

**INVESTMENT ADVISER BROCHURE**

**BRUCKMANN, ROSSER, SHERRILL & CO. MANAGEMENT, L.P.**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Bruckmann, Rosser, Sherrill & Co. Management, L.P., a Delaware limited partnership (“BRS Management”). If you have any questions about the contents of this Brochure, please contact us at 212-521-3700. 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.**

BRS Management 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 BRS Management is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

BRS Management filed its most recent Form ADV Part 2 on December 13, 2017. This annual amendment reflects (i) information relating to BRS Management's assets under management.

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>Material Changes .....</b>	<b>ii</b>
<b>Advisory Business .....</b>	<b>1</b>
<b>Fees and Compensation.....</b>	<b>3</b>
<b>Performance-Based Fees and Side-By-Side Management .....</b>	<b>6</b>
<b>Types of Clients.....</b>	<b>6</b>
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>7</b>
<b>Disciplinary Information.....</b>	<b>26</b>
<b>Other Financial Industry Activities and Affiliations.....</b>	<b>26</b>
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>27</b>
<b>Brokerage Practices .....</b>	<b>28</b>
<b>Review Of Accounts.....</b>	<b>30</b>
<b>Client Referrals and Other Compensation.....</b>	<b>30</b>
<b>Custody .....</b>	<b>30</b>
<b>Investment Discretion.....</b>	<b>30</b>
<b>Voting Client Securities.....</b>	<b>31</b>
<b>Financial Information.....</b>	<b>31</b>
<b>Supplemental Information About Certain Managing Partners of BRS Management.....</b>	<b>32</b>

## ADVISORY BUSINESS

Bruckmann, Rosser, Sherrill & Co. is a private investment management firm, including registered investment advisory entities and other affiliated organizations affiliated with Bruckmann, Rosser, Sherrill & Co. Management, L.P., a Delaware limited partnership (“**BRS Management**” and, together with such affiliated organizations, collectively, “**BRS**”), that manages approximately \$665.9 million in private fund assets.

BRS Management is a registered investment adviser that commenced operations in August 2007. BRS Management and, as more fully described below, its affiliated investment advisers provide investment advisory services to the following private investment funds: Bruckmann, Rosser, Sherrill & Co. II, L.P., a Delaware limited partnership (“**Fund II**”), Bruckmann, Rosser, Sherrill & Co. III, L.P., a Delaware limited partnership (“**Fund III**”) and BRS Coinvestor III, L.P., a Delaware limited partnership (“**Coinvest III**”, and together with Fund II and Fund III, each a “**Fund**” and collectively, the “**Funds**”, and the Funds, together with any future private investment fund managed by BRS Management, the “**Private Investment Funds**”).

The Funds and any other Private Investment Funds are private equity funds and invest through negotiated transactions in operating entities generally referred to herein as “portfolio companies”. BRS Management’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted subject to certain limitations set forth in the applicable Fund’s limited partnership or other operating agreements or governing documents (each a “**Limited Partnership Agreement**”). The senior principals or other personnel of BRS Management or its affiliates typically serve on the portfolio companies’ respective boards of directors or otherwise act to influence control over the management of a Fund’s portfolio companies. The Fund II commitment period has expired. Fund II is no longer investing or making follow-on investments and is in the process of selling its existing investments. The Fund III commitment period has expired. Fund III is no longer making new investments but will continue to make follow-on investments.

BRS Management’s advisory services to the Private Investment Funds are further detailed in the applicable private placement memorandum and the supplements thereto (each, a “**Private Placement Memorandum**” and, collectively, the “**Private Placement Memoranda**”) and the Limited Partnership Agreements of the Funds and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Private Investment 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 Limited Partnership Agreement. The Funds or the General Partners have entered into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Limited Partnership Agreement with respect to such investors.

The Fund II and Fund III related investment advisers affiliated with BRS Management are comprised of the following:

BRSE, L.L.C. (“**Fund II GP**”), BRS GP III, L.P. (“**Fund III GP**”), BRS Coinvestor GP III, L.L.C. (“**Coinvest III GP**”), BRS GP IV, L.P. (“**Fund IV GP**” and together with Fund II GP, Fund III GP and Coinvest III GP, the “**General Partners**”), Bruckmann, Rosser, Sherrill & Co., L.L.C. (“**Fund II Manager**” or “**BRS LLC**”), BRS Management III, L.P. (“**Manager III**”) BRS Management IV, L.P. (“**Manager IV**” and together with the General Partners, Fund II Manager and Manager III, the “**Affiliated Advisers**” and the Affiliated Advisers together with BRS Management, the “**Advisers**”).

Fund II GP, a Delaware limited partnership is the general partner of Fund II and has delegated the management of the business and affairs of Fund II to BRS LLC, which in turn has delegated such management to BRS Management. Fund III GP, a Delaware limited partnership, is the general partner of Fund III and has delegated the management of the business and affairs of Fund III to Manager III, which in turn has delegated such management to BRS Management. Coinvest III GP, a Delaware limited partnership, is the general partner of Coinvest III. In its capacity as the investment manager of the Funds (other than BRS Coinvest III), either directly or indirectly through one or more of its affiliates, BRS Management has the authority to manage business and affairs of such Funds.

Additionally, from time to time and as permitted by the relevant Limited 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, BRS Management’s personnel and/or certain other persons associated with BRS Management and/or its affiliates (to the extent not prohibited by the applicable Limited Partnership Agreement). 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. Where appropriate, and in BRS Management’s sole discretion, BRS Management is authorized to charge interest on the purchase to the co-investor or co-invest vehicle, and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As of December 31, 2017, BRS Management managed \$665.9 million in client assets on a discretionary basis. BRS Management is controlled by its general partner, BRS LLC, which is controlled by Bruce C. Bruckmann, Stephen C. Sherrill and Thomas J. Baldwin (the “**Managing Partners**”). The Managing Partners are the principal owners of BRS Management. Bruce C. Bruckmann, Stephen C. Sherrill and Harold O. Rosser are the principal owners of BRS LLC. Manager III is controlled by its general partner, Bruckmann, Rosser, Sherrill & Co. III, L.L.C. (“**Fund III UGP**”), which is controlled by the Managing Partners. The Managing Partners are

(directly or indirectly) the principal owners of Manager III. The Managing Partners are the principal owners of Fund III UGP. Manager IV is controlled by its general partner, BRS & Co. IV, L.L.C. (“**Fund IV UGP**”), which is controlled by the Managing Partners. The Managing Partners are (directly or indirectly) the principal owners of Manager IV. Each Adviser is subject to the Advisers Act pursuant to BRS Management’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each Adviser, which operates as a single advisory business together with BRS Management.

## **FEES AND COMPENSATION**

BRS Management receives a management fee (“**Management Fee**”) paid by Fund III in connection with advisory services it provides. BRS Management receives additional compensation in connection with management and other services performed for portfolio companies of Fund II and Fund III and such additional compensation will offset in whole or in part the Management Fee otherwise payable by the Funds. Limited partners in the Funds also bear certain fund expenses.

### **Management Fees**

#### *Fund II*

Fund II no longer pays any Management Fee.

#### *Fund III*

Unless waived by Manager III, Fund III pays a Management Fee in advance on a semi-annual basis for the semi-annual period commencing on January 1 and July 1 of each year, payable on March 30 and September 30 of each such year, in arrears with respect to the first ninety days of the period and in advance for the remainder of such period. During the Fund III commitment period, the Management Fee is equal to 2% per annum of the partners’ aggregate capital commitments. Effective at the end of the commitment period and running through the final distribution of Fund III’s assets, the Management Fee will be 1.75% per annum of the aggregate amount of capital contributions for investments with respect to portfolio company investments that have not been disposed of or completely written-off for U.S. federal income tax purposes. Payments of the Management Fee will reduce unfunded commitments.

The Management Fee payable by Fund III to BRS Management will be reduced by (i) 100% of any private placement agent fees paid by Fund III, (ii) organizational expenses in excess of \$1.5 million and (iii) 80% of Portfolio Company Fees (as defined below) received by BRS Management that are attributable to Fund III (“**Offset Fees**”). All Offset Fees received by BRS Management will reduce the Management Fee for the semi-annual period immediately following the Fund’s semi-annual period of receipt and, if the amount of such Offset Fees exceeds the Management Fee for such semi-annual period, each subsequent semi-annual period. “**Portfolio Company Fees**” means closing fees, commitment fees, monitoring fees, director’s fees, break-up fees, consulting fees, managing fees or any other similar fees received by BRS Management from a portfolio company or a prospective portfolio company of Fund III.

Manager III reserves the right to waive all or a portion of any installment of the Management Fee. Any waived portion of a Management Fee installment shall (i) reduce later capital contributions of Manager III, in its capacity as a limited partner, to Fund III and (ii) correspondingly, increase later capital contributions of the other limited partners to Fund III. Waived or reduced Management Fees are not subject to the Management Fee offsets described below. Due to waived or reduced Management Fees by Manager III and/or timing of receipt of compensation subject to offsets (as described below), it is possible that Management Fee offsets will not be fully realized by investors in Fund III, resulting in a net additional benefit to Manager III or BRS Management.

Fund III will also pay (or reimburse Manager III) for certain out-of-pocket organizational expenses (excluding placement agent fees) incurred in connection with the organization and funding of Fund III, Fund III GP and Manager III. Manager III will bear responsibility for such organizational expenses in excess of \$1.5 million through an offset against the applicable Management Fee (as described above). Any placement agent fees will be paid by Fund III but applied as an offset against the applicable Management Fee as described above.

The Management Fee will be further reduced in the circumstances and by the amounts described in the Fund III Limited Partnership Agreement.

#### *Coinvest III*

Coinvest III is not subject to a Management Fee.

#### **Other Fees**

As a matter of practice, BRS Management is typically paid fees of the type referred to in the preceding paragraphs from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors. Additionally, as further described below and in the applicable Private Placement Memorandum, it is the Advisers' practice to retain certain operating managers to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. Such operating managers generally receive compensation and other amounts described herein, but no such amounts will result in additional offsets to the Management Fee.

#### **Other Information**

BRS Management is permitted to exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including BRS Management and any other person designated by BRS Management. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by BRS Management and/or its affiliates, or through other Funds which co-invest with a Fund.

The Funds and any other Private Investment Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Limited Partnership Agreements over the term of the Funds (or the relevant

Private Investment Funds, as applicable) and limited partners are not permitted to withdraw or redeem interests in the Funds (or other relevant Private Investment Funds, as applicable).

Principals or other current or former employees of BRS Management generally receive a portion of the Management Fee, carried interest or other compensation received by BRS Management or its affiliates.

In addition to the Management Fee and Carried Interest (as defined below), the Funds bear certain expenses. As set forth in their Limited Partnership Agreements, the Funds bear certain expenses to the extent not paid by portfolio companies, including legal, accounting, auditing, investment banking, travel, printing, consulting, research, brokerage, finder's fees, custody, transfer, government and registration, insurance, advisory board, interest, taxes and other similar fees and expenses. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices." As set forth in their Limited Partnership Agreements, certain Funds may also bear certain costs, expenses, liabilities and obligations relating to transactions that are not consummated (including, without limitation, legal, accounting, auditing, insurance, travel, consulting, finders', financing, appraisal, filing, printing, real estate title and other fees and expenses) ("**Broken Deal Expenses**"). Certain co-investors' participation may be confirmed, in connection with the consummation of a transaction. Accordingly, 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, and no other co-investors' participation had previously been confirmed, all Broken Deal Expenses relating to such unconsummated transaction will be borne by the Fund(s) that were to have participated in such transaction, and not by any such prospective co-investors.

In certain circumstances, one Fund is expected to 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 BRS Management believes such circumstances to be highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, BRS Management is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

BRS and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the fee 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 BRS and/or its affiliates on the other hand.

## **Operating Managers**

Additionally, as further described herein and in the applicable Private Placement Memorandum and/or Limited Partnership Agreement of each Fund, it is the Advisers' practice to retain certain operating managers, including but not limited to individuals from BRS



Management's network of industry professionals, to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such operating managers are not employees, members or partners of BRS Management and generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Operating managers receive compensation, including, but not limited to cash fees, retainers, transaction fees, a profits or equity interest in a portfolio company, profits or equity interests in one or more Funds or General Partners, remuneration from BRS Management and/or its Funds or affiliates or other compensation, which typically are determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such operating managers, 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. Operating managers also generally will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset the Management Fee. The use of operating managers subjects the Advisers to conflicts of interest, as discussed under "Conflicts of Interest," below.

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

BRS Management does not receive a carried interest allocation ("Carried Interest") for its advisory services to the Funds. Rather, each of Fund II GP and Fund III GP receive a Carried Interest equal to 20% of aggregate realized profits from each of Fund II and Fund III, respectively, in each case if and only if the gains of the third party limited partners exceed an 8% compounded internal rate of return, subject to a General Partner catch-up as more fully described in the applicable Fund's Limited Partnership Agreement. If any General Partner receives Carried Interest distributions during the life of the applicable Fund which are, in the aggregate, in excess of 20% of such Fund's cumulative net profits, then such excess Carried Interest distributions will be subject to repayment by such General Partner in accordance with the applicable Limited Partnership Agreement. Except for Coinvest III, the Advisers do not advise Private Investment Funds not subject to a Carried Interest.

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although BRS Management generally considers performance-based compensation to better align its interests with those of its investors.

#### **TYPES OF CLIENTS**

BRS Management provides investment advice to Private Investment Funds, including the Funds. Private Investment 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 Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, 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 BRS Management and its affiliates and members of their families or other service providers retained by BRS Management.

The Funds are closed to new investors subscribing for new interests. The Funds generally had a minimum investment amount of \$1 million, although the General Partners accepted smaller participations. Fund II and Fund III interests were offered, on occasion, and sold solely to accredited investors within the meaning of the rules promulgated under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) who are also qualified clients (or qualified knowledgeable BRS personnel).

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

### **General**

The Advisers provide investment advisory services to the Funds, as applicable, and share common owners and personnel. Accordingly, the Advisers’ investment methodology is described below.

BRS Management typically seeks to create a diversified portfolio for its Private Investment Funds consisting primarily of control investments in U.S. consumer (and consumer-related) goods and services businesses (or suppliers of those businesses) with enterprise values of between \$50 million and \$250 million.

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

### **Investment and Operating Strategy**

#### Target Market

BRS Management believes its target market is attractive for potential acquisitions because of its consistent volume of acquisition opportunities, the Managing Partners’ relevant investment experience, and the potential for businesses in the target market to grow earnings and generate returns across and financial cycles.

*Large Volume of Acquisition Opportunities.* BRS Management believes that its target market provides opportunities to achieve investment returns over time due to:

- what BRS Management perceives as a steady flow of businesses for sale, including family businesses, portfolio companies of private equity funds, divisions of larger companies and small public companies.
- what BRS Management perceives as a large universe of businesses that are large enough to be proven enterprises with a sustainable market position and a full management team, yet still have, in BRS Management’s opinion, significant growth opportunities.

*BRS Management Experience.* BRS Management believes it is structured to succeed in its target market by reason of the relevant investment experience of the Managing Partners and their involvement in each BRS transaction.

BRS Management believes that its experience in the consumer sector gives it an appreciation for the factors that are critical to consumer businesses (e.g., same-store sales growth, return on invested capital, scalability, concept appeal, restaurant management). In addition, BRS Management believes that the Managing Partners' experience has built a network of contacts and relationships that help to source investments and may add value both during due diligence and post-investment.

BRS Management believes that by investing in businesses that generate earnings growth, BRS Management will be able to produce returns over time that are not dependent upon the availability of favorable financial market conditions.

#### Differentiated Business Model

BRS Management believes that it employs a business model structured to address the particular requirements of creating and managing a diversified portfolio of control investments in lower middle-market companies. Each portfolio company and each targeted acquisition receives the benefit of the involvement of one of the Managing Partners.

*Role of the Managing Partners.* The senior leadership of the firm is shared among experienced individuals, all of whom remain dedicated to active involvement in the investment process on a deal-by-deal basis.

Each of the Managing Partners participates equally in all investment decisions. Each of the Managing Partners has made a significant personal financial commitment to BRS Management.

#### *BRS Management Investment Process.*

- *Investment approval process* – Every investment by a Fund requires approval by the investment committee. Because the acquisition process typically lasts months, the Managing Partners typically review each transaction at several stages over the course of the acquisition process (e.g., initial introduction, indication of interest, final proposal, binding contract, final closing). At each stage, analytical support is provided to the Managing Partners by BRS Management's professional staff.
- *Transaction structuring* – The Managing Partners make all decisions regarding the fundamental aspects of transaction structuring, including: (1) resolution of key issues in the acquisition agreement (e.g., price, form of consideration and recourse against the seller with respect to issues of concern which are uncovered through due diligence); (2) determination of the appropriate capital structure used to finance the acquisition and selection of the financing sources; (3) determination of the appropriate transaction structures; and (4) structuring appropriate, tax-efficient equity participation in the transaction for management and the seller, as appropriate. BRS Management believes that investment returns can be enhanced with proper attention

to transaction structuring and financial engineering, but these are secondary to the quality of the acquired business and its management.

- *Value-added portfolio company oversight* – In almost all situations, at least one Managing Partner sits on the board of directors or similar governing body of, and bears overall responsibility for, each portfolio investment. The responsible Managing Partner works with management to establish fundamental business strategy, approve annual plans, undertake refinancing and acquisition opportunities, and make appropriate changes in the management team.

The Managing Partners have obtained assistance in portfolio company oversight and management from the network of operating managers with whom the Managing Partners have built relationships over their years of private equity investing. These managers have joined many of the boards of directors of BRS Management portfolio companies and have, in BRS Management's opinion, meaningful operating roles in those companies.

- *Realization strategy and timing* – The Managing Partners are responsible with respect to each portfolio company for determining the strategy for realizing a return upon investment in a manner which, in BRS Management's opinion, will generate both a superior IRR and a superior multiple of capital invested. To accomplish this balance, the Managing Partners must make determinations as to the future earnings growth of each business, the potential for additional growth in value at any given point in time, market conditions for achieving liquidity, the potential for a recapitalization which will allow a partial realization without complete sale of a business, the prospects for sale of a business and the prospects for an IPO for a business, in which case additional decisions need to be made as to the timing of the sale of securities in the IPO or in subsequent offerings.

With respect to recapitalizations and partial realizations, the Managing Partners have experience using the capital markets to obtain a distribution for investors while maintaining equity upside.

*Role of BRS Management Professionals.* BRS Management believes that the ability of the Managing Partners to perform their functions is supported by the BRS Management professional team's ability to: (1) stay informed about and bring to the attention of the Managing Partners businesses that are for sale; (2) accumulate and synthesize for the Managing Partners the business, financial and other due diligence relevant to acquisition opportunities; (3) execute deals (including arrangement of all financing and negotiation of acquisition documentation); (4) perform portfolio company oversight; and (5) assist in execution of financings, acquisitions and other activity of portfolio companies, including execution of sales and other realization events.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. Investors should review each Fund's Private Placement Memoranda for information

regarding risks specific to each Fund. In general, the risks involved with the Adviser's investment strategy and an investment in the Funds include, but are not limited to:

*Business Risks.* The Funds' investment portfolios will consist primarily of securities issued by highly leveraged, 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 Managing Partners' prior investments is not necessarily indicative of the Funds' future results. While the General Partners intend for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rates of return will be achieved. On any given investment, or for any and each Fund, loss of principal is possible. Furthermore, there can be no assurance that a Fund's investments will achieve results similar to those attained by previous investments made by the Advisers. In addition, a Fund's investments may differ from previous investments made by the Advisers in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, market and economic conditions at the time of acquisition or exit, types of companies within a particular industry sector, amount of leverage used, structure and holding period.

*Dynamic Investment Strategy.* While the Advisers generally intend to seek attractive returns for the Funds primarily through making private equity and control-oriented, growth equity investments as described herein, each Adviser may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. Many factors may contribute to changes in emphasis in the investment strategy, including changes in market or economic conditions or regulations as they affect various industries and changes in the political or social situations in particular countries. The Advisers may pursue investments outside of the industries and sectors in which the Advisers have previously made investments or have internal operational experience.

*Investment in Junior Securities.* The securities in which the Funds 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 an investment once made.

*Concentration of Investments.* The Funds will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Funds' investment portfolios could become highly concentrated, and the performance of a few holdings may substantially affect aggregate returns. Furthermore, to the extent that the capital raised by a Fund is less than such Fund's targeted amount, that Fund may invest in fewer portfolio companies than it would ordinarily target and thus be less diversified. In addition, an investor's participation in Fund's investments may be limited by virtue of the relevant General Partner's right to exclude an investor from, or an investor's right to be excused from, participating in certain of the Fund's investments as set forth in the relevant Limited Partnership Agreement, thereby increasing the participation of other investors. As a consequence of one or more investors being excused or other factors limiting investments, the aggregate returns realized by the participating investors could be adversely affected in a material manner by the unfavorable performance of even one investment by a Fund.

*Growth Equity Transactions.* A Fund's strategy may include targeting growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Lack of Sufficient Investment Opportunities.* It is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, limited partners will be required to pay annual management fees during the commitment period based on the entire amount of their Commitments and other expenses as set forth in the relevant Limited Partnership Agreement.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments, if any, are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will 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 annual management fee payable to any of the Advisers) may exceed its income, thereby requiring that the difference be paid from such Fund's capital, including, without limitation, unfunded capital commitments. In addition, there can be no assurance that a Fund will have sufficient cash flow to permit it to make annual distributions in the amounts necessary for the limited partners to pay all tax liabilities resulting from the limited partners' ownership of limited partner interests.

*Leveraged Investments.* A Fund will generally make use of leverage by causing its portfolio companies to incur debt to finance a portion of their purchase or recapitalization. Leverage generally magnifies both the Fund's opportunities for gain, if any, 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 such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. In addition, to the extent a Fund incurs leverage, such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of the Fund.

*Bridge Financings.* From time to time, a Fund may lend or otherwise provide capital to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-

term debt securities or other refinancing or syndication. Such bridge loans may be convertible into a more permanent, long-term security; however, for reasons that may not be in a Fund's control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by a Fund.

*Limited Transferability of Partnership Interests.* There will be no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Limited Partnership Agreement 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 initially be no readily available market for the Fund's investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in-kind to investors. Certain investments may be distributed in kind to 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 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 relevant Limited Partnership Agreement, including the value used to determine the amount of carried interest available to the relevant General Partner with respect to such investment.

*Reliance on the General Partners and Portfolio Company Management.* Control over the operation of the Funds will generally be vested entirely with the General Partners, and each Fund's future profitability will depend largely upon the business and investment acumen of the relevant Fund. The loss or reduction of service of one or more of the principals could have an adverse effect on a Fund's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of the Funds, and as a result, the investment performance of a Fund will depend entirely on the actions of the relevant General Partner. In addition, certain changes in the General Partners or circumstances relating to the General Partners may have an adverse effect on the Funds or one or more portfolio companies including potential acceleration of debt facilities. Although the General Partners will monitor the performance of the relevant Fund's 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 a Fund's objectives.

*Projections.* Projected operating results of a company in which a Fund invests normally will be based on financial projections prepared by each company's management, with adjustment to such projections made by the applicable General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and upon 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.

*Risks Relating to Due Diligence of and Conduct at Portfolio Companies.* Before making investments, each Adviser or one of its designated affiliates will typically conduct such due diligence as they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the each Adviser and/or one of its designated affiliates may rely on the advice received from such third parties. The due diligence investigation carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return of invested capital.

*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 a Fund's activities, including the ability of a Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its 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 a Fund's 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, a Fund 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 a Fund, could adversely affect the ability of the 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 relevant General Partner, to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from the relevant Fund and its General Partner, which could make it more difficult for the the Advisers and their affiliates to incentivize, attract and retain individuals to perform services for its Fund. These same issues may also apply to officers, directors and employees of a Fund's portfolio companies if such persons receive a profits interest in such companies.



*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 the Funds 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 a Fund's ownership in a portfolio company if a third party invests in such portfolio company.

*Non-U.S. Investments.* A Fund may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk 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 such Fund), the application of complex U.S. and foreign tax rules to cross-border investments, possible imposition of foreign taxes on such Fund and/or the Partners with respect to such Fund's income, and possible foreign tax return filing requirements for such Fund and/or the partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (c) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (d) civil disturbances; (e) government instability; (f) nationalization and expropriation of private assets; (g) accounting, auditing and financial reporting standards that may result in less or less useful publicly available information when compared with the information that is generally available with respect to issuers organized in the U.S. and similar jurisdictions; (h) inflation matters, including rapid fluctuations in inflation rates; (i) risks in the securities markets including potential price volatility in and relative illiquidity of some non-US securities markets and potential restrictions on the flow of international capital; (j) adverse changes in investment or exchange control regulations and the possibility of expropriation or confiscatory taxation; (k) withholding taxes payable on certain securities, which may reduce amounts available to make distributions to Limited Partners, the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities and the possible non-U.S. tax return filing requirements for the Funds and/or investors; and (l) and the possibility of difficulties in pursuing legal remedies and collecting judgments.

Certain countries may have a lower per-capita gross national product and/or a low-income economy. Markets for investments in these types of markets are not as large or as liquid as the securities markets in the U.S. and similar jurisdictions. Because of these and other factors, many of the investments in these countries sometimes experience limited liquidity and high volatility. Moreover, the financial and market systems of certain countries are generally less developed than those of the U.S. and similar jurisdictions. This can contribute to inadequate or inaccurate

market information, and other investment risks. Also, the corporate and securities laws of those countries regarding fiduciary responsibility and protection of shareholders or creditors generally are less developed than those of the U.S. and similar jurisdictions.

*United Kingdom Exit from the European Union.* On June 23, 2016, the people of the United Kingdom voted in a referendum to leave the European Union. As at the date herein, there has been no change in the status of the United Kingdom as a member of the European Union and, pursuant to the European Union constitution, the only method of withdrawal is via Article 50 of the Treaty of the European Union, which itself provides for a period of up to two years during which the terms of the United Kingdom's ongoing relationship with the European Union will be negotiated. Accordingly, and while it is too early to speculate as to the ultimate outcome, should Article 50 be invoked, it is currently anticipated that the United Kingdom will cease to be a member of the European Union during 2019. As a result of the United Kingdom ceasing to be a member of the European Union, the manner in which a Fund invests in assets located within the European Union may be impacted. The political and economic uncertainty generally resulting from the United Kingdom referendum result may adversely impact United Kingdom based businesses and may also result in an economic slowdown and/or a deteriorating business environment in one or more European Union member states.

*Hedging Arrangements.* The Advisers may (but are not obligated to) endeavor to manage each Fund's 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 a Fund 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 a Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for an Adviser and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

*Currency and Foreign Exchange Risks.* Each Fund's books and records will be denominated in United States dollars, and distributions will generally be made in United States dollars. However, a Fund may make investments in other currencies, and changes in the exchange rates between such currencies and the United States dollar could have an adverse effect on such Fund,

including the amounts available for distribution and the value of securities to be distributed in-kind.

*Significant Default Penalties.* The Limited Partnership Agreements provide for significant penalties and other adverse consequences to a limited partner in the event that a limited partner defaults on its commitment or other payment obligations. In addition to losing its right to potential distributions from a Fund, a defaulting limited partner may be forced to transfer its interest in such Fund for an amount that is less than the fair-market value of such interest.

*General Partner's Carried Interest.* The fact that a General Partner's carried interest is based on a percentage of net profits, and that such carried interest may be payable only after a preferred return has been paid to limited partners, may create an incentive for a General Partner to cause a Fund to make riskier or more-speculative investments than would otherwise be the case.

*Public Company Holdings.* A Fund's investment portfolio may contain securities issued by publicly-held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the Managing Partners, and increased costs associated with each of the aforementioned risks.

*Non controlling Investments.* The Funds may hold meaningful minority stakes in privately-held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, the Funds at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes in portfolio companies that the Funds may hold may lack some or all of control characteristics of majority stakes in such portfolio companies, as well as the valuation premiums accorded majority or controlling stakes, and such portfolio companies may be controlled or influenced by persons who have economic or business interests or goals or tax or other considerations that differ from or are inconsistent with those of the relevant Fund or its investors. Where a Fund holds a minority stake, it will be more difficult for such Fund to liquidate its interests than it would be had such Fund owned a controlling interest in such company. Even if the Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Director Liability.* A Fund 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 such Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies and the Funds 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.

*Tax Issues.* The U.S. federal, state and local income taxation of partnerships is extremely complex, raising, among other things, significant issues as to the character and timing of realization of gains and losses. In particular, a Partner may be allocated a portion of taxable income of a Fund without regard to actual cash distributions. Accordingly, such Partner's tax liability could exceed the cash distributions to it in any tax year. Prospective investors are urged to consult their tax advisors concerning their specific tax situations, including any applicable U.S. federal, state, local and non-U.S. taxes.

*Litigation.* In the ordinary course of its business, a Fund may be subject to litigation from time to time. An adverse outcome of such proceedings would materially adversely affect the value of the Fund and may continue without resolution for long periods of time. Any litigation is likely to consume substantial amounts of the Advisers' and the Managing Partners' 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.

*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 a 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 Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon portfolio companies in which a Fund makes investments.

*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 a Fund's 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 a Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund's 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 a 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 a 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 a Fund to dispose of investments at prices that the relevant Adviser 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.

**Monetary Policy and Governmental Intervention Affecting the Broader Investment Climate.** In response to the global financial crisis in 2008, the Board of Governors of the U.S. Federal Reserve System (the "Federal Reserve") and certain non-U.S. central banks, including the European Central Bank, acted to hold interest rates to historic lows in addition to taking other governmental actions to stabilize markets and seek to encourage economic growth. These and other actions by the Federal Reserve and other central banks, including changes in policies, may continue to have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of a Fund'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. Recently, certain U.S. banks, citing Federal Reserve liquidity requirements and/or the costs and/or decreased profitability of holding capital deposits, have pursued imposing a negative interest rate and/or a balance sheet utilization fee on certain deposits from certain institutional customers. Other non-U.S. banks have also adopted similar measures. Negative interest rates and/or fees of this type could have an adverse effect on private equity funds such as the Funds. The Funds may be forced to bear such costs, effectively losing money on cash deposits, or seek to find alternative means of holding short term reserves and cash balances. Such alternative arrangements may bear greater risk of loss of principal, longer lock-up periods (e.g., money market funds or certificates of deposit), or other less favorable terms. In addition, as a result of the foregoing, the Funds may choose to keep less cash or reserves on hand which could result in a greater frequency of capital calls from limited partners and/or greater reliance on borrowing, along with related costs. Further, in response to interagency guidance on leveraged lending by the Federal Reserve, the Office of the Comptroller of the Currency in the U.S. and the U.S. 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 or advantageous for borrowers compared to prior periods. These developments may impair a Fund's ability to consummate transactions and/or cause such Fund to seek alternative capital sources and/or enter into transactions on less favorable terms, including both acquisitions and exits as borrowings may be limited or certain loan terms may no longer be available to potential buyers.

***Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.*** In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as the Funds to obtain favorable financing for investments, a Fund's ability to generate attractive investment returns may be adversely affected to the extent such Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they 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. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*Side Letters.* A Fund or its General Partner may enter into a side letter or other similar agreement with a particular limited partner in connection with its admission to such Fund without the approval of any other limited partner, which would have the effect of establishing rights under or supplementing the terms of the relevant Limited Partnership Agreement with respect to such limited partner in a manner more favorable to such limited partner than those applicable to other limited partners and such rights may be significant. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse rights applicable to particular investments (which may increase the percentage interest of other limited partners in, and contribution obligations of other limited partners with respect to, such investments); (ii) reporting obligations of the General Partner; (iii) waiver of certain confidentiality obligations; (iv) consent of the General Partner to certain transfers by such limited partner; or (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of a limited partner. Limited partners may request to see such side letters and to obtain certain rights applicable to them under such letters subject to certain exceptions provided in applicable Limited Partnership Agreement.

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

*Valuation of Investments.* Generally, the relevant General Partner will determine the value of all the related Private Investment 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 Private Investment Fund's investments because, among other things, the securities of portfolio companies held by such Private Investment Fund generally will be illiquid and not quoted on any exchange. Each General Partner will determine the value of all the Private Investment Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Private Investment 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 General Partner may cause it to ineffectively manage the relevant Private

Investment Fund's investment portfolios and risks, and may also affect the diversification and management of such Private Investment Fund's portfolio of investments.

*Cybersecurity Risks.* Cyber-attacks and other malicious Internet-based activity continue to increase in frequency and magnitude. Recent events have illustrated such ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. Therefore, companies, as well as their third-party partners (including vendors and portfolio companies), may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. Each Adviser's and its portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, denial-of-service attacks, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

Although BRS Management has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, BRS Management, the Funds and/or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. 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, including personal information relating to investors (and the beneficial owners of investors); (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 Private Investment Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at BRS Management or one of its service providers holding its financial or investor data, BRS Management, its affiliates or the Private Investment Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under BRS Management's policies.

*Unfunded Pension Liabilities of Portfolio Companies.* Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) 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 each Fund intends to manage its investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If a Fund (or other 80%-owned portfolio companies of such 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 such Fund invests. This discussion is based on current court decisions,

statute and regulations regarding ERISA control group liability as in effect as of the date herein, which may change in the future as the case law and guidance develops.

*Investments Longer than Term.* The Funds may make investments which may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that a Fund will be dissolved, either by expiration of a Fund's term or otherwise. Although each General Partner expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and each General Partner has a limited ability to extend the term of its Fund, the Funds may have to sell, distribute or otherwise dispose of investments or resolve litigation or other contingent liabilities at a disadvantageous time as a result of dissolution. In addition, there can be no assurances with respect to the time frame in which the winding up and the final distribution of assets to the investors will occur.

*Contingent Liabilities upon Disposition.* In connection with the disposition of an investment, a Fund and its General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties; for example, 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 applicable Fund and, ultimately, its investors. The relevant General Partner may establish reserves as appropriate to provide for such contingent liabilities. In the event that the amount of such contingent liabilities exceeds the reserves and other assets of a Fund, the investors in such Fund may be required to repay to such Fund all or a portion of distributions previously received by them in respect of such portfolio company.

## **Conflicts of Interest**

BRS Management 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 other Private Investment Funds, and providing transaction-related, legal, management and other services to Private Investment Funds and portfolio companies. BRS Management will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Private Investment Funds in an appropriate manner, as required by the relevant Limited Partnership Agreement, although the Private Investment Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of BRS Management conducting its activities, the interests of a Private Investment Fund may conflict with the interests of BRS Management, 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, BRS Management will determine all matters relating to structuring transactions and Private Investment Fund operations using its 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 Private Investment Funds.



During the commitment period of each Private Investment Fund, all appropriate investment opportunities will be pursued by the Managing Partners through the respective Private Investment Fund, subject to certain limited exceptions. Without limitation, BRS Management principals currently manage, and expect in the future to 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. BRS Management's principals and BRS Management's investment staff will continue to manage and monitor such investments until their realization. Such other investments that BRS Management principals may control or manage may potentially compete with companies acquired by a Private Investment Fund. Following the commitment period of a Fund, the Managing Partners may and likely will focus their investment activities on other opportunities and areas unrelated to the Fund's investments.

BRS Management must first determine which Private Investment Fund(s) will, or are required to, participate in the relevant investment opportunity. BRS Management generally assesses whether an investment opportunity is appropriate for a particular Private Investment Fund based on the Private Investment Fund's Limited Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant Private Investment Fund's Limited Partnership Agreement, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life-cycle and structure. For example, a newly organized Private Investment Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Private Investment Fund may invest together with other Private Investment Funds advised by an affiliated adviser of BRS Management in the manner set forth in the relevant Limited Partnership Agreements. BRS Management will determine the allocation of investment opportunities among Private Investment Funds in a manner that it believes is fair and equitable consistent with BRS Management's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Private Investment Funds, BRS Management will determine if the amount of an investment opportunity in which one or more Private Investment Funds will invest exceeds the amount that would be appropriate for such Private Investment Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Private Investment Funds' Limited Partnership Agreements, Side Letters and BRS Management's procedures regarding allocation. BRS Management's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: the size of the investment allocation available to BRS; lender requirements; the knowledge of the proposed co-investor with respect to the issuer, segment, industry, geographic region or other relevant characteristics; the co-investor's ability to approve the investment in a timely manner; any tax, regulatory and/or securities law considerations; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; perceived public relations and reputational benefits or costs; and other factors that BRS Management considers important in connection with the specific transaction or investment, including, without limitation, expected investment holding period, services provided by the co-investor to the issuer (or otherwise provided by the co-investor with respect to the investment) and other factors. 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.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by BRS Management or its 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 BRS investors. When and to the extent that employees and related persons of BRS Management and its affiliates make capital investments in or alongside certain Private Investment Funds, BRS Management and its affiliates 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.

BRS Management's 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 BRS Management will allocate investment opportunities in a manner that it believes 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 Private Investment 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 BRS Management may be subject, discussed herein, did not exist.

Subject to any relevant restrictions or other limitations contained in the Limited Partnership Agreements of the Private Investment Funds, BRS Management will allocate fees and expenses in a manner that it believes 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, BRS Management may be faced with a variety of potential conflicts of interest.

As a general matter, Private Investment Fund expenses typically will be allocated among all relevant Private Investment 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 BRS Management or its 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, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Private Investment Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size. The Private Investment Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Private Investment Funds bearing different levels of expenses with respect to the same investment.

As a result of the Private Investment Funds' controlling interests in portfolio companies, BRS Management and/or its affiliates typically have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve

compensation and/or other amounts payable to BRS Management and/or its affiliates. Such amounts will be in addition to any Management Fees or carried interest paid by a Private Investment Fund to BRS Management.

Additionally, a portfolio company typically will reimburse BRS Management or service providers retained at BRS Management's discretion for expenses (including without limitation travel expenses) incurred by BRS Management or such service providers in connection with its performance of services for such portfolio company. This subjects BRS Management and its affiliates to conflicts of interest because the Private Investment Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. BRS Management determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Private Investment Fund, their effect is reflected in each Private Investment Fund's audited financial statements, and any fee paid or expense reimbursed to BRS Management 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.

BRS Management generally exercises its discretion to recommend to a Private Investment Fund or to a portfolio company thereof that it contract for services with (i) BRS Management or a related person of BRS Management (which may include a portfolio company of such Private Investment Fund), (ii) an entity with which BRS Management or its affiliates or current or former members of their personnel has a relationship or from which BRS Management or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, BRS Management may be presented with opportunities to receive financing and/or other services in connection with a Private Investment Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects BRS Management to conflicts of interest, because although BRS Management selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Private Investment Fund, BRS Management 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 BRS Management, 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 Private Investment Funds or BRS Management), 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 BRS Management has 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.

BRS Management and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Private Investment Funds or other investment vehicles advised by BRS Management and/or its affiliates; conversely, former personnel or executives of BRS Management and/or its affiliates may serve

in significant management roles at portfolio companies or service providers recommended by BRS Management. Similarly, BRS Management, its 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, BRS Management and/or its affiliates, and/or the Private Investment Funds or other investment vehicles they advise. BRS Management may have a conflict of interest with a Private Investment Fund in recommending the retention or continuation of a third-party service provider to such Private Investment 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 Private Investment Funds, will provide BRS Management information about markets and industries in which BRS Management operates (or is contemplating operations) or will provide other services that are beneficial to BRS Management. BRS Management may have a conflict of interest in making such recommendations, in that BRS Management has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Private Investment Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Private Investment Fund.

BRS Management, its affiliates, and equity holders, officers, principals and employees of BRS Management and its affiliates may buy or sell securities or other instruments that BRS Management has recommended to a Private Investment Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Private Investment Fund. Such transactions are subject to the policies and procedures set forth in BRS Management's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Private Investment Fund. Employees and related persons of BRS Management have, and are expected to continue to have, capital investments in or alongside certain Private Investment 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 Private Investment Fund and/or its portfolio companies or, if incurred by BRS Management, are reimbursed by a Private Investment Fund and/or its portfolio companies, BRS Management will not necessarily seek out the lowest cost options when incurring (or causing a Private Investment Fund or its portfolio companies to incur) such expenses.

In addition, as described above, portfolio companies (and, to a lesser extent, the Private Investment Funds) typically pay certain fees and expense reimbursements to operating managers and other consultants (including consultants introduced or arranged by BRS Management and/or affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Operating managers generally make use of BRS resources or otherwise are associated with BRS Management. Operating managers generally receive investment opportunities, reimbursements and other compensation that do not offset the Management Fee of any Private Investment Fund as described herein. Although the use of operating managers and the allocation of compensation paid to them by BRS Management, its affiliates and/or the portfolio companies subjects BRS Management and/or its

affiliates to potential conflicts of interest, BRS Management believes 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 Private Investment Fund(s)) that will result if the cost of the operating manager is lower than market rates for the services provided and/or if the services of the operating manager align with BRS Management's model for the portfolio company and improve portfolio company performance. Although BRS Management seeks to retain managers with a view to reducing costs to portfolio companies (and, ultimately, the Private Investment Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. BRS Management also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that BRS Management believes will align such persons' interests with those of the Private Investment Funds' limited partners, and seeks to retain only operating managers and service providers which it believes 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.

Any of these situations subjects BRS Management and/or its affiliates to potential conflicts of interest. BRS Management attempts to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by BRS Management'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, BRS Management will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, BRS Management consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Private Investment Fund(s) and such other investment vehicles.

#### **DISCIPLINARY INFORMATION**

BRS Management 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**

BRS Management is affiliated with other BRS investment advisers registered with the SEC under the Advisers Act pursuant to BRS's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with BRS and serve as managers or general partners of private investment funds and other pooled vehicles and may 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 BRS Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of BRS principals and employees and addresses conflicts that arise from personal trading. The Code requires certain BRS personnel to report their personal securities transactions, prohibits or requires pre-clearance for BRS personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits BRS personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the BRS 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 limited partner or prospective limited partner upon request to Duwain Robinson, the BRS Chief Compliance Officer, at (212) 521-3700. 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 the Advisers’ personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Managing Partners 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-invest vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. 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-invest vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

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 Private Investment Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Private Investment Funds or may give priority with respect to investments to such Private Investment Funds. Some of these restrictions could be waived by limited partners (or their representatives) in such Private Investment Funds.

### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchase and sell 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 a Fund 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 the Advisers sell publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek 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 will endeavor 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, brokerage commissions on client transactions may 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 its 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, research provided by these brokers would be used to service all of the Advisers’ Private Investment Funds. However, each and every research service may 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 may apply towards payment for research services that might not be used in the service of such Private Investment Fund. Research services may be shared among the Advisers and their affiliates.

The Advisers do not employ 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.

The Advisers will 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 obtain 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.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be 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 Fund of the Advisers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will 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 Fund 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 will receive 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 BRS Management's private company securities transactions on behalf of the Funds, BRS Management may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain



such parties, BRS Management 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 BRS Management generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

#### **REVIEW OF ACCOUNTS**

The investments made by the 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, BRS Management closely monitors companies in which the Funds invest, and the BRS Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

Each Fund will provide 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) at the time of delivery of the financial statements, reports providing a description of all investments held by the Funds and a narrative summary of the status of each such investment.

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

BRS Management and/or its affiliates may provide certain business or consulting services to companies in each Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Funds' Limited Partnership Agreements, this compensation may 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."

The Advisers may enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential limited partner becoming a limited partner in a Fund or other Private Investment Fund. Any fees and expenses payable to any such placement agents will be borne by BRS Management 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 Fund(s).

#### **CUSTODY**

BRS Management maintains custody of the Funds' assets held in each Fund's name with the following qualified custodian: JPMorgan Chase Bank NA.

#### **INVESTMENT DISCRETION**

BRS Management has discretionary authority to manage the investments on behalf of each Fund pursuant to the Limited Partnership Agreements described under "Advisory Business." As a general policy, the Advisers do not allow clients to place limitations on this

authority. Pursuant to the terms of the Limited Partnership Agreements, however, the Advisers may enter into Side Letters 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. BRS Management assumes this non-discretionary authority pursuant to the terms of the Limited Partnership Agreements.

### **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 each Fund's limited partners through the principals' beneficial ownership interests in the Funds and therefore will not seek limited partner 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 boards on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the Funds' advisory boards may approve the Adviser's vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by BRS 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 Adviser's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Duwain Robinson, the BRS Chief Compliance Officer, at (212) 521-3700 and it will be provided to you at no charge.

### **FINANCIAL INFORMATION**

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

**SUPPLEMENTAL INFORMATION ABOUT  
CERTAIN MANAGING PARTNERS OF BRS MANAGEMENT**

**Bruce C. Bruckmann**

*Educational Background and Business Experience*

Bruce C. Bruckmann, born 1953, co-founded BRS and serves as a Managing Partner and Managing Director. Previously, Mr. Bruckmann spent 11 years at CVC as an officer. Prior to joining CVC, Mr. Bruckmann was an associate at the New York law firm of Patterson, Belknap, Webb & Tyler. Mr. Bruckmann received his AB from Harvard College and his JD from Harvard Law School. Mr. Bruckmann currently serves as a director of Mohawk Industries, Inc., H&E Equipment Services, Inc., DTLR, Inc., Heritage-Crystal Clean, Inc., Magpul Industries Corp., and EOS Fitness Holdings, LLC.

*Disciplinary History*

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

*Other Business Activities*

Mr. Bruckmann is not engaged in any investment-related business outside of his roles with BRS Management and its affiliates.

*Additional Compensation*

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

*Supervision*

As a Managing Director of BRS, Mr. Bruckmann is responsible for implementing and overseeing the investment strategy of the clients of BRS. Mr. Bruckmann is not subject to the supervision of any other individual.

## **Stephen C. Sherrill**

### *Educational Background and Business Experience*

Stephen C. Sherrill, born 1953, co-founded BRS and serves as a Managing Partner and a Managing Director. Previously, Mr. Sherrill spent 11 years at CVC as an officer. Prior to joining CVC, Mr. Sherrill was an associate at the New York law firm of Paul, Weiss, Rifkind, Wharton & Garrison. Mr. Sherrill received his BA at Yale University and his JD at Columbia Law School. Mr. Sherrill is Chairman of the Board of Directors of B&G Foods, Inc. and is a director of Gamo Outdoor, SL, Evolv Sports & Design, LLC, New Archery Products Corp and Daisy Manufacturing Co.

### *Disciplinary History*

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

### *Other Business Activities*

Mr. Sherrill is not engaged in any investment-related business outside of his roles with BRS Management and its affiliates.

### *Additional Compensation*

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

### *Supervision*

As a Managing Director of BRS, Mr. Sherrill is responsible for implementing and overseeing the investment strategy of the clients of BRS. Mr. Sherrill is not subject to the supervision of any other individual.

## **Thomas I Baldwin**

### *Educational Background and Business Experience*

Thomas J. Baldwin, born 1959, joined BRS in 2000 and serves as a Managing Partner and as a Managing Director. Previously, Mr. Baldwin spent 7 years at The INVUS Group, Ltd., a private equity investment firm, first as Vice President and then as Managing Director. Prior to joining The INVUS Group, Ltd., Mr. Baldwin was a consultant with the Boston Consulting Group, a strategy consulting firm. Mr. Baldwin received a BBA from Siena College and his MBA from Harvard Business School. Mr. Baldwin is a director of Not Your Average Joe's, Inc., InMotion Entertainment Group LLC, Simpson Performance Products, Inc. and Wise Company, Inc.

### *Disciplinary History*

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

### *Other Business Activities*

Mr. Baldwin is not engaged in any investment-related business outside of his roles with BRS Management and its affiliates.

### *Additional Compensation*

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

### *Supervision*

As a Managing Director of BRS, Mr. Baldwin is responsible for implementing and overseeing the investment strategy of the clients of BRS. Mr. Baldwin is not subject to the supervision of any other individual.