval with respect to the selection of portfolio companies and investments for the Fund. The general partner of a Fund has, in certain instances, delegated to the Fund's advisory board and/or investment committee certain responsibilities with respect to Fund investments. Webster Capital will provide investment management services through a management agreement with each Fund's general partner. Pursuant to the management agreement, Webster Capital will perform due diligence on investment opportunities, assist with negotiating the terms of each investment, advise the Fund's general partner, advisory board and investment committee, as the case may be, on the selection of portfolio companies and investments for the Fund, as well as perform such other duties as are delegated to it by the general partner.

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#### ***Voting Client Securities***

Form ADV Part 2A, Item 17

Webster Capital is not authorized to vote, and will not be responsible for voting, proxies with respect to any of the Funds' portfolio companies or securities. The general partner of each Fund is solely authorized to vote, and will be solely responsible for voting, any such proxies or securities with respect to a Fund.

All of the investments under Webster Capital are in private securities and none of Webster Capital's Clients hold any mutual funds as an investment.

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#### ***Financial Information***

Form ADV Part 2A, Item 18

Information required by this Item is not applicable to Webster Capital.