

PART 2A OF FORM ADV: FIRM BROCHURE



SOLAMERE CAPITAL, LLC

**137 Newbury Street, 7th Floor
Boston, MA 02116
Tel: (857) 362-9205
Fax: (781) 915-0746
www.solameregroup.com**

March 27, 2014

This brochure provides information about the qualifications and business practices of Solamere Capital, LLC (“Solamere”). If you have any questions about the contents of this brochure, please contact us at (857) 362-9200 or investorrelations@solameregroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

References in this Brochure to Solamere Capital, LLC as a “registered investment adviser” are not intended to imply a certain level of skill or training.

Additional information about Solamere Capital, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

Solamere is updating its firm brochure (the “Brochure”) as of March 27, 2014 as part of its annual Form ADV amendment filing. The following is a summary of material changes that Solamere has made to the Brochure since the previous filing on April 9, 2013:

- Updates to reflect Solamere’s assets under management (estimated as of March 15, 2014) and private funds in Item 4
- General clarifying revisions to its Advisory Business, Strategy, Fees, Compensation and Brokerage Practices in Items 4, 5, 6, 8 and 12

ITEM 3 - TABLE OF CONTENTS

	<u>Page</u>
ITEM 2 – MATERIAL CHANGES	II
ITEM 3 - TABLE OF CONTENTS.....	III
ITEM 4 – ADVISORY BUSINESS	1
ITEM 5 – FEES AND COMPENSATION	2
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	4
ITEM 7 – TYPES OF CLIENTS	5
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	6
ITEM 9 – DISCIPLINARY INFORMATION	10
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	11
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	12
ITEM 12 – BROKERAGE PRACTICES.....	14
ITEM 13 – REVIEW OF ACCOUNTS.....	15
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION.....	16
ITEM 15 – CUSTODY	17
ITEM 16 – INVESTMENT DISCRETION	18
ITEM 17 – VOTING CLIENT SECURITIES.....	19
ITEM 18 – FINANCIAL INFORMATION	20

ITEM 4 – ADVISORY BUSINESS

Founded in 2008, Solamere is an independent investment management firm overseeing more than \$827 million in assets under management (calculated based on “Regulatory Assets Under Management” as defined by the United States Securities and Exchange Commission). Solamere’s capital commitments from Solamere investors are currently spread across ten private investment fund partnerships and LLCs (collectively, the “Funds” or the “Advisory Clients”).

Solamere’s investment activities are led by its Managing Partners – Taggart Romney, Eric Scheuermann, and Spencer Zwick (collectively, the “Managing Partners”).

We allocate capital generally to private equity, venture capital, mezzanine and distressed debt investments in the U.S., Europe, Asia Pacific and Latin America. Our investments may include: (i) investments in private operating companies (“Portfolio Company Investments”) and (ii) investments in other private investment funds focused on a diversified set of strategies (“Fund Investments”). Solamere invests across a broad range of industries, transaction types and levels in the capital structure.

The General Partner or Manager of each Fund (the “General Partner”) is responsible for all investment decision making. In the case of each Fund, the General Partner is an affiliate of Solamere. Solamere or one of its affiliates (the “Management Company”) provide investment management advice and administrative services to the General Partner to the Funds or to the Funds directly. Solamere has complete discretion and exclusive responsibility and authority of all investment decision making and management of the Funds.

The General Partner of each Fund is responsible for managing the capital committed to various Funds and for seeking long term capital appreciation through its recommended investments.

Solamere does not tailor its advisory services to the individual needs of investors in the Funds. Generally, investors in the Funds may not impose restrictions on investing in certain securities or types of securities. In general, each Fund will invest and operate according to the terms specified in its Limited Partnership Agreement or Limited Liability Company Agreement, as applicable (collectively referred to as the “Governing Documents”).

The Governing Documents generally set forth the detailed terms and conditions for each of the Funds, including without limitation the term of the Fund, capitalization, capital contributions, profits and loss allocation, distribution allocation, management fees, expenses, transfers, withdrawals, dissolution, liquidation, liability and indemnification. The Governing Documents provide that the applicable General Partner is authorized to use discretion to cause the Funds to invest all of the capital commitments of the Funds, subject to the investment policies and investment restrictions provided for in the Governing Documents.

Each of Solamere’s Funds is a private investment vehicle and is not publicly offered. No part of this Brochure is a general solicitation of potential investors in a Fund. This Brochure is intended solely to describe Solamere’s business.

Solamere does not participate in any wrap fee programs.

ITEM 5 – FEES AND COMPENSATION

Any fees and potential performance-based compensation paid by a Fund, as applicable, are set forth in detail in such Fund's Governing Documents. The following is a brief summary of fees and potential performance-based compensation generally applicable to investors in the Funds ("Fund Investors").

Solamere receives management fees to cover investment management and administrative services provided to the Funds. Fees are set forth in detail in the Fund's Governing Documents and generally are not negotiable by Fund Investors. Management fees are calculated and allocated to for each of our Funds as set forth and disclosed in each Fund's Governing Documents. After the investment period, fees are calculated as a percentage of invested capital and fair market value as determined in each of our Fund's Governing Documents.

Management fees are calculated and paid quarterly in advance. Fund Investors may not choose to be billed in any other manner.

In addition to the management fee, the General Partner is eligible to receive a performance-based incentive allocation of capital gain and profits. Any such performance-based capital gain allocation is based on the performance of investments made by the Fund above the capital returned to investors. Item 6 below describes such performance-based gain allocation in more detail. All distributions are split between Fund Investors and Solamere or the General Partner as set forth in the applicable Fund's Governing Documents.

The amount and duration of the management fee and incentive allocation are set prior to the commencement of a Fund's term and are not cancelable except for cause and by a vote of the Limited Partners. Fund Investors may not obtain a refund of a pre-paid fee, may not withdraw from the Fund, and may not transfer any of their interest, rights or obligations under the Fund without the prior written consent of the General Partner.

It is important to note that when a Fund has committed to a Fund Investment, the Fund Investment is subject to management fees and performance-based fees due to the underlying investment manager.

A Fund Investor may also be subject to a pro rata allocation of organization, syndication, due diligence and other operating expenses of the applicable Fund. The types of expenses to which a Fund Investor may be subject are determined in advance, and are set forth in the Governing Documents.

It is critical that Fund Investors refer to the applicable Fund's Governing Documents for a complete description of expenses and fees.

Infrequently, Solamere has entered or may enter into agreements, or "side letters," with Fund Investors whereby such Fund Investors may be subject to terms and conditions that vary from or are more advantageous than those applicable to other Fund Investors.

Solamere does not receive compensation from the sale of investment products such as mutual funds, etc. On occasion Solamere receives fees from the private operating companies in which it makes an investment. These fees are typically to compensate Solamere for transaction-related or operational advice provided by Solamere to such companies. A portion of these fees may be credited to investors in the Funds as an offset against the next period's management fees as set forth and disclosed in each Fund's Governing Documents.

It is critical that investors refer to the relevant fund Governing Documents for a complete understanding of applicable fees and expenses. The information contained herein is a summary only and is qualified in its entirety by such documents.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Where applicable and as described in detail in the Governing Documents, the General Partner's incentive allocation referred to above is generally a percentage of the profits generated after exceeding a hurdle rate of return for capital contributed by investors to the Funds. The Governing Documents for each Fund sets forth the formula for the allocation of profits and losses, and the cash distribution order, of each such Fund.

The Governing Documents for each Fund providing such an incentive allocation describes the method by which the assets of such Fund will be valued, and distributions to the General Partner for each such Fund depend, in part, on the unrealized value of certain investments. This could provide an incentive for the general partner to use higher valuations. However, each such Fund reports in conformity with U.S. Generally Accepted Accounting Principles (GAAP), which require fair value measurements.

It should be noted that Solamere may not receive any performance-based gain allocation or fee-based compensation from certain Solamere affiliated personnel who invest in the Funds in accordance with each Fund's Governing Documents. Furthermore, the General Partner may not charge management fees or performance-based gain allocation for certain investors who co-invest in transactions alongside our Funds in accordance with each Fund's Governing Documents as determined by the General Partner.

The potential performance-based allocation of such gain to the General Partner may create an incentive for Solamere to make investments that are more speculative than would be the case in the absence of performance-based allocation. Further, the Management Fee provisions may also create an incentive to seek out investments towards the end of the Fund's investment period that would provide the opportunity to earn such fees based on capital under management. However, such incentives are tempered by the fact that losses will reduce the Fund's performance – which would reduce Solamere's performance-based gain allocation. The General Partner believes that on balance the potential for performance-based gain allocation helps to create an alignment with investors in the Funds.

ITEM 7 – TYPES OF CLIENTS

Solamere provides investment advice and portfolio management services to the Funds. Funds are open only to investors that are sophisticated enough to invest in private equity, and that meet certain suitability requirements. In addition, the Governing Documents require a significant minimum capital commitment, subject to modification by the General Partner.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

As a general matter, Solamere utilizes the investment strategies and methods of analysis described in each Fund's offering and Governing Documents, which are provided to Fund Investors prior to the time of an investment. The information contained herein is a summary only and Fund Investors should refer to the applicable Fund's Governing Documents for a complete overview of Solamere's methods of analysis and investment strategies and the risks associated therewith.

As discussed in Item 4 above, Solamere allocates capital generally to private equity, venture capital, mezzanine and distressed debt investments in the U.S., Europe, Asia Pacific and Latin America. Our investments may include: (i) investments in other private investment funds focused on a diversified set of strategies ("Fund Investments") and (ii) investments in private operating companies ("Portfolio Company Investments"). Solamere invests across a broad range of industries, transaction types and levels in the capital structure.

Solamere's investment objective is to provide capital preservation and superior investment returns on a risk-adjusted basis for our investors. We seek to focus on minimizing the risk of capital loss and maximizing returns at each stage of our investment decision-making and monitoring process, particularly as it relates to sourcing, performing due diligence, structuring, negotiating, executing and monitoring our investments.

- With respect to our **Fund Investments**, we seek to invest with a select number of private investment partnerships that have the potential to generate superior returns relative to their peers. The Managing Partners believe this investment strategy should help to generate high risk-adjusted investment returns.
 - Our evaluation of Fund Investments takes into account several factors such as the investment track record of the portfolio managers and/or fund, the merits and historical discipline of the investment strategy, organizational sustainability, opportunity for co-investment and other economic and legal considerations. Due diligence involves, but is not limited to, quantitative analysis of the investment track record of a firm's previous and current investments, meetings and phone calls with management of a firm's partnership, discussions with management of past and current portfolio company investments, and customary legal diligence.
 - In addition to relying on publicly reported information, we analyze private offering memoranda and supporting due diligence materials. We analyze the backgrounds of important investment professionals through direct research, often through discussions with investment professionals, portfolio company executives, co-investors and other relevant industry contacts.
 - We regularly monitor the activities of our Fund Investments through their annual reports and financial statements, their annual limited partner meetings and semi-regular visits with the management of each firm's partnership.
- With respect to our **Portfolio Company Investments**, we seek to invest in private operating companies where we believe there is an opportunity to generate superior returns for our investors through the strategic and operating value-add of the broader Solamere network, and/or the expertise of any other investor we may partner with.

- Our evaluation of Portfolio Company Investments includes, but is not limited to, analysis of historical financial statements and future projections of the underlying business; in-person meetings with management; visits to key company locations; discussions with key customers, suppliers, and competitors; background checks and reference checks of senior management; legal, accounting and related due diligence; and the investigation of other important risks associated with each potential investment. In addition to company-specific considerations, we evaluate the underlying industry including major growth trends, current market dynamics, potential for new competitive entrants and substitutes; and the impact of potential future socio-economic, market and political trends.
- We regularly monitor the activities of our Portfolio Company Investments through regular communications, financial tracking and in some cases representation or observer rights on such company's Board of Directors.

Importantly, it should be noted that investments in securities such as those described above always involve a risk of loss that investors should be prepared to bear.

Investments in equity securities, and specifically investments in private equity and venture capital securities (which is Solamere's focus), entail substantial risks. Such investing should therefore be undertaken only by prospective investors capable of evaluating the merits and risks of such an investment and bearing the risks such an investment represents.

Our investment strategies do not involve frequent trading of securities, and thus our Funds are not expected to incur the drag on investment performance resulting from the increased brokerage and other transaction costs and taxes of such a frequent trading strategy.

Below we highlight some of the general and specific risks associated with our investment strategies. The below list is not comprehensive and there can be no assurance that an Advisory Client will be able to achieve its investment objectives or that the investors will receive a return of their capital. The information contained herein is a summary only. Investors and prospective investors should refer to the respective Fund offering and its Governing Documents for a complete overview of the types of securities Solamere recommends and the material risks associated therewith. Private equity investing involves the risk of loss of capital, including the risk of loss of the entire investment, that investors should be prepared to bear.

- **Investments in Other Funds.** The investment portfolio may consist, in part, of commitments to other investment funds. Each such Fund will generally not have any discretion regarding how those commitments are invested, or how the investments made with its commitments are managed or liquidated. While such Fund will seek to invest with what it believes to be high-quality private equity firms, past performance is no indication of future success, and it is possible that such Fund will lose some or all of its commitment to any of such private equity firms. In addition, such Fund will be dependent on the key personnel of the investment funds to which it commits, and will have no control over their possible departure from such funds.
- **Business Risks.** The Fund's portfolio of investments in private companies (and the investment portfolio of the other investment funds to which it makes commitments) will consist, in part, of securities issued by privately held (and potentially also unseasoned) companies, the operating results for which will be difficult to predict in a specified period. Such investments involve a high degree of business and financial risk that can result in substantial losses.

- **Illiquidity; Lack of Current Distributions.** An investment in the 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 are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment (whether by the Fund or by one of the other investment funds to which it commits). 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.
- **Leveraged Investments.** The Fund, and the other investment funds to which it makes commitments, may make use of leverage by having a portfolio company incur debt. Leverage generally magnifies both opportunities for gain and risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a partial or total loss of capital invested in the portfolio company may be suffered, which could adversely affect returns.
- **Limited Transferability of Fund Interests.** There is 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 Governing Documents and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.
- **Restricted Nature of Investment Positions.** Generally, there will be no readily available market for a substantial number of the Fund's investments, and hence, most of the Fund's investments will be difficult to value.
- **Focus on Early-Stage Investments.** The Fund, and the other investment funds to which it makes commitments, may make investments in small companies and early-stage companies that have inherently greater risk than more established businesses. Accordingly, the growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage.
- **Future and Past Performance.** The performance of the Managing Partners' prior investments is not necessarily indicative of the Fund's future results. While the General Partner intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.
- **Investment in Junior Securities.** The securities in which the Fund may invest (and in which the other investment funds to which it makes commitments may invest) may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss.
- **Director/Advisory Board Liability.** The Fund may seek to obtain the right to appoint one or more representatives to the board of directors, advisory boards or similar governing body of Portfolio Company and Partner Fund Investments in which it invests. Serving on the board of directors

advisory boards or similar governing body of a Portfolio Company or Partner Fund exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not every Portfolio Company or Partner Fund may obtain insurance with respect to such liability, and the insurance they do obtain may be insufficient to adequately protect officers, directors or advisory board members from such liability.

The information contained herein is a summary only and it is critical that investors refer to the offering and/or governing documents of the applicable Fund for a complete overview of Solamere's investment strategies and methods of analysis and the material risks associated therewith. The information contained herein is qualified in its entirety by such documents. In addition, prospective investors should also consult their own legal, investment, tax, regulatory and other advisers as to whether an investment in a Fund is appropriate for them.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the investment adviser or the integrity of its management. Solamere has no disciplinary matters required to be disclosed under this Item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A registered investment adviser is required to disclose whether it or any of its management persons are registered, or have an application pending to register, as a (a) broker-dealer or a registered representative of a broker-dealer, or (b) futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. Neither Solamere nor any of its management persons are registered as such or have any application for such registration pending.

The affiliated General Partner serves as the general partner to the Funds and in connection therewith maintains investments in those Funds.

All of Solamere's employees agree to abide by the terms of Solamere's Code of Ethics (the "Code") which, as described in Item 11, sets forth Solamere's status as a fiduciary and requires employees to act in the best interest of the advisory clients and to place the interests of advisory clients ahead of their own and those of the Firm.

While Solamere does select investment advisers for investments made by the Funds (as disclosed elsewhere in this ADV), it does not receive direct or indirect compensation from those advisers related to the advisers' selection, nor does Solamere have business relationships with those advisers that create a material conflict of interest. However, because Solamere recognizes that certain of the Managing Partners may have personal relationships with managers of certain advisers from time to time, Solamere proactively addresses any possible potential conflicts by requiring unanimous approval from its three Managing Partners before making any investment commitment to an adviser, and in addition by implementing and following the Code and its mandates (as discussed in greater detail in Item 11 below).

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Solamere adheres to a principle of maintaining high ethical standards in its business practices and its investing process. In accordance with Rule 204A-1 of the Investment Advisers Act of 1940 (the “Advisers Act”), Solamere maintains a Code of Ethics (the “Code”). In general, the purpose of the Code is to (i) define the standards of business conduct, (ii) put in place certain reporting requirements and (iii) ensure safeguarding of proprietary and non-public information. The Code reflects the Firm’s view on dishonesty, self-dealing, conflicts of interest and trading on material, non-public information.

Investors or prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer, Allan Dowds, at adowds@solameregroup.com.

The Code applies to Solamere’s “Access Persons.” Access Persons include, generally, any partner, officer or director of Solamere and any employee or other supervised person of Solamere who, in relation to the Advisory Clients, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All Solamere employees are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account Solamere’s status as a fiduciary and requires Access Persons to place the interests of Advisory Clients and Investors above their own interests and the interests of Solamere. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Solamere’s Chief Compliance Officer (the “Chief Compliance Officer”). All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Solamere recognizes the potential conflict when employees of an investment adviser make transactions in their personal securities accounts. Solamere reduces this risk by requiring pre-clearance of a direct or indirect purchase or sale of any securities of a company that operates in the industries that are within the scope of the investment activities of Solamere. Access Persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1.

Solamere personnel who are involved in the process of providing investment advice are prohibited under the Code from taking any action including, but not limited to, the purchase or sale of securities, commodities or futures related account that could cause even the appearance of unfair or improper action. The Code requires that such personnel provide statements of all trades qualifying for disclosure on a quarterly basis. The firm maintains a restricted list (the “Restricted List”) of securities that identifies all securities actively being traded by a Fund or underlying portfolio fund and the period that the restriction is in place. The Restricted List will also contain any securities for which the firm is in possession of material, non-public information or any securities that the Funds are currently holding.

Solamere also maintains a compliance policy and procedures manual and periodically performs steps to ensure that all employees are in compliance with the Code, policies and procedures. The compliance policies and procedures manual and the Code are updated periodically, but no less than annually.

The Code also seeks to ensure the protection of nonpublic information about the activities of the Advisory Clients.

As explained in Item 10 above, Solamere serves as the investment manager to the Funds and the General Partner, which is a related person, serves as general partner of the Funds. Solamere, as investment manager, and the General Partner, as general partner, recommend interests in the Funds to prospective Investors.

The Managing Partners have investments in the Funds, and Solamere believes that these investments in the Funds demonstrate commitment to and alignment with the interests of its Investors (The Managing Partners' investment in the Funds are not subject to the management or performance-based fees described in Item 5 above.)

In addition, it should be noted that the compensation structure of the Funds could potentially create certain conflicts of interest, which Solamere is aware of and seeks to address. First, the Management Fees paid by the Fund (1) are payable without regard to the overall success of the Funds or income earned by the Advisory Clients, and (2) may be material to the operation of Solamere and the financial interests of the Managing Partners. Second, the potential performance-based capital gain allocation could be seen as creating an incentive for Solamere to make investments that are riskier or more speculative than in the absence of such a performance-based allocation potential.

The Managing Partners acknowledge that potential conflicts of interest may exist from this or any compensation relationship, and have sought to address these potential conflicts of interests in three ways. First, by designing the compensation structure so that it contains both prongs (i.e., management fees and performance-based allocation potential), Solamere believes that it mitigates the conflict that would arise if either prong were isolated as the sole available compensation – e.g., the stability of the Management Fee lessens the incentive to make speculative investments that might exist if only a performance-based allocation potential were available. Second, Solamere carefully considers the risks involved in any investment and emphasizes investor capital preservation in its investment deliberations, as discussed in Item 8 above. It also requires unanimous Managing Partner approval for all investments, thus attempting to require deeper analysis, more group deliberation, and mitigation of any potential individual conflicts of interest. Third, the Code (discussed above) requires Access Persons to place the interests of Advisory Clients and Investors over their own or those of Solamere, and all Access Persons are required to acknowledge their receipt and understanding of the Code.

Solamere provides extensive disclosure to Investors regarding the potential risks that come with an investment in the Funds.

Solamere does not regularly engage in interested transactions in which the Firm (or any related person) buys or sells for client accounts securities in which Solamere or a related person has a material financial interest. In certain instances, however, certain of the Funds have purchased securities from related persons. To mitigate any potential conflicts of interest posed by such transactions, in both instances such Funds purchased the relevant securities at the same price as was paid by the related persons to purchase such securities.

ITEM 12 – BROKERAGE PRACTICES

Solamere is an investment adviser to private investment funds, as discussed in Item 4 above, and we manage our Funds on a discretionary basis. We generally invest in private companies or private placements. These transactions do not typically involve brokers. Therefore, Solamere generally does not select or recommend broker-dealers for advisory client transactions.

Solamere may receive distributions in the form of stock provided by underlying Fund Investments or received when a private company completes an initial public offering. Solamere uses a brokerage firm to liquidate or distribute securities that become tradable in public markets. These transactions may be done in large block transactions or in smaller trades over a period of time. Solamere selects such brokers based upon a number of factors, including trading execution capabilities, commissions charged, experience handling private equity transactions, customer services capabilities and back-office support.

Solamere has not entered into any “soft-dollar” arrangements with brokers or dealers. (A “soft dollar” arrangement is an arrangement whereby an investment adviser directs client brokerage, or pays higher commissions, to a particular broker-dealer in return for research or other services from such broker-dealer.) Solamere also has not entered any into directed brokerage arrangements. (A “directed brokerage” arrangement is an arrangement whereby a client of an investment adviser instructs the adviser to direct a portion of its brokerage transactions to a particular broker-dealer.)

Solamere aggregates the purchase or sale of securities for certain of the Funds, and allocates such securities to the appropriate Fund based on committed capital.

ITEM 13 – REVIEW OF ACCOUNTS

The Solamere Managing Partners and investment professionals provide continual review and monitoring activity with respect to the Fund Investments and Portfolio Company Investments of the Funds. Such reviews include a review of existing investments, potential investments, investment policy, the suitability of the investments used to meet policy objectives, cash availability, and investment objectives. The investment team considers, among other things, investment performance, the investment's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

All investment decisions require the unanimous consent of the Managing Partners. Solamere views risk from a macro-economic, industry, and company (operational and legal) perspective.

Solamere reviews its portfolio with investors at least once per year at our Annual Investor Meeting. In addition, we provide a quarterly report detailing the portfolio as agreed upon in each Fund's Governing Documents. These reports include Fund financial statements, capital account statements, and a summary update. On an annual basis, Solamere provides annual audited financial statements.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Solamere has an existing compensation arrangement with JR Miller Capital, LLC, a limited liability company controlled by John R. Miller, a Solamere Executive Partner, who has and continues to provide services to the Funds with respect to strategic advice; investment due diligence, consideration and analysis; advice with respect to the operations of existing and potential Portfolio Company Investments; and a variety of others matters. Mr. Miller also previously provided certain client referrals to Solamere and certain related marketing services. The compensation paid by Solamere to Mr. Miller is in exchange for all of the various services provided, both currently and in the past, by Mr. Miller.

No person is being compensated for any current or recent client referrals, nor is any such an arrangement being contemplated for the future.

ITEM 15 – CUSTODY

Pursuant to Advisers Act Rule 206(4)-2, Solamere may be deemed to have custody of the Funds' assets because we serve as General Partner to the Funds. Solamere may rely on an exception from the qualified custodian requirement with respect to certain privately offered securities. Solamere retains qualified custodial services of Northern Trust for cash balances for certain of the Funds.

Solamere provides Fund Investors with audited financial statements within 180 days of the end of the relevant Fund's fiscal year (i.e., generally by June 30th of each year).

ITEM 16 – INVESTMENT DISCRETION

As outlined in Item 4, Solamere and the General Partner have discretionary authority to manage securities accounts on behalf of the Funds subject to the terms set forth in the Governing Documents. The Fund's investment strategy is set forth in detail in the Fund's Governing Documents. Fund Investors do not have the ability to impose limitations on the discretionary authority of Solamere and the General Partner.

Fund Investors of certain of the Funds must generally execute a subscription agreement or similar document in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, Fund Investors of certain of the Funds must execute a limited partnership agreement that contains a power of attorney.

ITEM 17 – VOTING CLIENT SECURITIES

Solamere has authority to vote client securities. Based upon Solamere's business as a private equity fund manager (and lack of involvement in publicly-traded equities), it is not expected that proxy voting will occur frequently. There may be occasions, however, when Solamere receives notices or proposals seeking the consent of a Fund.

In accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, Solamere has adopted Proxy Voting Policies and Procedures to address how Solamere will vote proxies on behalf of the Funds. The policy is designed to ensure that proxies are voted in the best interest of our Clients and the investors of the Funds, including when there may be material conflicts of interest in voting proxies. A Client or Fund investor may obtain a copy of Solamere's Proxy Voting Policies and Procedures and information about how Solamere voted proxies by sending an e-mail to investorrelations@solameregroup.com.

Solamere will vote proxies or solicitations in the best interests of the relevant client. Prior to voting a proxy or solicitation addressed to a Fund, Solamere's Chief Compliance Officer and designated Managing Partner(s) ("Proxy Committee") would review the proxy or solicitation to determine if there are any conflicts of interest. If a conflict is identified, the Proxy Committee would then make a determination as to whether the conflict is material or not, which may be in consultation with outside legal counsel or compliance consultants. If no material conflict is identified pursuant to these procedures, the proxy will be voted by majority and in accordance with the best interest of the relevant Fund.

If a material conflict is identified, the Proxy Committee will determine what course of action is in the best interests of the affected Fund (which may include utilizing an independent third party to vote such proxies). Further, Solamere will determine whether it is appropriate to disclose the conflict to the relevant Fund's Board of Advisors, if applicable. In the event a Fund has a Board of Advisors, Solamere may ask the Board of Advisors for advice regarding how to deal with the conflict.

Fund Investors do not have the ability to direct proxy or solicitation votes. Clients may obtain additional information regarding how Solamere voted proxies or solicitations and may obtain a copy of Solamere's voting policies and procedures by contacting Solamere as set forth above.

ITEM 18 – FINANCIAL INFORMATION

Solamere has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.