

STERLING PARTNERS

FORM ADV – PART 2A

401 N. MICHIGAN AVE., SUITE 3300
CHICAGO, IL 60611
TELEPHONE: (312) 465-7000
E-MAIL: COMPLIANCE@STERLINGPARTNERS.COM
WWW.STERLINGPARTNERS.COM

September 29, 2017

This Brochure provides information about the qualifications and business practices of Sterling Partners. If you have any questions about the contents of this Brochure, please contact us at (312) 465-7000 or via email at compliance@sterlingpartners.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Sterling Partners is also available on the SEC’s website at www.adviserinfo.sec.gov.

REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT STERLING PARTNERS OR ANY OF THE PERSONNEL OR EMPLOYEES OF STERLING PARTNERS POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.

Item 2 - Material Changes

This section of the Brochure discusses only material changes that have been made since the last annual updating amendment to the Brochure.

Sterling Partners' last annual updating amendment to its Brochure was filed on March 31, 2017. There are no material changes from Sterling Partners' last annual updating amendment to the Brochure filed on March 31, 2017. However, this amendment includes additional information regarding Sterling Partners Equity Advisors.

Item 3 - Table of Contents

Item 2 - Material Changes	2
Item 3 - Table of Contents	3
Item 4 - Advisory Business	4
Item 5 - Fees and Compensation	5
Item 6 - Performance-Based Fees and Side-by-Side Management.....	10
Item 7 - Types of Clients	12
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss	13
Item 9 - Disciplinary Information	18
Item 10 - Other Financial Industry Activities and Affiliations	18
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	27
Item 12 - Brokerage Practices	29
Item 13 - Review of Accounts.....	30
Item 14 - Client Referrals and Other Compensation.....	31
Item 15 - Custody	32
Item 16 - Investment Discretion.....	32
Item 17 - Voting Client Securities.....	33
Item 18 - Financial Information	34

Item 4 - Advisory Business

Sterling Partners is a private equity firm that was founded in 1983 and has been active in private equity investments since 1986. Sterling Fund Management, LLC (“SFM”)¹ is Sterling Partners’ affiliated investment adviser that provides investment advisory services primarily to private equity investment funds sponsored or organized by Sterling Partners (the “Main Sterling Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). The principal owner of SFM is Sterling Fund Management Holdings, L.P. Each of Douglas L. Becker, R. Christopher Hoehn-Saric and Steven M. Taslitz owns 25% or more of SFM through each person’s ownership of Sterling Fund Management Holdings, L.P. The first Main Sterling Fund was formed in 2000 and SFM was formed at that time. A related person of Sterling Partners generally acts as the general partner of (or in another equivalent management position for) each Main Sterling Fund. References to Sterling Partners in this Brochure include, as the context requires, affiliated entities through which Sterling Partners provides investment advisory services or that act in any capacity referenced in the previous sentence with respect to the Main Sterling Funds or Co-Investment Funds (as defined below). References to “person” in this Brochure include, as the context permits, natural persons and entities.

Sterling Partners’ primary investment focus is investments in privately-held operating companies (including publicly-traded companies being taken private) in a variety of industries including healthcare services, business services and education. These investments primarily take the form of unregistered equity of U.S. and non-U.S. companies and generally represent controlling interests in such companies. Although the primary investment focus of each Main Sterling Fund is on private equity investments, Sterling Partners from time to time recommends other types of investments (such as publicly-traded equity) to the extent consistent with the respective Main Sterling Fund’s investment strategy and objectives and its Governing Documents (as defined below).

Sterling Partners’ advisory services consist of investigating, identifying and evaluating investment opportunities; structuring, negotiating and making investments on behalf of the Main Sterling Funds; managing and monitoring the performance of such investments; and disposing of such investments on behalf of the Main Sterling Funds. Sterling Partners tailors its advisory services to the specific investment objectives and restrictions of each Main Sterling Fund set forth in each Main Sterling Fund’s limited partnership agreement, confidential private placement memorandum and other governing documents (collectively, the “Governing Documents”). Investment advice is provided directly to the Main Sterling Funds and not individually to the investors in the Main Sterling Funds. Investors and prospective investors of each Main Sterling Fund should refer to the Governing Documents of that Main Sterling Fund for complete information on the investment objectives and investment restrictions with respect to that Main Sterling Fund. There is no assurance that any of the Main Sterling Funds’ investment objectives will be achieved.

¹ SFM is the entity that is registered as an investment adviser with the SEC.

In accordance with common industry practice, one or more of the Main Sterling Funds or their general partners enter into “side letters” or similar agreements with certain investors pursuant to which the Main Sterling Fund or its general partner grants the investor specific rights, benefits, or privileges that are not made available to investors generally. Such “side letters” or similar agreements typically are only disclosed to investors that negotiate for the right to review them.

Sterling Partners or its related persons, from time to time, establish investment vehicles on a transaction-by-transaction basis to invest alongside one or more Main Sterling Funds in a particular investment opportunity (the “Co-Investment Funds”). The Co-Investment Funds are typically limited to investing in securities relating to the single company with respect to which they were established. The Co-Investment Funds and the Main Sterling Funds are collectively referred to herein as the “Funds”. Co-investment opportunities are allocated in accordance with Sterling Partners’ investment allocation policy described in the subsection “*Side-by-Side Management*” in Item 6 below.

Sterling Partners does not participate in any wrap fee programs.

Sterling Partners manages assets of the Main Sterling Funds on a discretionary basis in accordance with the terms and conditions of each Main Sterling Fund’s Governing Documents. Sterling Partners manages assets of the Co-Investment Funds on either a discretionary or non-discretionary basis in accordance with the terms and conditions of each Co-Investment Fund’s Governing Documents. As of December 31, 2016, Sterling Partners had \$2,626,618,042 in regulatory assets under management, \$974,939,849 of which are managed on a non-discretionary basis.

As noted in Item 10 below, Sterling Partners Equity Advisors LLC (“SPEA”), a related person of SFM, registered as an investment adviser with the SEC in May 2017. This Brochure relates to the advisory activities of SFM and not SPEA and its related advisory activities.

Item 5 - Fees and Compensation

Compensation and Fee Schedules

As compensation for investment advisory services rendered to the Main Sterling Funds, Sterling Partners typically receives an advisory fee from each of the Main Sterling Funds (each, an “Advisory Fee”), which is generally equal to a percentage of the capital commitments to such Main Sterling Fund or the cost of such Main Sterling Fund’s investments. The fee percentage and the base upon which the fee is calculated varies with the type and size of the Main Sterling Fund and may also vary over the life of the Main Sterling Fund, as negotiated and determined at the time the Main Sterling Fund is established and as set forth in its Governing Documents. Advisory Fees payable by a Main Sterling Fund generally are reduced by some or all of certain other fees or compensation received by Sterling Partners or its employees that relate to such Main Sterling Fund’s activities and investments (as described in more detail in the subsection titled “*Economic Benefits Received from Third Parties*” in Item 14), or by certain organizational or other expenses

borne by such Main Sterling Fund (as described in more detail below in this Item 5). Advisory Fees paid by a Main Sterling Fund are indirectly borne by the investors in such Main Sterling Fund. The percentage generally ranges from 1.75% to 2.25% annually and, in most instances, is 2% annually.

Sterling Partners generally does not receive an Advisory Fee from the Co-Investment Funds. Any Advisory Fees received by Sterling Partners from the Co-Investment Funds are negotiated on a vehicle-by-vehicle basis.

In addition, a related person of Sterling Partners, as general partner of a Main Sterling Fund, will typically receive certain allocations calculated and charged based on a share of capital gains on or capital appreciation of the assets of such Main Sterling Fund, as negotiated and determined at the time such Main Sterling Fund is established and as set forth in its Governing Documents. These allocations are commonly known as “carried interest” (“Carried Interest”). The Carried Interest paid by the Main Sterling Funds is generally equal to 20% of the Main Sterling Fund’s net profits.

A Co-Investment Fund, in some cases, allocates a share of capital gains on or capital appreciation of the assets of such Co-Investment Fund to a related person of Sterling Partners, as determined by negotiation at the time of formation and as set forth in the Governing Documents of such Co-Investment Fund. To the extent paid, such Carried Interest generally ranges from 10% to 20%. Because the Co-Investment Funds typically invest in a single portfolio company, the Carried Interest received by Sterling Partners from such Co-Investment Funds (if any) could vary significantly from vehicle to vehicle as a result of the particular circumstances and negotiated terms specific to such portfolio company investment.

In some cases, the Carried Interest paid by a Fund is payable only if the investors in the Fund have received a preferred annual return on their contributed capital. In general, in Funds where a preferred annual return exists, the preferred annual return is a “hurdle” and the general partner of such Fund is entitled to “catch-up” distributions in respect of its Carried Interest once the hurdle has been achieved. Furthermore, it is generally the case that, if the general partner of a Fund has received Carried Interest distributions in excess of the amounts to which it is entitled, the general partner will be subject to a “clawback” payment to the Fund to the extent of such excess, subject to certain limitations.

The precise amount of, and the manner and calculation of, the Advisory Fees and Carried Interest (if applicable) for each Fund are negotiated between Sterling Partners and investors in such Fund, and are set forth in such Fund’s Governing Documents. Please refer to the Governing Documents of each applicable Fund for complete information on the fees and compensation payable with respect to such Fund. The Advisory Fee and Carried Interest structures for a Fund may be modified from time to time in accordance with the terms of the applicable agreements detailing such Advisory Fee and Carried Interest structures. Advisory Fees and Carried Interest may differ from one Fund to another, as well as among investors in the same Fund.

In limited circumstances, the Advisory Fees and Carried Interest payable to Sterling Partners or a related person by a Fund are waived or reduced with respect to certain participants in such Fund in Sterling Partners’ discretion, both voluntarily and on a negotiated basis. Advisory Fees and

Carried Interest are typically waived or reduced with respect to Sterling Partners or its related persons and/or certain business associates or other “friends and family” of Sterling Partners.

Investors and prospective investors in the Funds should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees.

Deduction of Fees; Timing of Payments; Termination

Sterling Partners is authorized under the Governing Documents to charge and deduct Advisory Fees directly from the assets of the Main Sterling Funds in advance. Payment of Advisory Fees is generally made on January 15 (for the period from January 1 through June 30) and July 15 (for the period from July 1 through December 31) of each year and in accordance with the terms of the Governing Documents. Please refer to the Governing Documents of each of the Main Sterling Funds for complete information on the timing of advisory fee payments.

Upon termination of any Main Sterling Fund’s advisory relationship with Sterling Partners, any prepaid, unearned Advisory Fees will be promptly refunded to such Main Sterling Fund, and any earned, unpaid fees will be due and payable.

Other Fees and Expenses

In addition to any Advisory Fees payable to Sterling Partners, a Fund will incur certain charges and other expenses. Such charges and expenses may include (but are not limited to): organizational expenses of the Fund; liquidation expenses; any sales taxes or other taxes of any kind, fees or government charges which may be assessed against the Fund; expenses incurred in connection with the evaluation, negotiation and pursuit of potential investments for the Fund (including “reverse” break-up fees), including investments that are not consummated; expenses incurred in connection with the acquisition, holding and disposition of the Fund’s investments, including, without limitation, commitment fees, merger fees, registration fees, commissions or brokerage fees or similar charges incurred in connection with the purchase or sale (or proposed purchase or sale) of securities (whether or not any such purchase or sale is consummated); expenses of members of the Fund’s advisory committee (if any); fees and expenses for consulting services (including, but not limited to, consulting fees and expenses incurred by the Fund for the benefit of its portfolio companies (to the extent not reimbursed by such portfolio companies) and including services provided by Sterling Partners’ “operating partners” and “advisors”; “executives-in-residence” and the like); fees and expenses for legal or other services incurred by the Fund for the benefit of its portfolio companies (to the extent not reimbursed by such portfolio companies); reasonable travel expenses related to the investigation of identified companies in connection with investment or potential investment transactions or related to the monitoring or disposition of portfolio investments (in each case, to the extent that such travel expenses are not reimbursed by the relevant portfolio company or prospective portfolio company); the costs and expenses (including set-up, travel, honorarium, dining, entertainment and related expenses) of hosting annual or special meetings of the Funds, or otherwise holding meetings or conferences with investors, whether individually or in a group; expenses associated with preparation of the Fund’s financial statements and tax returns and the Fund’s reports to its investors; interest expense for borrowed money (if any); all expenses relating to litigation and threatened litigation involving the Fund,

including indemnification expenses; expenses related to other legal and regulatory matters related to the Fund; expenses attributable to normal and extraordinary investment banking, commercial banking, accounting, tax, auditing, appraisal, legal and custodial services provided to the Fund, including in each case services with respect to the proposed purchase or sale of securities by the Fund that are not reimbursed by the issuer of such securities (whether or not any such purchase or sale is consummated); fees and expenses related to valuation of the Fund's investments; other "broken deal" costs; due diligence costs and expenses with respect to portfolio companies; research fees and expenses (including expert networks); costs related to the formation and maintenance of "alternative investment vehicles"; fees payable to any placement agent or marketing consultant engaged by Sterling Partners in connection with the offering of interests in the Fund (subject to an offset of such amount against the Advisory Fee payable by the Fund to Sterling Partners); premiums for liability insurance in connection with the activities of the Fund to protect the Fund, Sterling Partners, any of their respective partners, members, managers, stockholders, officers, directors, employees or agents, members of the advisory committee and other persons who serve on the board of directors of portfolio companies at the request of the Fund; and all other expenses properly chargeable to the activities of the Fund.

The types of other fees and expenses incurred and payable by a Fund will vary from Fund to Fund. Please refer to the Governing Documents of each applicable Fund for more complete information.

In certain cases, formation of a Co-Investment Fund may be contemplated in connection with a proposed investment. If a proposed investment is not consummated, often no such Co-Investment Fund will be formed even if it had been contemplated, one or more co-investors had been identified and negotiations had commenced or been completed with such co-investors. If the potential investment is not consummated, the full amount of any expenses relating to such potential but not consummated investment would be borne entirely by the Main Sterling Fund(s) selected by Sterling Partners as proposed investors for such proposed investment, rather than the Co-Investment Fund(s) or other potential co-investor(s) unless any such Co-Investment Fund or co-investor has provided the Main Sterling Fund(s) and/or Sterling Partners with a commitment to participate in such investment if consummated. In such cases where a Co-Investment Fund or co-investor has provided a binding commitment, Sterling Partners will use its commercially reasonable efforts to negotiate with such Co-Investment Fund or co-investor to pay a portion of the expenses related to such proposed investment in the event that the investment is not consummated. If the proposed investment is consummated, transaction costs related to the investment typically are paid by the applicable portfolio company. To the extent not paid or reimbursed by the portfolio company, ongoing expenses incurred by the applicable Main Sterling Fund(s) with respect to a portfolio company investment typically are borne by such Main Sterling Fund(s) and not by any Co-Investment Fund or other co-investor participating in such investment.

Certain Co-Investment Funds (which generally do not pay Advisory Fees to Sterling Partners) may be charged by Sterling Partners or a related person for partnership tax and accounting recordkeeping and reporting performed by Sterling Partners in order to maintain such Co-Investment Funds (such as preparation of tax returns and capital account statements).

The Advisory Fees paid by a Main Sterling Fund generally will be reduced by the amount of fees paid by such Main Sterling Fund to any person acting as a placement agent in connection with the

offer and sale of interests in such Main Sterling Fund to potential investors, as well as by fees and expenses incurred by Sterling Partners in connection with the organization of such Main Sterling Fund that exceed a limit specified in such Main Sterling Fund's Governing Documents. In addition, Sterling Partners may reduce all or a portion of the Advisory Fee paid by a Main Sterling Fund in full or partial satisfaction of any obligation of Sterling Partners and certain employees and affiliates of Sterling Partners (such as the general partner of a Main Sterling Fund) to contribute capital to such Main Sterling Fund, which could result in acceleration of investor capital contributions to such Main Sterling Fund. Due to such reductions in Advisory Fees and/or the timing of receipt of compensation that is otherwise intended to result in an Advisory Fee offset (as described in the subsection titled "*Economic Benefits Received from Third Parties*" in Item 14 below), investors in a Main Sterling Fund may not receive the full benefit of reductions or offsets (e.g., if Sterling Partners receives compensation that would otherwise result in an offset against the Advisory Fee payable by a Main Sterling Fund during periods when Sterling Partners no longer receives Advisory Fees from such Main Sterling Fund or the Advisory Fee for such Main Sterling Fund is reduced in full as a result of the other reductions described above, Sterling Partners, depending on the terms of the Governing Documents for such Fund and/or certain elections that may be made by investors in such Fund, may be entitled to retain some or all of such compensation without remitting such amounts to the applicable Fund or its investors).

To the extent that expenses are attributable to more than one Main Sterling Fund or (in certain limited cases) to Sterling Partners, on the one hand, and one or more Main Sterling Funds, on the other hand, Sterling Partners will allocate such expenses among such Main Sterling Funds (and Sterling Partners, if applicable) in a manner that it determines to be equitable in accordance with its expense allocation policy. The policy provides for the allocation of various categories of expenses, including: organizational costs; audit and tax services; legal matters; annual meeting expenses; insurance expenses; transaction costs; portfolio company expenses and "parallel fund" expenses.

The section titled "Brokerage Practices" (Item 12 below) describes the factors Sterling Partners considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

Timing of Payments

Please refer to the subsection titled "*Deduction of Fees; Timing of Payments; Termination*" described above.

Transaction-Based Compensation

Sterling Partners does not receive any compensation as broker or agent for the sale of securities or other investment products to any Fund. Please refer to the subsection titled "*Economic Benefits Received from Third Parties*" in Item 14 below for information on other types of compensation that Sterling Partners receives with respect to investments by the Funds.

Item 6 - Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

As discussed under the section titled “*Fees and Compensation*” (Item 5 above), a related person of Sterling Partners, as general partner of a Main Sterling Fund, will typically receive certain allocations calculated and charged based on a share of capital gains on or capital appreciation of the assets of such Main Sterling Fund as Carried Interest, as set forth in such Main Sterling Fund’s Governing Documents. Co-Investment Funds, in some cases, allocate a share of capital gains on or capital appreciation of the assets of such Co-Investment Fund as Carried Interest to a related person of Sterling Partners, as set forth in the Governing Documents of the relevant Co-Investment Fund. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and/or certain investors in Funds may incur reduced or no Carried Interest.

Any share of profits allocated and distributed to a general partner, manager or managing member of a Fund is separate and distinct from the Advisory Fees (if any) charged by Sterling Partners to such Fund for advisory services.

Performance-based allocation arrangements received by related persons of Sterling Partners could create an incentive for Sterling Partners to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee or compensation arrangement. Please refer to the Governing Documents of each Fund for complete information on the “performance-based fee” arrangements of each Fund.

Side-by-Side Management

Sterling Partners provides concurrent advisory services to Funds that are not charged a performance-based fee or allocation by Sterling Partners’ related persons and Funds that are charged a performance-based fee or allocation by a related person of Sterling Partners. Sterling Partners also provides concurrent advisory services to Funds that are charged different performance-based fees or allocations and, in certain cases, Sterling Partners is only permitted to take a performance-based fee or allocation from a Fund after the investors in such Fund have received a preferred annual return on their contributed capital. As a result, the potential for Sterling Partners’ related persons to receive different fees or allocations from performance-based accounts creates a potential conflict of interest with respect to the allocation of investment opportunities because Sterling Partners has an incentive to direct the best investment ideas to, or to allocate investments in favor of, the account that pays a more favorable performance fee or allocation.

To mitigate this potential conflict of interest, the allocation of investment opportunities among Main Sterling Funds is made by Sterling Partners in accordance with its investment allocation policy (“Investment Allocation Policy”) which takes into account multiple criteria, including: the investment objectives, strategies, guidelines and restrictions of each Main Sterling Fund; the relevant allocation of investment opportunity provisions in a Main Sterling Fund’s Governing Documents; differences with respect to available capital (e.g., current or anticipated capital available for investment, including reserves for anticipated follow-on investments if applicable),

size, and remaining life of the Main Sterling Funds; general preference to utilize the remaining new investment capacity of Main Sterling Funds of earlier vintage years in priority to their successor Main Sterling Funds; potential conflicts of interest related to the opportunity, including whether a particular Main Sterling Fund has an existing investment in the portfolio company with respect to which the opportunity relates; the nature and size of the investment opportunity, including projected follow-on investment amounts; current and anticipated market conditions; the projected holding period and anticipated availability of liquidity opportunities for the particular investment opportunity; the degree of control the Main Sterling Fund will have over the applicable portfolio company; portfolio diversification; and tax, legal or regulatory considerations. In the event that investment opportunities are suitable for more than one Main Sterling Fund, Sterling Partners and its related persons seek to derive an allocation that in their judgment is fair and equitable to each Main Sterling Fund relative to other Main Sterling Funds over the life of such Main Sterling Fund, taking into account all relevant facts and circumstances.

After the applicable Main Sterling Fund(s) have received their desired portion of an investment opportunity, Sterling Partners, in certain cases, will make additional amounts with respect to such investment opportunity (if any) available for co-investment to third parties, which often includes one or more investors in Main Sterling Funds (without any obligation to offer such investment opportunity to other investors in Main Sterling Funds). Factors that Sterling Partners considers in allocating any particular co-investment opportunity include, among others: strategic value (the perceived strategic value of a prospective co-investor to the investment opportunity); timing (how quickly a prospective co-investor is able to conduct its own due diligence and make a decision with respect to an investment opportunity); ability to make the investment (whether a prospective co-investor has the financial and other resources to make the investment); co-investment interest (whether a prospective co-investor has indicated to Sterling Partners a desire to make investments of the type offered by the investment opportunity); commitment size to the applicable Main Sterling Fund; quality of deal partner (whether Sterling Partners believes that a prospective co-investor will represent a good syndicate partner in connection with the Main Sterling Fund's investment, including by giving confidence that such prospective co-investor will be able to meet future investment needs of the portfolio company); and other factors relevant to the relationship of a particular investment opportunity to a given prospective co-investor. In certain cases, Sterling Partners may cause a Main Sterling Fund to sell down a portion of its interest in a portfolio company to co-investors (including to a Co-Investment Fund) on such terms as Sterling Partners may determine (which sale may be at cost or at Sterling Partners' current carrying value for the interest being sold, and if at cost may or may not include an interest-like charge for the period during which the Main Sterling Fund held such investment). This may occur, for example, if Sterling Partners needs to close the investment before some or all of the co-investors are identified or ready to proceed with the investment.

With respect to Co-Investment Funds, the potential conflict arising from performance-based fee arrangements is mitigated because Co-Investment Funds generally invest in only a single specific portfolio company alongside one or more Main Sterling Funds. In some cases, the Co-Investment Funds have contractual rights (e.g., rights of first refusal or pre-emptive rights) to participate in follow-on investments with respect to that company.

Item 7 - Types of Clients

Types of Clients

Sterling Partners generally provides investment advice to pooled investment vehicles, including the Funds. Investment advice is provided directly to the Funds and not individually to investors in such Fund. The limited partners or members of the Funds are generally “qualified purchasers” as defined in the Investment Company Act and may include, among others, corporations, financial institutions, funds-of-funds, governmental bodies or agencies, insurance companies, endowments, foundations, non-profits, trusts, estates, individuals and pension and profit sharing plans.

Sterling Partners may in the future also provide investment management and supervisory services to separate account clients.

In connection with the formation and management of a Main Sterling Fund, Sterling Partners forms certain related entities for such Fund. Sterling Partners establishes vehicles (“Feeder Sterling Funds”) to address tax, legal or regulatory issues or requirements of certain investors in such Fund. Each Feeder Sterling Fund, if formed, would be a limited partner (or equivalent) of a Main Sterling Fund or an AIV (as defined below) and interests in such Feeder Sterling Fund would be held by investors who participate in the Main Sterling Fund or an AIV through such Feeder Sterling Fund. Please refer to the Governing Documents of the applicable Main Sterling Fund or AIV for more complete details on any Feeder Sterling Fund established by Sterling Partners in connection with that Fund. Sterling Partners also forms “parallel funds” to invest alongside certain Main Sterling Funds in all of their investments. In addition, Sterling Partners forms “alternative investment vehicles” or special purpose vehicles (collectively, “AIVs”) for the purpose of facilitating certain investments by one or more Main Sterling Funds. Please refer to the Governing Documents of the applicable Main Sterling Fund for more complete details on parallel funds and AIVs.

Sterling Partners also serves as investment manager for Co-Investment Funds that invest in certain portfolio companies of the Main Sterling Funds. Sterling Partners will select the investors that are permitted to co-invest in a particular portfolio company of a Main Sterling Fund in its sole discretion, in accordance with its Investment Allocation Policy in effect from time to time, based on various factors. Please also refer to the subsection titled “*Side-by-Side Management*” in Item 6 above. While one or more limited partners of the Main Sterling Funds may be invited to co-invest in the Main Sterling Fund’s portfolio companies, in Sterling Partners’ sole discretion any or all of any co-investment opportunity may be offered to investors that are not limited partners of one or more of the Main Sterling Funds. Sterling Partners may, in its sole discretion, offer co-investment opportunities to some limited partners of the Main Sterling Funds while not offering them to other limited partners in the Main Sterling Funds, and may cause some limited partners of the Main Sterling Funds participating in a co-investment opportunity and/or other co-investors to bear an Advisory Fee and/or Carried Interest while not imposing an Advisory Fee and/or Carried Interest (or imposing a different Advisory Fee or Carried Interest) on other Main Sterling Fund limited partners participating in such co-investment opportunity and/or other co-investors. In certain cases, co-investment opportunities include opportunities to invest in portfolio companies of the Main Sterling Funds at a time when there is not a corresponding Main Sterling Fund investment or on different terms than any Main Sterling Fund investment. Some co-investors also

are provided the opportunity to sit, or have a representative sit, on the board of directors or board of advisors of the portfolio company and to receive fees in such capacity, which fees are not offset against Advisory Fees paid by the Main Sterling Funds. Positions on boards of directors or advisors of such portfolio companies provide such persons with voting rights, access to information and potentially the ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other investors.

Opportunities to invest in a portfolio company may be made available to any person or entity, including, without limitation, strategic investors, lenders, portfolio company management and board members, consultants and other “operating partners” engaged by Sterling Partners or a portfolio company, deal sources, other private equity or venture capital firms, Main Sterling Fund limited partners, other persons or entities affiliated, associated or otherwise known to Sterling Partners or its personnel and unrelated third parties. These may arise whenever Sterling Partners has the opportunity for an investment in an existing or prospective portfolio company and Sterling Partners determines that all or a portion of the applicable opportunity is not required to be offered to, or is not appropriate for, a Main Sterling Fund. Such determinations are based on the provisions of the applicable Main Sterling Funds’ Governing Documents and such other factors as Sterling Partners may consider in its sole discretion, including those that may be specified from time to time in its Investment Allocation Policy.

Minimum Investment Requirements

Interests in the Funds are offered in private placements pursuant to applicable exemptions from registration under the Securities Act and the Investment Company Act. As a result, Sterling Partners generally offers limited partner (or equivalent) interests in the Funds to a limited number of “accredited investors” as defined in Regulation D under the Securities Act and, in most cases, exclusively to “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act.

In general, the minimum investment commitment required of an investor to participate in a Main Sterling Fund is \$1,000,000; however, the general partner of each Main Sterling Fund has discretion to increase or reduce the minimum investment commitment. Because the Co-Investment Funds typically invest in a single specific portfolio company, the minimum investment commitment required of an investor to participate in a Co-Investment Fund will vary from vehicle to vehicle. Investors and prospective investors in each Fund should refer to the Governing Documents of such Fund for more complete information on minimum investment requirements for participation in such Fund.

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

Investment Strategies

Sterling Partners’ primary investment focus is investments in privately-held operating companies (including publicly traded companies being taken private) in a variety of industries including healthcare services, business services and education. These investments primarily take the form of unregistered equity of U.S. and non-U.S. companies and generally represent

controlling interests in such companies. Although the primary focus of each Main Sterling Fund is on private equity investments, Sterling Partners may from time to time recommend other types of investments (such as publicly-traded equity) to the extent consistent with the respective Fund's investment strategy and objectives and its Governing Documents.

Methods of Analysis

In addition to leveraging its extensive network of executives, directors, brokers, bankers, and service providers for investment opportunities, Sterling Partners proactively conducts research into attractive market opportunities and targets businesses with compelling value propositions and differentiated product or service offerings. Sterling Partners also will participate in auction processes for investment opportunities, especially where it believes that it may have an advantage over other potential bidders (e.g., in the potential for Sterling Partners to enhance value through industry knowledge or contacts). Once potential investments are identified, Sterling Partners' rigorous investment due diligence processes and team-based approach provide for a disciplined review, assessment, and investment decision-making process. When identifying prospective investments, Sterling Partners places particular emphasis on business segments in which its investment team has considerable investment and operating experience and in which Sterling Partners expects to have access to substantial deal flow. These segments include:

- Healthcare Services – including healthcare providers and companies providing services to healthcare providers and other healthcare market participants
- Business Services – including industrial, energy and maintenance services, logistics, professional services, and data, analytics and information services
- Education – including companies providing services to education institutions, especially higher education, and providers of post-secondary and K-12 education, testing, training, and certification.

Sterling Partners generally seeks to invest in companies with strong fundamentals and the potential for growth (either organic or through acquisition). In evaluating prospective investments, Sterling Partners will place particular emphasis on certain factors, including:

- Strong fit with Sterling Partners' industry experience
- Existence or availability of strong management
- Superior industry fundamentals
- Defensible competitive advantage
- Distinctive or proprietary product or service
- Recurring revenue / repeat purchase model
- Non-cyclical performance
- Potential for operations improvement

Material Risks

The task of identifying investment opportunities and managing such investments is difficult. There can be no assurance that a Fund will be able to make any particular investment or that a Fund will be able to generate returns for its investors. In addition, there can be no assurance

that any investor will receive any distribution from a Fund. Investing in a Fund involves a risk of loss that investors should be prepared to bear. Investors should carefully consider, among other factors, the following material risks involved with Sterling Partners' investment strategies. Please refer to the Governing Documents of the applicable Fund for more complete information on the investment strategies employed by such Fund and corresponding risks associated with such investment strategies.

Business Risks. A Fund's investment portfolio will consist primarily of securities issued by privately-held companies. Operating results for these companies in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk, which can result in substantial losses.

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

Concentration of Investments. A Fund will participate in a limited number of investments and may make several investments in one industry or one industry segment. In particular, a Co-Investment Fund will typically hold only a single portfolio company investment. As a result, a Fund's investment portfolio could become (or in the case of a Co-Investment Fund, will be) highly concentrated and its aggregate return may be affected substantially by the performance of a small number of holdings. Furthermore, to the extent that the capital raised for a Fund is less than the targeted amount, such Fund may invest in fewer portfolio companies and, as a result, be less diversified.

Small and Middle-Market Companies. A central component of Sterling Partners' investment strategy is to invest in small and middle-market companies. While investments in these companies may present greater opportunities for growth, such investments also entail larger risks than are customarily associated with investments in large companies. Small and medium-sized companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology.

Illiquidity; Lack of Current Distributions. An investment in a Fund should be viewed as illiquid. It is uncertain 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, 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. Prior to such time, there often will be no current return on the investments. Furthermore, the expenses of operating a Fund (including the annual Advisory Fee payable to Sterling Partners (if any)) may exceed its income, thereby requiring that the difference be paid from a Fund's capital.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a Fund's investments. As a result, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to investors in a Fund, and any such distribution could put downward pressure on the price of the applicable company's securities.

Projections. Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based 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, the inaccuracy of certain assumptions and general economic factors, which are not predictable, can have a material impact on the reliability of projections.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, a Fund may decide to invest additional funds in such portfolio company. There is no assurance that a Fund will make follow-on investments or that a 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 impact on a portfolio company in need of such an investment or may result in a lost opportunity for a Fund to increase or maintain its ownership percentage in a successful operation. Because the Co-Investment Funds will typically only invest in a single portfolio company, a Co-Investment Fund may not have the right to participate in follow-on investments or avoid dilution of its interest in the portfolio company as a result of follow-on investments by other investors (including the Main Sterling Funds).

Foreign Investments. A Fund may invest in portfolio companies that are organized outside of the United States, its territories and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, political, economic or social instability, developing and rapidly evolving government regulatory environments, capital repatriation regulations and the application of complex tax rules to cross-border investments.

Control Liability. In most cases, a Main Sterling Fund, alone or together with other Funds, will own a significant or controlling interest in its portfolio companies. A Fund will often receive the right to appoint one or more representatives to the board of directors of the companies in which it invests. On occasion, a representative of a Fund may also serve in an executive officer position with a portfolio company. Significant or controlling ownership and serving on the board of directors or as an executive officer of a portfolio company exposes a Fund's representatives, and ultimately such Fund, to potential liability claims because such Fund or its representatives may in certain cases be thought to control, participate in the management of or influence the conduct of portfolio companies. The Governing Documents of a Fund generally provide that such Fund's assets are available to indemnify the general partner, manager or managing member of such Fund, its principals and other persons for losses or expenses incurred in any action related to conduct by such persons on behalf of such Fund, subject to certain conditions. A Fund may have the ability to recall certain distributions previously made to its investors for the purpose of satisfying such liabilities.

Contingent Liabilities on Disposition of Investments. In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. A Fund may also be required to indemnify the purchasers of such company to the

extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities, which might ultimately have to be funded by investors in such Fund to the extent of their unpaid capital commitments to such Fund or through the return of certain prior distributions.

Economic and Market Risk. Companies in which a Fund invests (and the value of the Fund's investment in such companies) may be sensitive to general downward swings in the overall economy or in the sectors in which such companies operate. Factors affecting economic conditions, including, for example, inflation rates, industry conditions, competition, technological developments, domestic and worldwide political, military and diplomatic events and trends, tax laws, credit market conditions and innumerable other factors, none of which will be within the control of Sterling Partners, can affect substantially and adversely the business and prospects of a Fund. A major recession or adverse developments in the securities or credit markets might have a material adverse impact on some or all of a Fund's investments. A sustained period of low valuations in the public equity markets could result in substantially lower liquidation value and substantially longer periods before liquidity is achieved in comparison with historical values, which would reduce the returns that could be achieved by a Fund. There can be no assurance that the financial markets will, maintain their current liquidity and may well become less liquid and/or more volatile in the future. The ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on economic and market conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance, particularly given the potential for volatility in the financial markets and a potential lack of investor appetite for new issues in the public securities markets, that Funds will be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. Even if a Fund holds publicly-listed securities (for example, as a result of an initial public offering by a portfolio company or the acquisition of a portfolio company for publicly-listed stock of the acquiror), the trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable to a Fund to sell these securities when Sterling Partners believes it is most advantageous to do so, or without adversely affecting the stock price. Renewed volatility in the financial sector may have an adverse material effect on the ability of the Funds to buy, sell and partially dispose of their portfolio company investments. The Funds may be adversely affected to the extent that they seek to dispose of any of their portfolio investments into an illiquid or volatile market, and a Fund may find itself unable to dispose of investments at prices that Sterling Partners believes reflect the fair value of such investments. The ultimate effect of the most recent global recession and whether such conditions may be repeated in the future cannot be predicted. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise. In addition, factors specific to a portfolio company may have an adverse effect on a Fund's investment in such company.

Regulated Business. Companies in which a Fund invests are frequently in regulated industries such as education, healthcare services or financial services. Changes in regulations applicable to such companies could have a negative impact on their businesses and operations. These changes are difficult to predict and their impact on certain participants in an industry, including portfolio companies of a Fund, could be particularly acute.

Valuation of Assets. There is no actively traded market for most of the securities owned by the Funds. When estimating fair value for a particular investment in accordance with its valuation policy, Sterling Partners will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstances of such investment. Valuations are subject to multiple levels of review for approval by Sterling Partners (including its valuation committee) and ensuring that portfolio investments are fairly valued is an important focus of Sterling Partners. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding any portfolio companies of a Fund. With respect to the Funds, the exercise of discretion in valuation by Sterling Partners may give rise to conflicts of interest, as the timing of distributions in respect of the Carried Interest generally is determined, and in certain Funds the Advisory Fee is calculated, based in part on these valuations and such valuations affect Sterling Partners' performance calculations with respect to the Funds.

Cyber Security Breaches and Identity Theft. Sterling Partners', the Funds' and their service providers' information and technology systems are subject to damage or interruption from computer viruses, network failures, computer and telecommunication failures, 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 Sterling Partners 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, Sterling Partners, the Funds and/or a service provider thereof potentially would have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Sterling Partners', the Funds' and/or a service provider's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors), portfolio company information and/or sensitive information about the Funds. Such a failure could harm Sterling Partners', the Funds' and/or a service provider's reputation, subject such entities and their respective affiliates to legal claims and otherwise adversely affect their business and financial performance.

Item 9 - Disciplinary Information

Sterling Partners and its management persons have not been the subject of any material legal or disciplinary proceeding required to be disclosed in response to this item.

Item 10 - Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Neither Sterling Partners nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors

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

Certain Conflicts of Interest

Sterling Partners faces a number of conflicts of interest and potential conflicts of interests in connection with the Funds and its other activities. Certain of these conflicts of interests are described below and in other sections of this Brochure (although the discussion below and in other sections of this Brochure does not describe all of the conflicts that may potentially be faced by with respect to a Fund). Please also refer to the subsection titled “*Participation or Interest in Client Transactions; Personal Trading*” in Item 11 below and the Governing Documents of each Fund for more information, including with respect to transactions that may be subject to specific consent requirements. In the case of all conflicts of interests, Sterling Partners determination as to which factors are relevant, and the resolution of such conflicts, will be made using Sterling Partners’ best judgment, but in its sole discretion subject to any express requirements in a Fund’s Governing Documents. In resolving conflicts, Sterling Partners may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Sterling Partners’ Chief Compliance Officer (“CCO”) is typically consulted regarding conflicts of interest and their resolution.

Relationships with Related Persons

Sterling Partners and its related persons engage in a broad range of activities, including investment activities for their own account and the account of other Funds, and providing investment advisory, management and other services to Funds and their respective portfolio companies. As a result, the interests of a Fund will, from time to time, conflict with the interests of Sterling Partners or its related persons or one or more other Funds. Sterling Partners manages a number of Funds that have similar investment objectives. Sterling Partners may in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Sterling Partners’ management of multiple Funds can create conflicts in the allocation of time, resources and investment opportunities among the Funds. It is expected that employees of Sterling Partners responsible for managing a particular Fund also will have responsibilities with respect to other Funds managed by Sterling Partners, including Funds that may be raised in the future. Please refer to the Governing Documents of the relevant Fund for more complete information on the requisite time commitments (if any) of Sterling Partners and its related persons to the Funds. Please refer to the Governing Documents of the relevant Fund and the subsection titled “*Side-by-Side Management*” in Item 6 above for more information on the allocation of investment opportunities among the Funds.

As described in the section titled “*Advisory Business*” (Item 4 above), SFM is affiliated with the general partner entities of the Funds, all of which are deemed registered with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”) pursuant to SFM’s

registration. These affiliated entities operate as a single advisory business together with SFM and may share with SFM common owners, officers, partners, employees, consultants or persons occupying similar positions.

SPEA, which, as noted in Item 4, registered as an investment adviser with the SEC in May 2017, is also a related person of SFM. The principal owner of SPEA is Sterling Partners Investment Group LLC, which is also a related person of SFM. SPEA is an investment adviser focusing on small capitalization public equity securities with a value orientation. Certain back office employees of Sterling Partners will provide services to both SFM and SPEA in connection with each such entity's advisory activities and, as a result, the time such employees devote to SFM and its advisory activities will be reduced.

Conflicts Related to Purchases and Sales of Investments

Certain Funds may hold or may acquire positions in portfolio companies in which other Funds invest or have invested (including positions at different or overlapping levels of a portfolio company's capital structure compared to the positions held by such other Funds). Such investments may be coincident with or precede one another. Follow-on investments in companies in which a Fund and one or more other Funds have invested may not necessarily be pro rata based on existing ownership in such companies. Where investments by multiple Funds in the same company are made at different times or in different proportions, conflicts of interest with regard to valuation and other matters can arise.

Where a Fund co-invests with one or more other Funds, such Fund may have divergent interests from the other Funds with respect to exit timing and strategies with respect to such investments, restructuring the capital structure or business of such companies or other matters affecting the investment in such companies. The divergence in interests typically is greater where different Funds hold positions at different levels of a portfolio company's capital structure or where a Fund has a different capacity to invest additional capital in such portfolio company as compared to other Funds. To the extent that a Main Sterling Fund and one or more other Main Sterling Funds hold interests in the same company, disposition opportunities with respect to those investments shall, to the extent practicable, be allocated among such Main Sterling Funds in a manner that is fair and equitable, in the judgment of Sterling Partners and its related persons, to each such Main Sterling Fund, taking into account all relevant facts and circumstances, including: the strategies, guidelines and restrictions of each such Main Sterling Fund; relevant provisions in the Main Sterling Funds' Governing Documents or in other agreements related to the Main Sterling Funds' investments in such company; liquidity needs for each such Main Sterling Fund and the investment cycle of such Main Sterling Funds; respective holding periods for the investments; the nature and size of the disposition opportunity; current and anticipated market conditions; and tax, legal or regulatory considerations.

Investment opportunities that are otherwise appropriate for a Main Sterling Fund may be made available in whole or in part to a portfolio company of another Main Sterling Fund because such opportunity would be complementary to and/or enhance such existing portfolio company's business (what Sterling Partners refers to as a "build-up" opportunity).

Investments by a Fund may cause Sterling Partners and its related persons to become subject to legal or contractual restrictions on their ability to effect transactions for other Funds, for example due to the receipt of non-public information or due to the existence of a control relationship between Sterling Partners and a portfolio company. In addition, it is possible that in a bankruptcy proceeding a Fund's interest in a portfolio company may be adversely affected by another Fund's involvement and such other Fund's actions relating to its investment.

Sterling Partners will determine all matters relating to structuring transactions, including the amount and terms of securities, allocation of securities among the relevant Funds and amounts potentially available for co-investment opportunities, using its best judgment considering all factors that it deems relevant and subject to any specific consent or other requirements under the Governing Documents for the relevant Funds.

Conflicts Relating to the General Partner and Sterling Partners

Sterling Partners, in its discretion from time to time, recommends to a portfolio company of a Fund (in response to a solicitation for a recommendation or otherwise) that it contract for services with another portfolio company of such Fund or a portfolio company of another Fund. When making such a recommendation, Sterling Partners may have an incentive to recommend products or services of such other portfolio company over different products or services that may be available in the market or similar products or services that may be available at lower prices. Although use of any such product or service by the portfolio company receiving the recommendation would be voluntary, it may nevertheless feel conflicted in its choice of vendors and might select the other Sterling Partners portfolio company when there are better or cheaper products or services offered by unrelated companies. Sterling Partners intends that any such recommendation made to a portfolio company would be made based upon the best interests of such portfolio company.

Sterling Partners or its related or associated persons may have material interests in other businesses that, from time to time, engage in commercial transactions with portfolio companies of the Main Sterling Funds. Sterling Partners anticipates that any such transactions generally would be on arms'-length terms that are no less favorable to such portfolio companies than the terms on which any such business generally provides services to unrelated third parties in comparable transactions.

Fee Structure

Because there is a fixed investment period after which capital from investors in the Main Sterling Funds may only be drawn down in limited circumstances and because Advisory Fees are, at certain times during the life of the Main Sterling Funds, based upon capital invested by the Main Sterling Funds, this fee structure creates an incentive for Sterling Partners to deploy capital when it may not otherwise have done so or for Sterling Partners to delay the disposition of an investment that Sterling Partners might have otherwise caused the applicable Main Sterling Fund to sell.

Additionally, as discussed in the subsection titled "*Performance-Based Fees*" in Item 6 above, the general partners of many Funds are entitled to Carried Interest under the terms of the Governing Documents of such Funds. Such general partners are affiliates of SFM. The existence of the general partners' Carried Interest could create an incentive for the general partners to cause such

Funds to make more riskier or speculative investments than they would have otherwise in the absence of such performance-based compensation.

Pursuant to the Governing Documents of a Fund, the general partner of such Fund may be required to return excess amounts of Carried Interest distributions as a “clawback” (subject to certain limitations). This clawback obligation may create an incentive for the general partner of such Fund to defer disposition of one or more investments or to delay the final liquidation of such Fund if the disposition and/or liquidation would result in or exacerbate a clawback situation for the general partner of such Fund or cause such clawback obligation to become due and payable.

Operating Partner and Advisor Program

Sterling Partners maintains an “operating partner and advisor” program in which it engages consultants and other advisors with relevant operating or other experience, which may include employees of portfolio companies, former Sterling Partners employees, third party consultants (including specialized consultants, external executives, and industry advisory roundtable members) or entities through which such persons provide services (the “Operations Support Providers”). The Operations Support Providers are engaged to provide operational support, specialized operations, legal and consulting services and similar or related services to, or in connection with, one or more Funds or portfolio companies in connection with the identification, acquisition, holding, improvement and disposition of such portfolio companies (“Operations Support Services”). These services may include support to the Main Sterling Funds or their portfolio companies regarding, among other things, the portfolio company’s management (including serving in management positions or participating in determining corporate strategy), the company’s supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, legal and regulatory matters, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters. These Operations Support Providers are selected, among other relevant factors, due to their reputation in the industry and their familiarity with the values and operating and investing principles of Sterling Partners. If a Main Sterling Fund or a portfolio company of a Main Sterling Fund engages any of these Operations Support Providers as a consultant or advisor, or as a member of the board of directors of such portfolio company, the applicable portfolio company reimburses or pays, or the Main Sterling Fund pays, for these services at rates and on terms as determined in good faith by the portfolio company management team or, if for a Main Sterling Fund, by Sterling Partners (“Operations Expenses”). Operations Expenses may be determined taking into account the particular Operations Support Services, may include a profits or equity interest in a portfolio company or other incentive-based compensation to the Operations Support Provider, and may otherwise be determined according to one or more methods, including the value of the time of the Operations Support Provider or amounts charged by other providers for comparable services. The determination of whether a service is an Operations Support Service will be made by Sterling Partners. Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of an investment. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to multiple Funds, the Operations Expenses related to such services will be allocated among the applicable Funds as determined by Sterling Partners.

in accordance with its expense allocation policy or, more typically, paid by the applicable portfolio company and therefore indirectly borne by the Funds that have invested in the company based on their relative ownership in the company. Any compensation that an Operations Support Provider receives from a portfolio company or a Main Sterling Fund, for some individuals, in the past reduced and may in the future reduce the amount of compensation that Sterling Partners is contractually required to pay that Operations Support Provider and, therefore, such compensation provides a benefit to Sterling Partners. Compensation received by Operations Support Providers does not reduce or otherwise offset Advisory Fees payable to Sterling Partners by the Main Sterling Funds. Sterling Partners believes that these Operations Support Providers provide significant added value to the applicable portfolio companies and to the applicable Main Sterling Funds (directly or as an investor in the applicable portfolio company). Sterling Partners' "operating partner and advisor" program was modified in 2013 when several former employees of Sterling Partners were converted to consultants or advisors.

Diverse Investor Group

Each Fund's investors include residency in various jurisdictions, including the United States and other countries, who may have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests of particular investors may relate to or arise from, among other things, the nature of investments made by each Fund, the structuring of the acquisition of portfolio companies and the timing of the disposition of investments. Such matters may result in different after-tax returns being realized by different investors in the Funds. As a consequence, conflicts of interest may arise in connection with decisions made by Sterling Partners that may be more beneficial for one investor than another investor, especially with respect to investors' individual tax situations. Sterling Partners considers the investment and tax objectives of each Fund as a whole, and not the individual investment, tax or other objectives of any particular investor. Without limiting the foregoing, in connection with certain investments, Sterling Partners forms "alternative investment vehicles" as described in the section titled "Types of Clients" (Item 7 above) pursuant to which certain investors participate through a "blocker corporation" (and bear the burden of any taxes paid by such "blocker corporation") while other investors (including the general partner that is a related person of Sterling Partners) participate through a tax-transparent entity without an intervening "blocker corporation". This may create conflicts for the general partner, particularly in structuring an exit from such investment given the varying tax implications to the general partner and investors resulting from different exit structures. Returns from such investment to the general partner of the applicable Main Sterling Fund, including in respect of its Carried Interest, typically would not be reduced by any taxes borne by any such investor participating in an "alternative investment vehicle" through a "blocker corporation".

Business with Portfolio Companies and Investors

Given the collaborative nature of Sterling Partners' business and the portfolio companies in which the Funds have invested, from time to time, a portfolio company of a Fund may engage in commercial transactions or other transactions (such as a merger or acquisition) with a portfolio company of a different Fund. Depending on the nature of the transaction, a transaction between portfolio companies of different Funds can create potential conflicts of interest. Sterling Partners

anticipates that material transactions between portfolio companies generally would be on arms'-length terms or on other terms considered equitable to both companies under the circumstances.

Sterling Partners may have an incentive to recommend the products or services of certain investors or prospective investors in the Funds or related businesses in which such investors or prospective investors have a material interest to the Funds or their portfolio companies for use or purchase. Sterling Partners generally will have a conflict of interest in making such recommendations in that Sterling Partners has an incentive to maintain goodwill between it and investors in the Funds or to establish deeper relationships with prospective investors. Sterling Partners intends that any such recommendations would be made in the best interests of the applicable Funds or portfolio companies.

Certain service providers or potential service providers to the Funds or their portfolio companies, including for example, investment bankers, lenders, outside legal counsel, brokers, auditors and pension consultants, are investors (or affiliates of investors) in the Funds or have other business dealings with Sterling Partners. Sterling Partners will have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider (or its affiliates) will continue to invest in Funds, will provide Sterling Partners information about markets and industries in which Sterling Partners operates, will provide other services that are beneficial to Sterling Partners or will otherwise provide a benefit to Sterling Partners. In these circumstances, there is a possibility that Sterling Partners, because of such belief or for other reasons, would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. However, to mitigate this possibility, any transactions that are recommended by Sterling Partners between a Fund investor (or a known affiliate thereof) and a Fund or portfolio company are expected to be on terms that Sterling Partners believes are arms'-length or otherwise in the best interests of the Fund or portfolio company, as applicable.

Portfolio companies from time to time provide services to certain Fund investors (or affiliates thereof). Sterling Partners may have an incentive to encourage the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability and the ultimate returns to the Fund with respect to its investment in that portfolio company.

Sterling Partners may from time to time utilize for itself the services of Fund investors and their affiliates as it deems appropriate.

Sterling Partners and its related persons may, in certain instances, receive discounts on products and services provided by portfolio companies of Funds and/or customers or suppliers of such portfolio companies.

In certain instances, a Fund investor (or an affiliate thereof) may be a potential acquiror for a portfolio company of such Fund or another Fund. Sterling Partners anticipates that any such acquisition of a portfolio company by an investor in a Fund would be on arms'-length terms and otherwise approved only if Sterling Partners believes that such acquisition is in the best interests of the Fund(s) that have invested in such company.

Positions with Portfolio Companies

Employees and other related persons of Sterling Partners from time to time serve as officers or in comparable management functions for portfolio companies in which the Funds have invested or provide other services to such portfolio companies, and such employees and other related persons may devote substantially all of their time to such portfolio companies' businesses during such assignments. Such persons may receive compensation from portfolio companies for these services or portfolio companies may reimburse Sterling Partners for the cost of such persons' compensation and employee benefits (which are paid by Sterling Partners). This compensation or reimbursement may not necessarily reduce or offset Advisory Fees payable to Sterling Partners by the Main Sterling Fund that has invested in the applicable portfolio company or otherwise inure to the benefit of any Fund that has invested in the applicable portfolio company.

In addition, certain Sterling employees have left (and others in the future may leave) Sterling Partners to become employees of portfolio companies of Main Sterling Funds. The compensation paid to such persons by such portfolio companies is currently (and is anticipated to be in the future) generally based on the fair market value for the position they serve (or will serve) at the portfolio company. The hiring of such former Sterling employees will reduce compensation paid by Sterling Partners to such persons and such compensation will not reduce Advisory Fees paid by the Main Sterling Funds. In addition, Sterling Partners may supplement compensation paid by a portfolio company to a former Sterling Partner employee that is employed by such portfolio company for a period of time following such employee's departure from the Sterling Partners.

In connection with co-investment opportunities, some co-investors (which may include one or more investors in the Main Sterling Funds) are often provided with the opportunity to serve on the board of directors or board of advisors of the applicable portfolio company. Positions on board of directors or board of advisors of such portfolio companies provide such co-investors with voting rights, access to information and the ability to potentially influence the operations and decision-making of the portfolio company that are not available to other investors in the Main Sterling Funds. In certain cases, co-investors have contractual rights that require the approval of the co-investors for certain major actions relating to the applicable portfolio company, such as a sale of the company or the issuance of additional equity by the company. Such rights may limit the ability of Sterling Partners to take actions with respect to the portfolio company that Sterling Partners considers to be in the best interests of the Main Sterling Funds.

Sterling Partners on occasion selects family members of Sterling employees for board service on portfolio company boards. Such selection is not based on the familial relationship with Sterling Partners but rather on the board member's qualifications and industry experience. Any fees received by the board member are paid by the relevant portfolio company and not subject to the Advisory Fee offset provisions of the applicable Fund.

Limited Partners Advisory Committee

Each of the Main Sterling Funds has an advisory committee which is established under the respective Main Sterling Fund's Governing Documents. Each Main Sterling Fund's advisory committee is comprised of representatives of certain limited partners of such Main Sterling Fund

selected by the general partner of such Main Sterling Fund. Under the Governing Documents for each Main Sterling Fund, certain investment limitations may be waived, or transactions that involve potential conflicts of interest may be entered into, with the consent of such Main Sterling Fund's advisory committee. A conflict of interest may exist in that not all limited partners are asked to join (or are able to negotiate for the right to join) a Main Sterling Fund's advisory committee.

In addition, members of the advisory committee of a Main Sterling Fund may serve (and often do serve) on the advisory committees of other Main Sterling Funds, which may include the other Main Sterling Funds with respect to which a conflict presented to the advisory committee relates, or may otherwise have conflicts with respect to matters under consideration by the advisory committee of a Main Sterling Fund. Such members of the advisory committee will not necessarily be precluded from voting on matters as a result of such conflicts. Members of a Fund's Advisory Committee may vote on matters in a manner that is in the best interests of the investor with which such member is associated (regardless of whether that conflicts with the interests of the Fund or its other investors).

Other Potential Conflicts

Sterling Partners (and its related persons) and the Funds often will engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, Sterling Partners and/or its related persons, the parties may engage separate counsel in the sole discretion of Sterling Partners, and in litigation and other circumstances separate representation may be required. Additionally, Sterling Partners (and its related persons) and the Funds and the portfolio companies of the Funds engage other common service providers. In such circumstances, there may be a conflict of interest between Sterling Partners, on the one hand, and the Funds and portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that Sterling Partners may favor the engagement or continued engagement of such persons if it or its related persons receives a benefit from such service providers, such as lower fees, that it or they would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies. Sterling Partners or its related persons will from time to time receive a discount on services provided to it by such a common service provider in part due to the expenditures with such service provider by the Funds and/or the portfolio companies. Sterling Partners reviews its choice of service providers for the Funds (and the arrangements with such service providers) from time to time in an attempt to ensure that the Funds are receiving appropriate services on appropriate terms.

Sterling Partners has in the past and may in the future, in its discretion, cause the Funds and/or their portfolio companies to have ongoing business dealings, arrangements or agreements with persons who are former employees of Sterling Partners. The Funds and/or their portfolio companies would bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between Sterling Partners and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that Sterling Partners may

favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

Certain portfolio companies of the Funds are or have been, and may in the future be, participants in agreements, transactions or other arrangements with Sterling Partners, its affiliates, other portfolio companies of the Funds and other third parties to receive favorable procurement terms from certain vendors or suppliers. Sterling Partners and its affiliates often are eligible to receive favorable terms for procurement from such vendors or suppliers for their own use as compared to terms generally available to the customers or clients of such vendors and suppliers due in part to the involvement of the Funds' portfolio companies in such arrangements, and any such discounted amounts will not result in Advisory Fee offsets or otherwise be shared with the relevant Funds.

The Governing Documents of certain Funds permit such Fund's general partner to withhold information from investors in such Fund in certain circumstances. For instance, information may be withheld from investors that are subject to Freedom of Information Act or similar requirements.

Due in part to the fact that investors or potential investors in a Fund (including purchasers of a limited partner's interests in such Fund in a secondary transaction) or a co-investment opportunity may ask different questions and request different information, Sterling Partners may provide certain information to one or more investors or prospective investors that it does not provide to all of the investors or prospective investors.

Selection or Recommendation of Other Advisers

Sterling Partners does not recommend or select other investment advisers for its clients and does not receive compensation from such advisers in a manner that would create a material conflict of interest. Sterling Partners does not have other business relationships with other advisers that create a material conflict of interest.

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

Code of Ethics

Sterling Partners has adopted a code of ethics ("Code of Ethics") under Rule 204A-1 of the Advisers Act, expressing Sterling Partners' commitment to ethical conduct. Sterling Partners' Code of Ethics describes its fiduciary duties and responsibilities to its advisory clients (such as a Fund), helps to detect and prevent potential conflicts of interest and sets forth, among other things, Sterling Partners' (1) policies on receipt of gifts by employees and the making of political campaign contributions, (2) practice of obtaining periodic reports on and monitoring the personal securities transactions of its supervised persons with access to client investment recommendations and (3) pre-clearance requirements for certain personal securities transactions by such supervised persons. Under Sterling Partners' Code of Ethics, all of its supervised persons have a duty to act only in the best interests of the Funds and are required to promptly report all violations of the Code of Ethics to Sterling Partners' CCO. All supervised persons must acknowledge receipt of the Code of Ethics and any amendments thereto on an annual basis.

Sterling Partners will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions; Personal Trading

As limited partners or members of the general partner (or equivalent control person) of each of the Funds or as limited partners of a “parallel fund” formed in connection with a Main Sterling Fund, Sterling Partners and its related persons generally have indirect beneficial interests in the securities owned by the Funds and will share in any profits and losses generated by the Funds’ investments.

Sterling Partners and/or certain related persons of Sterling Partners may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to the Funds, including in connection with certain “warehousing” transactions, provided that the sale is consistent with Sterling Partners’ fiduciary obligations to the Funds. Such transactions will be fully disclosed in writing and the written consent of the appropriate Fund will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act to the extent that such transactions constitute “principal transactions” under such Section 206(3).

In certain situations, Sterling Partners and/or one or more related persons of Sterling Partners has purchased interests in the same portfolio company in which one or more Funds is investing or has invested or a Fund has purchased interests in a portfolio company in which Sterling Partners and/or related persons of Sterling Partners are investing or have invested. All such transactions are subject to compliance with Sterling Partners’ Code of Ethics and to any required consents under a Fund’s Governing Documents. Before Sterling Partners makes a recommendation that a Fund invest in a company, its related persons that have an ownership interest in that company (other than through a Fund) are required to disclose such interest to Sterling Partners. In addition, subject to any consents that may be required under a Fund’s Governing Documents, Sterling Partners and/or related persons of Sterling Partners may invest in companies that were considered for investment by a Fund but rejected by Sterling Partners as an investment for such Fund.

Sterling Partners has caused and may in the future cause a Fund to engage in “cross transactions” via the purchase of a portfolio investment from, or the sale of a portfolio investment to, another Fund, provided that the transaction is consistent with Sterling Partners’ fiduciary obligations to each Fund participating in the cross transaction and subject to any conditions or required consents under a Fund’s Governing Documents. Funds that are formed as “parallel funds” to co-invest in all investments such Funds make will typically engage in re-balancing “cross transactions” pursuant to the terms of their Governing Documents as the relative capital commitments between the parallel funds change during their respective fund-raising periods.

While Sterling Partners endeavors at all times to act in the best interests of the Funds, investors should be aware that the types of transactions described above create potential conflicts of interest with respect to Sterling Partners and the Funds.

Item 12 - Brokerage Practices

Discretionary Brokerage

With respect to those limited instances in which the Funds purchase, sell or distribute publicly traded securities through a broker-dealer, Sterling Partners seeks to satisfy its best execution obligation by considering relevant facts and circumstances, including, but not limited to, the broker's service and responsiveness, the price and size of the order, the trading characteristics of the securities involved, the value of research provided by the broker, the broker's execution abilities, commission rates, and the broker's financial responsibility. Sterling Partners will not necessarily select the broker-dealer offering the lowest commission cost.

Research and Soft Dollar Benefits

Sterling Partners does not engage in soft dollar arrangements with respect to securities transactions for the Funds.

Any research services and/or other products or services that are provided to Sterling Partners by brokers or dealers may be used for the benefit of all clients of Sterling Partners and do not necessarily benefit solely the Fund from which the commissions were generated. The receipt of research and/or other products or services is not directly connected to the recommendation of brokerage services to the Funds, but does create a potential conflict of interest of which investors should be aware in assessing Sterling Partners' choice of broker-dealers.

Brokerage for Client Referrals

Sterling Partners does not consider in determining its selection of broker-dealers whether Sterling Partners receives referrals of potential investors from a broker-dealer or third party.

Directed Brokerage

Sterling Partners has discretionary authority to select the brokers or dealers in connection with securities transactions of the Funds, and investors generally are not permitted to direct Sterling Partners to use a particular broker or dealer to execute portfolio transactions on behalf of a Fund.

Trade Aggregation

Although SFM and the Funds do not often trade in public securities, in such circumstances Sterling Partners will, to the extent possible, generally place a combined order for two or more Funds it manages engaged in the purchase or sale of the same public security at the same time if, in its good faith determination, joint execution would be consistent with its duty to seek best execution, consistent with the terms of the relevant Funds' Governing Documents, and otherwise in the best interest of the relevant Funds.

Pursuant to Sterling Partners' policy, the proposed allocation of any such combined order placed on behalf of more than one Main Sterling Fund should be determined and recorded in writing prior to placing the order. If all such orders are not filled at the same price, then Sterling Partners will use reasonable measures to cause each Main Sterling Fund to pay or receive the average of the prices at which the orders were filled for all accounts. If all orders placed for a Main Sterling Fund cannot be fully executed under prevailing market conditions, then Sterling Partners will use reasonable measures to ensure that the securities purchased or sold are allocated among the applicable Main Sterling Funds on a pro rata basis or in some other equitable manner, taking into account the size of the order placed for each Main Sterling Fund and any other relevant factors.

Certain Co-Investment Funds are managed by Sterling on a non-discretionary basis. As a result, Sterling's trade aggregation policies are generally not applicable to such non-discretionary Co-Investment Funds. Please refer to the section titled "*Investment Discretion*" (Item 16 below) for a summary of risks associated with non-discretionary accounts that invest alongside discretionary accounts.

Item 13 - Review of Accounts

Review of Client Accounts

The investment portfolios of the Main Sterling Funds are generally private, illiquid and long-term in nature, and accordingly Sterling Partners' review of them is not directed toward a short-term decision to dispose of securities. However, Sterling Partners will regularly monitor portfolio investments on behalf of the Main Sterling Funds. Sterling Partners' operating committee reviews developments and progress at portfolio companies. Investments also are reviewed in the context of each Main Sterling Fund's stated investment objectives, guidelines and restrictions as set forth in the Governing Documents of such Main Sterling Fund. Sterling Partners' Chief Operating Officer or Chief Financial Officer regularly reviews the investment portfolios of the Main Sterling Funds for consistency with such objectives, guidelines and restrictions. Because the Co-Investment Funds will typically invest in a single portfolio company, the frequency with which Sterling Partners monitors the portfolio investments of such Co-Investment Funds often will be less than the Main Sterling Funds. In addition, Sterling Partners' review and monitoring of the portfolio investments of the Co-Investment Funds generally will be undertaken in its capacity as manager of the Main Sterling Funds and not of the Co-Investment Funds.

Reports to Clients

Sterling Partners distributes quarterly and annual written reports to the investors in each Main Sterling Fund. Quarterly reports generally contain unaudited financial statements of the Main Sterling Fund for the quarter and an update on key portfolio company developments. Annual reports generally contain a list of, and status report on, investments held by the Main Sterling Fund at the end of the year and the audited financial statements of the Main Sterling Fund for such year. Annual reports are accompanied by an individual capital account statement as of the end of such year. Due to the limited purpose of the Co-Investment Funds, the level and frequency of reporting may be different than that of the Main Sterling Funds and may also differ as among the Co-Investment Funds as a result of the negotiated terms and conditions of each Co-Investment Fund.

Investors should refer to the Governing Documents of the relevant Fund for further information on the reports provided by a particular Fund to its investors.

Item 14 - Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

In connection with investments made by Main Sterling Funds, Sterling Partners typically receives an annual monitoring fee from portfolio companies in which the Main Sterling Funds invest for services provided to those portfolio companies while the applicable Fund continues to have an investment in such companies. Sterling Partners (or persons associated with Sterling Partners) also may receive directors', transaction-related (e.g., fees for a guarantee that a Main Sterling Fund provides with respect to indebtedness of a portfolio company) or other fees from a portfolio company while the applicable Fund continues to have an investment in such portfolio company. Sterling Partners also may in the future receive a "break-up" fee from a prospective portfolio company if an investment does not close for certain reasons after a letter of intent related to such investment has been signed with such portfolio company. The amount of any fees that Sterling Partners or any of its associated persons receives from portfolio companies is determined by negotiations between Sterling Partners and management of the applicable portfolio companies. These fees may be substantial and may be paid in cash, securities of the portfolio companies or otherwise. There also are certain circumstances (such as the occurrence of an initial public offering) which may accelerate the payment of such fees that would otherwise be payable over the remaining term of the agreement with the portfolio company providing for such fees. Since such agreements often may have prolonged terms, the effect of such acceleration may be substantial, particularly in the event such circumstances occur relatively soon after the applicable Fund's investment in the portfolio company.

These types of arrangements present potential conflicts of interest and provide Sterling Partners with an incentive to recommend investments based on compensation received rather than the best interests of a Fund. To help mitigate potential conflicts, fees described in the preceding paragraph that are received by Sterling Partners or its employees in connection with services rendered to portfolio companies or transactions of a Main Sterling Fund (typically net of expenses incurred by Sterling Partners or the recipient of such fees in connection with generating such fees) generally are offset in whole or substantial part against (and therefore reduce) Advisory Fees payable by the relevant Main Sterling Fund, to the extent provided in and subject to certain exceptions described in the Governing Documents of such Main Sterling Fund (including exceptions applicable to certain types of fees and payments and/or certain recipients of such fees and payments). To the extent that such fees do not result in a full, dollar-for-dollar offset against the Advisory Fees payable by the relevant Main Sterling Fund, however, such potential conflicts remain and Sterling Partners or persons associated with Sterling Partners (and not the applicable Main Sterling Fund or its investors) will benefit from the portion of such fees that does not result in an offset against the Advisory Fees. Please refer to the Governing Documents of the relevant Fund for complete information about Advisory Fee offsets.

Co-Investment Funds, which generally do not pay Advisory Fees, typically do not benefit from any such fees received by Sterling Partners or its employees. However, in certain instances, the

investors in a Co-Investment Fund may negotiate for a separate portion of a fee that might otherwise have been paid to Sterling Partners or its employees (and therefore potentially benefitted a Main Sterling Fund) to be paid directly to such Co-Investment Fund (or the investors in such Co-Investment Fund).

A portfolio company may reimburse Sterling Partners for expenses (including, without limitation, travel expenses and meals and entertainment expenses) incurred by Sterling Partners (or its related persons) in connection with or related to its performance of services for such portfolio company or its monitoring of a Fund's investment in such portfolio company. Such reimbursements are not subject to the Advisory Fee offset provisions described above.

Third Party Compensation for Investor Referrals

While not a client solicitation arrangement because investment advisory services are not provided to investors in the Funds individually, Sterling Partners and related persons of Sterling Partners have in the past and may, from time to time, in the future enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to a Main Sterling Fund. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Main Sterling Fund that are subsequently accepted. Any sales charge or placement fee associated with such arrangements will ultimately be payable by Sterling Partners and/or its related persons, either directly or through an offset of the Advisory Fee payable by the relevant Main Sterling Fund to Sterling Partners.

Item 15 - Custody

Sterling Partners will not have physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Nevertheless, Sterling Partners will generally be deemed to have custody of the assets of the Funds as a result of its position as an affiliate of the general partner (or equivalent control person) of each Fund.

It is Sterling Partners' policy to cause the annual financial statements of each Fund with assets over which Sterling Partners is deemed to have "custody" to be audited annually and to distribute such audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors in such Fund no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Fund, Sterling Partners generally will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all of its investors promptly after completion of the audit. For these Funds, investors will not receive account statements from the bank or other qualified custodian holding physical custody of such Fund's securities.

Item 16 - Investment Discretion

Subject to the investment objectives, guidelines and restrictions of each Main Sterling Fund as set forth in its Governing Documents, Sterling Partners has discretionary authority to determine the

type, amount and price of securities and investments to be bought and sold on behalf of such Main Sterling Fund, including the selection of, and commissions paid to, broker-dealers.

The terms upon which Sterling Partners serves as an investment manager with respect to any Main Sterling Fund are established at the time that such Main Sterling Fund is formed and generally are set forth in such Main Sterling Fund's Governing Documents. Sterling Partners' investment advice is provided directly to the Main Sterling Funds and not to investors in the Main Sterling Funds individually. Sterling Partners is not required to contact investors in the Main Sterling Funds prior to transacting any business for the Main Sterling Funds.

To invest in a Main Sterling Fund, an investor must execute a subscription agreement (or similar agreement) with such Main Sterling Fund. Investors in a Main Sterling Fund may seek to impose limitations on Sterling Partners' authority with respect to such Main Sterling Fund through "side letter" or similar agreements, and Sterling Partners, in its discretion, may choose to accept limitations or restrictions that it considers to be reasonable and consistent with the general investment strategy described in such Main Sterling Fund's Governing Documents.

Co-Investment Funds generally are established in order to invest alongside one or more Main Sterling Funds in a particular investment opportunity. Sterling Partners typically has limited discretion to invest the assets of a Co-Investment Fund given the limited purpose of the Co-Investment Fund and, in certain cases, may not have authority to sell the Co-Investment Fund's portfolio investment without the approval of some or all of the investors in the Co-Investment Fund under the terms of the Governing Documents of the Co-Investment Fund. Accordingly, investors in such "non-discretionary" Funds should be aware that Sterling Partners may in the future place non-discretionary Fund trades prior to or subsequent to discretionary Fund trades, and therefore that a disparity may exist in the price at which securities are sold for discretionary and non-discretionary Funds. In addition, a disparity may exist between the commissions charged to non-discretionary Funds and the commissions charged to Funds that have given Sterling Partners full discretion. Therefore, investors in non-discretionary Funds should be aware that Sterling Partners may not be able to maximize the transaction price and/or obtain volume discounts for non-discretionary Funds.

Item 17 - Voting Client Securities

Because Sterling Partners has, or will accept, authority to vote securities held by a Fund, Sterling Partners has adopted policies and procedures (the "Proxy Voting Policies and Procedures") which have been designed to ensure that Sterling Partners complies with the requirements of Rule 206(4)-6 under the Advisers Act, and reflect Sterling Partners' commitment to vote all Fund securities for which it exercises voting authority in a manner consistent with the best interest of the applicable Funds.

With respect to the Main Sterling Funds, Sterling Partners will vote all securities held by each Main Sterling Fund. The investors in the Main Sterling Funds are not permitted to direct the vote of Sterling Partners with respect to the securities held by such Main Sterling Fund.

The Governing Documents for certain Co-Investment Funds provide that investor approval is required to vote any securities held by such Co-Investment Fund either generally or with respect to certain matters. In such cases, Sterling Partners notifies each investor of such vote and provides each investor with any related proxies or other voting materials. Each investor may then instruct Sterling Partners as to how the Co-Investment Fund should vote. The Co-Investment Fund then votes in accordance with such instructions, either proportionately as if each investor held a direct interest in the underlying portfolio company where permitted by applicable agreements or as a whole based on instructions from the requisite percentage of investors. Investors in Co-Investment Funds that are entitled to direct their vote may contact Sterling Partners with any questions about a particular vote.

Almost all of the Funds' investments are in private companies, and most of these are "control" investments in companies in which one or more Funds owns or controls a majority of the outstanding voting securities. In such cases, there are typically a limited number of shareholder votes.

Prior to exercising its voting authority, Sterling Partners, in consultation with the CCO, if appropriate, reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of Sterling Partners or any of its supervised persons. If a material conflict exists, Sterling takes steps to ensure that its voting decision is based on the best interests of the applicable Fund and is not a product of the conflict. Sterling Partners may, at its discretion, (1) seek the advice of the applicable advisory committee of a Fund (if any) in voting such security; (2) disclose the conflict of interest to the applicable advisory committee of a Fund and defer to the recommendation of such advisory committee; (3) (in the case of a publicly traded company) defer to the voting recommendation of an independent third party provider of proxy voting services; (4) exclude the supervised person with whom the conflict exists from the decision on voting the securities; and/or (5) take such other actions in good faith which would serve the best interest of the Fund. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar (or identical).

Sterling Partners will deliver to each Fund and each investor in a Fund, upon written request, a complete copy of its Proxy Voting Policies and Procedures and/or information on how it voted securities for the applicable Fund.

Sterling Partners does not consider service on portfolio company boards by Sterling Partners personnel or the receipt of board fees for such service to create a material conflict of interest in voting proxies with respect to such companies.

Item 18 - Financial Information

Sterling Partners has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.