

SUNTX CAPITAL MANAGEMENT CORP.  
(“*SunTx*”)

FORM ADV, PART 2A  
(the “*Brochure*”)

February 2012

Two Lincoln Centre  
5420 LBJ Freeway, Suite 1000  
Dallas, TX 75240  
(972) 663-8900  
**[www.suntx.com](http://www.suntx.com)**

This Brochure provides information about the qualifications and business practices of SunTx. If you have any questions about the contents of this brochure, please contact us at (972) 663-8900. 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 SunTx also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). SunTx may refer to itself as a “registered investment adviser” or “*RIA*”. You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

## **Important Note About This Brochure**

This Brochure is not:

- an offer or agreement to provide advisory services to any person;
- an offer to sell interests or a solicitation of an offer to purchase interests in any investment product or vehicle advised by SunTx;
- a complete discussion of the features, risks or conflicts associated with any account advised by SunTx; or
- to be relied on in determining whether to invest in a Private Fund (as defined herein) or establish an advisory relationship with SunTx.

As required by the Investment Advisers Act of 1940, as amended (the “*Advisers Act*”), SunTx provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a Private Fund, together with other relevant offering materials, prior to, or in connection with, such persons’ establishment or consideration of a client relationship or an investment in a Private Fund.

Persons who receive this Brochure (whether or not from SunTx) should be aware that it is designed solely to provide information about SunTx as necessary to respond to certain disclosure obligations under the Advisers Act. Therefore, the information in this Brochure may differ from information provided in the materials that govern an account or investor relationship such as an advisory contract or a Private Fund’s Governing Documents (as defined below).

More complete information about each Private Fund, as well as SunTx’s investment management services in general, is included in relevant Governing Documents, certain of which may be provided to current and eligible prospective clients or Investors (as defined below) only by SunTx or another designated party. To the extent that there is any conflict between discussions herein and similar or related discussions in any Governing Documents, the relevant Governing Documents shall govern and control.

**In no event should this Brochure be considered to be an offer of interests in a Private Fund or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.**

### ITEM 3: TABLE OF CONTENTS

ITEM 3: TABLE OF CONTENTS .....	3
ITEM 4: ADVISORY BUSINESS.....	4
ITEM 5: FEES AND COMPENSATION.....	6
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	8
ITEM 7: TYPES OF CLIENTS .....	9
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.	10
ITEM 9: DISCIPLINARY INFORMATION .....	13
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	14
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	15
ITEM 12: BROKERAGE PRACTICES .....	17
ITEM 13: REVIEW OF ACCOUNTS.....	18
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION.....	19
ITEM 15: CUSTODY .....	20
ITEM 16: INVESTMENT DISCRETION.....	21
ITEM 17: VOTING CLIENT SECURITIES.....	22
ITEM 18: FINANCIAL INFORMATION.....	23

## ITEM 4: ADVISORY BUSINESS

### *Firm Overview*

SunTx is a private equity investment management firm that, since its inception in 2000, has pursued its investment strategy of making control investments in middle-market companies primarily in the Sunbelt region (the “**Sunbelt**” or the “**Region**”). SunTx was co-founded in 2000 by Ned N. Fleming, Mark R. Matteson, Craig J. Jennings and Richard Boyle (collectively, the “**Principals**”). SunTx is wholly-owned by Ned N. Fleming and SunTx Capital II Management Corp., an affiliate of SunTx and a relying adviser, is owned by Ned N. Fleming, Mark R. Matteson and Craid J. Jennings.

SunTx provides investment management services on a discretionary basis to private equity investment funds (each, a “**Private Fund**”) and single purpose private investment funds where SunTx or a SunTx affiliate serves as general partner and/or investment manager in order to align SunTx’s interests with those of the client (“**Private Clients**” and together with the Private Funds, “**Clients**” or “**Accounts**”). Certain of SunTx’s affiliates (and not SunTx) serve as general partners and/or investment advisers to certain of the Clients (the “**SunTx Affiliates**”). SunTx and the SunTx Affiliates are subject to a unified compliance program, use similar names and hold themselves out to current and potential investors as conducting a single advisory business. References in this Brochure to SunTx shall include the SunTx Affiliates, as appropriate.

SunTx serves as the investment adviser to Private Funds that focus on making investments in middle-market companies primarily in the Sunbelt. Companies in which the Clients invest are referred to in this Brochure as “**Portfolio Companies**”.

As of December 31, 2011, SunTx managed approximately \$961,737,736 in discretionary assets under management, which amount includes uncalled capital commitments as of that date. SunTx does not currently manage any assets in a non-discretionary manner.

### *Nature of SunTx’s Clients*

Private Clients and investors in the Private Funds are typically domiciled in the U.S. and Europe and include public and private defined benefit retirement plans, endowments and foundations, family offices, wealth management firms, healthcare entities and financial institutions. The Private Funds are typically U.S. limited partnerships and other investment vehicles that are not registered or required to be registered under the U.S. Investment Company Act of 1940 (the “**Investment Company Act**”) or the U.S. Securities Act of 1933 (the “**Securities Act**”) and are privately placed to qualified investors in the United States and elsewhere. See, also Item 7 below.

### *SunTx’s Investment Mandates*

Clients are managed in accordance with the relevant Client’s investment objectives as set forth in the relevant Private Fund’s confidential offering memorandum, organizational documents and other related documents (collectively a Private Fund’s “**Governing Documents**”) or investment agreement, and in all cases investments are selected on the basis of the Client’s investment needs and objectives.

SunTx manages each Private Fund in accordance with the Private Fund’s particular investment objectives, strategies and guidelines (as set forth in the relevant Governing Documents) and is not tailored to the individualized needs of any particular limited partner (each, an “**Investor**”) though certain Private Funds may take into consideration the general characteristics (e.g., tax status) of its target Investors when structuring its operations (e.g., master-feeder structures.). An investment in a Private Fund does not, in and of itself, create an advisory relationship between the Investor and SunTx and SunTx typically does

not enter into separate advisory arrangements with any Investor. Therefore, each Investor must consider for itself whether any Private Fund meets the Investor's investment objectives and risk tolerance before investing in a Private Fund. Information about each Private Fund is set forth in its Governing Documents, Documents, which will be available to current and eligible prospective Investors only through SunTx or another authorized party.

## **ITEM 5: FEES AND COMPENSATION**

SunTx and its affiliated entities that serve as general partners to the Private Funds (the “*SunTx General Partners*”) receive various fees from the Clients for their services at a negotiated rate based on each Client’s particular circumstances. Fees for these services are set forth in the Governing Documents or applicable investment management agreement. For purposes of this Brochure, references to “SunTx” will include references to the SunTx General Partners where the context so requires.

SunTx’s management fees are initially generally charged as a percentage of aggregate capital commitments of a Client, but this calculation is transitioned to a percentage of the Client’s funded capital commitments after a stated period of time. Management fees generally decline after a stated period, which is generally after the fifth year after the final closing date for subscriptions. However, the degree and pace of deceleration varies per Client. Management fees are generally payable quarterly in advance as of the beginning of the quarter. Investors withdrawing prior to the end of a quarter do not receive a refund of any portion of their management fees.

SunTx generally receives a carried interest based on a percentage of the net profits of a Client with respect to certain investments as defined in the Governing Documents for a Private Fund or Private Client, as the case may be. In these cases, the payment of the carried interest may be subject to Clients or Investors having realized a preferential return on the net outstanding amount of their capital contributions calculated from the date of contribution to the date of return.

Additionally, SunTx may waive or reduce management fees, in its discretion. Thus, different Investors in the same Private Fund may pay different fees based on, among other things, waivers. Additionally, the SunTx General Partner’s capital account in a Private Fund will generally not be subject to management fees or carried interest. Except as otherwise agreed, SunTx is not obligated to waive or reduce fees for any other Investor when offering waivers or reductions to a particular Investor.

Assets in a Private Fund or Private Client are generally subject to a lockup. Investors that fail to meet a capital call are subject to a forfeiture of a portion of their capital accounts pursuant to the Governing Documents of Private Fund or Private Client.

SunTx may make investments in Portfolio Companies to which SunTx or a related party provides services and from which it or its related party receives fees.

### **Other Information With Respect to Fees**

#### ***Private Funds***

Each Private Fund typically pays its own operating expenses, separate and apart from the advisory fee, or otherwise reimburses SunTx, for these and other services as well as for certain organizational and offering expenses related to the Private Fund. These services, and any expenses or reimbursements related thereto, will generally be provided and described in accordance with the Private Fund’s Governing Documents.

Operating expenses typically include finder’s fees, deal sourcing fees, custodial charges and related costs and expenses, duties and other governmental charges, transfer fees, registration fees and other expenses and charges associated with the purchase, holding or sale of assets, and audit, administrative and other expenses necessary or appropriate to the Private Fund’s regulatory or tax compliance, business or investment operations and such other expenses as may be set forth in the relevant Governing Documents.

Investors are charged for fees and expenses either through a “capital call” by which the Investor is

required to pay the required amount from its undrawn capital commitment to the Private Fund, or through a deduction from available cash held by the Private Fund, as selected by SunTx. Management fees are generally billed quarterly and are paid through a capital call or deduction from available cash.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As noted above, the Clients generally pay carried interest or performance-based fees to SunTx that are tied to the performance of the relevant Client. SunTx's receipt of performance-based fees raises certain conflicts of interest, which are described below.

*Investment Selection.* Performance-based fees and other arrangements where the incentive to achieve gains may exceed the disincentive to suffer losses may cause SunTx to choose investments that are riskier or more speculative than might otherwise have been chosen.

To mitigate these conflicts, SunTx management has invested substantial personal funds in the Private Funds and SunTx's policies and procedures seek to provide that investment decisions are made in accordance with the fiduciary duties owed to the Clients and without consideration of SunTx's (or its personnel's) pecuniary, investment or other financial interests.



## **ITEM 7: TYPES OF CLIENTS**

SunTx provides investment management services solely to Private Funds and Private Clients.

Investors in the Private Funds and Private Clients are generally institutional investors and certain high net worth investors that are “accredited investors” and “qualified purchasers”, within the meaning of the Securities Act and the Investment Company Act, respectively.

The Private Funds have a specified minimum investment as set forth in their Governing Documents. This is subject to discretion, on the part of SunTx or its affiliates to permit investments of a smaller amount generally or with respect to any Investor.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Methods of Analysis and Investment Strategies

SunTx focuses on manufacturing, services and distribution businesses headquartered, or with significant operations, in the Sunbelt. SunTx believes the Region offers a large number of compelling investment opportunities given the size and strength of its economy, the strong foundation for further economic growth and capital investment, and the comparatively fewer private equity firms focusing on lower-middle market businesses.

A significant part of SunTx's strategy is to proactively identify investment opportunities and bypass the auction market for companies. Accordingly, SunTx has created a multi-faceted approach to developing investment ideas and sourcing investments, including the following key elements: (i) identifying promising areas of investment through a rigorous research and industry analysis; (ii) leveraging the SunTx's reputation and presence in the Sunbelt to source proprietary opportunities; (iii) backing experienced industry executives or management teams to pursue build-ups and other acquisition opportunities in a particular industry sector; and (iv) avoiding competition by investing in sectors or niches that SunTx believes are either ignored or misunderstood, or businesses that involve significant analytical complexity.

### Investment Risks

SunTx's investment activities involve a significant degree of risk. The securities in which a Client may invest are highly illiquid and, although these investments may occasionally generate some current income, the return of capital and the realization of gain, if any, from an investment generally will occur only upon the partial or complete disposition of an investment. It is unlikely for there to be a public market for most of the securities recommended by SunTx on behalf of its Clients, and these securities may require a substantial period of time to liquidate. There can be no assurance that a Client will be able to realize returns on its investments it manages for its Clients or that the returns will be commensurate with the risks of investing in the type of companies and transactions described in the applicable Governing Documents. Accordingly, an investment in a Client should only be considered by persons who can afford a loss of their entire investment. Private equity investments made by SunTx involve a number of material risks including (but not limited to) the following:

*Possible Lack of Diversification.* The Clients may not be subject to any comprehensive diversification or asset allocation requirements or be limited to a particular investment strategy. To the extent an Account concentrates investments in a particular geographic region, security, investment sector or stage of investment, investments may become more susceptible to fluctuations in value resulting from adverse economic or business conditions applicable to that region, type of security, sector or stage of investment. In addition, a Client may participate in a limited number of investments in which case the investment returns of the Client could be substantially adversely affected by the unfavorable performance of a single investment.

*Competition for Investment Opportunities.* The activity of identifying, completing and realizing attractive investments is competitive and involves a high degree of uncertainty. Clients may compete with other potential investors including private funds, hedge funds, other financial institutions or other corporate or strategic buyers for limited investment opportunities. As a result, there can be no assurance that a Client will be able to locate and complete portfolio investments that satisfy the Client's return objectives or realize their potential values or that the Client will be able to become fully invested for a significant period of time, if at all.

*Reliance on SunTx Professionals.* The success of Clients may depend, in substantial part, upon the skill and expertise of the investment professionals of SunTx. There can be no assurance that these SunTx

investment professionals will continue to be associated with SunTx throughout the life of a particular Client.

*Passive Investment in Interests.* Neither Investors nor Private Clients control the day-to-day operations, including investment and disposition decisions, of any Client and generally must rely entirely on SunTx, among others, to conduct and manage the affairs of a Client.

*Market and Economic Risks.* Private equity investments in Portfolio Companies may be materially and adversely affected by market, economic, and political conditions globally and in the jurisdictions and sectors in which the investments are made or the portfolio companies operate, including factors affecting interest rates, the availability of credit, currency exchange rates, and trade barriers.

*Distribution of Portfolio Companies.* A Client may receive security positions from a Portfolio Company as part of a distribution or liquidation. These positions will be subject to market risk until liquidated.

*Uncertain Nature of Investments.* Clients may enter into high-risk investment opportunities. Companies in which the Clients invest may not achieve their expected operational objectives and might experience substantial fluctuations in their operating results. In all these cases, Clients are subject to the risks associated with the underlying businesses engaged in by Portfolio Companies, including market conditions, changes in regulatory environment, general economic and political conditions, the loss of key management personnel and other factors. Potential investors should realize that realization events could be delayed as a result of general economic conditions, illiquidity of portfolio investments, contractual prohibitions or other reasons mentioned in this Brochure or the applicable Governing Documents.

*Illiquid Investments.* Although investments by Clients occasionally may generate some current income, the return of capital and the realization of gains, if any, from an investment primarily will occur upon the partial or complete disposition of the investment. It generally is expected that the sale of most of the investments will not occur for a number of years after the investments are made. Generally, no public market exists for most of the securities initially held by a Client and these securities may require a substantial length of time to liquidate.

*Insufficient Capital for Follow-On Investments.* From time to time, a Portfolio Company may require additional capital. There is no assurance that a Client will make follow-on investments or that the Account will have sufficient resources to, or be permitted to, make these follow-on investments. A decision to not make follow-on investments or its inability to make them may have a substantial negative impact on a Portfolio Company, may result in missed opportunities for a Client or may result in dilution of the Client's investment.

*Investments Longer than Term.* Clients may make investments that, due to various reasons, may not be capable of an advantageous disposition prior to the date a Client is required to be dissolved, either by expiration of the Client's term or otherwise. Therefore a risk exists that a Client may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

*Fees.* Clients will bear the fees, administrative costs and other expenses of the Client.

*Regulatory Approvals.* There can be no assurance that a Portfolio Company targeted by SunTx or a Private Fund will be able to (i) obtain all required regulatory approvals that it does not yet have or that it may require in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility owned by a Portfolio Company, the completion of a previously announced acquisition or sales to third parties, or could

otherwise result in additional costs to a Portfolio Company.

***Inflation Risk.*** If a Portfolio Company is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. Some Portfolio Companies may have long-term rights to income linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. Typically, as inflation rises, a Portfolio Company will earn more revenue, but will incur higher expenses. As inflation declines, a Portfolio Company may not be able to reduce expenses in line with any resulting reduction in revenue. Many businesses rely on concessions to mitigate the inflation risk to cash flows through escalation provisions linked to the inflation rate. While these provisions may protect against certain risks, they do not protect against the risk of a rise in real interest rates, which is likely to create higher financing costs for these businesses and a reduction in the amount of cash available for distribution to investors.

***Leverage.*** SunTx's private equity investments typically include investments in companies whose capital structures may have leverage. These types of investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. A highly leveraged entity may be subject to restrictive covenants imposed by lenders restricting its activity, or may be limited in making strategic acquisitions, or obtaining additional financing, and will have increased exposure to adverse economic factors such as downturns in the economy or deterioration in the condition of the Portfolio Company or its industry. Securities acquired by SunTx for a Client, either directly or indirectly through a Portfolio Company, may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss in the case of the issuer's financial difficulty, or if an event of default occurs under the terms of the relevant financing and a lender decides to enforce its creditor rights. Events of default may in some cases be triggered by events not related directly to the borrower itself, such as the insolvency of a guarantor. SunTx's and a Private Fund's ability to achieve attractive rates of return will depend on its ability to access sufficient sources of indebtedness at attractive rates. An increase in either interest rates or risk spreads demanded by leverage providers could make it more expensive to finance SunTx's or a Private Fund's investments and could make it more difficult to compete for new investments with other potential buyers who have a lower cost of capital. In addition, a portion of the indebtedness used to finance investments may include high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when SunTx or a Private Fund may not be able to access those markets at attractive rates, or at all, when completing an investment.

***Minority Investment Positions.*** Investments may be made by SunTx in Portfolio Companies in conjunction with one or more other investors. Although SunTx typically will negotiate shareholder rights that give it significant influence over the direction of the Portfolio Company, certain major decisions generally may require the consent of other investors, thereby lessening SunTx's control and, therefore, its ability to protect the position of the relevant Client.

Investors and potential investors should review the applicable Governing Documents for a more comprehensive discussion of the relevant risks associated with investing in that Private Fund.

**ITEM 9: DISCIPLINARY INFORMATION**

SunTx is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SunTx or the integrity of SunTx's management.

SunTx has no information to disclose in response to this Item.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

SunTx is affiliated with SunTx Capital II Management Corp. (“**SunTx II**”), which is a private equity fund manager. SunTx II, its employees and the persons acting on its behalf are subject to SunTx’s supervision and control. The activities of SunTx II are subject to the Investment Advisers Act of 1940 (the “Advisers Act”) and SunTx and SunTx II operate under a unified compliance program administered by a single compliance officer in accordance with the Advisers Act. SunTx and SunTx II use the same office space and personnel.

Neither SunTx nor any of its management persons is registered, or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

*General Partners.* As described in Item 4, the SunTx Affiliates each serve as general partners to one or more of the Private Funds.

*Private Funds.* Investors in a Private Fund may be offered the opportunity to invest in other Private Funds for which they are eligible; however, SunTx is under no obligation to make these types of investments available, investments may not be appropriate for any particular Investor, and persons offered this opportunity recognize that SunTx is making the opportunity available based solely on its knowledge of the Investor’s eligibility for such a Private Fund. SunTx will not consider whether the investment is appropriate for the Investor and is not providing investment advice in making the opportunity available. These Investors should consider all available information about such investments, in light of their particular circumstances, prior to making an investment and, as a result, not all persons offered this opportunity will choose to invest. Further information about the Private Funds, and their investments, can be found in the Governing Documents which are made available to current and qualified prospective Investors.

Certain of the Private Funds enter into co-investment arrangements with Investors or other third-party investors and make investments with these Investors or other third-party investors in certain other Private Funds managed by SunTx that were created solely for purposes of the co-investment arrangement.

Please refer to Item 11 - Code of Ethics for a further discussion on potential conflicts of interest.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

SunTx may advise numerous Clients and may rely on various, complementary, competing and, in some cases conflicting, investment strategies. In performing its advisory services, SunTx may give advice and take action with respect to any of these Clients that may differ from actions taken by SunTx on behalf of other Clients. SunTx is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling for any Account any security that SunTx or an access person may buy or sell for its or their own accounts or for any other Clients SunTx manages. Additionally, SunTx, its affiliates and their respective personnel may invest or otherwise have an interest, either directly or indirectly, in a Private Fund which, in turn, may invest, directly or indirectly, in securities held by other SunTx Clients.

SunTx and its affiliates may enter into transactions with portfolio companies, and Private Funds managed by SunTx II may invest in the same Portfolio Companies as the Private Funds managed by SunTx, which could lead to potential conflicts of interest. SunTx has implemented policies and procedures relating to personal securities transactions and insider trading that are designed to identify potential conflicts of interest, to prevent or mitigate actual conflicts of interest and to resolve conflicts appropriately, if they do occur.

### ***Code of Ethics***

SunTx's Code of Ethics was adopted to govern personal transactions by supervised persons and to assure that their interests do not conflict with the interests of Clients or, as applicable, Investors in Private Funds. As such, SunTx's Code of Ethics includes: (i) standards of business conduct, requiring that supervised persons comply with relevant provisions of the federal securities laws and the fiduciary duties an investment adviser owes to its clients; (ii) personal securities transaction policies governing the personal investment activities of relevant personnel and requiring the submission by such persons of reports regarding their personal trading accounts and activities; and (iii) an insider trading policy.

Currently, all employees, officers, directors and principals of SunTx are considered to be "supervised persons" for purposes of the Code of Ethics. Personnel who fail to observe the Code of Ethics and related compliance policies risk serious sanctions, including dismissal and personal liability.

### ***Personal Securities Transactions Policy***

SunTx's Code of Ethics also includes a personal securities transactions policy which imposes certain requirements and restrictions with respect to personal trading and investment activity by access persons. In particular, the Code requires access persons to obtain the approval of the Chief Compliance Officer ("CCO") prior to investing in initial public offerings ("IPOs") and private placements. The Restricted List is periodically updated by SunTx as appropriate to reflect the investment activities of the Clients. Access persons are also prohibited from, among other things, investing in securities listed on the firm's Restricted List. In appropriate circumstances the CCO may grant waivers to the Code's restrictions.

### ***Insider Trading Policy***

SunTx and its related persons may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, SunTx may be prohibited from improperly disclosing or using such information for its personal benefit or for the benefit of any other person, regardless of whether that other person is a Client. Accordingly, should SunTx come into possession of material nonpublic or other confidential information with respect to any company, it may be prohibited from communicating that information to, or using that information for the benefit of its Clients, and have no obligation or

responsibility to disclose such information to, nor responsibility to use that information for the benefit of, the Clients when following policies and procedures designed to comply with law. Accordingly, SunTx's Code establishes procedures to prevent the misuse of material nonpublic information by SunTx's supervised persons.

***Reporting Requirements under the Code***

To assist SunTx in monitoring personal trading activities in order to detect potential conflicts of interest or violations of the Code, fiduciary duty or applicable law, access persons must provide periodic reports with respect to personal securities transactions, holdings and accounts, including annual reports of holdings in certain, reportable securities and quarterly reports of their personal transactions in reportable securities. These reports are submitted to and reviewed by the CCO or the CCO's designee.



## ITEM 12: BROKERAGE PRACTICES

As a private equity firm, SunTx does not typically use brokers to transact for Clients. On occasion, the Clients may receive security positions from a Portfolio Company as part of a distribution or liquidation of that Portfolio Company. In situations where SunTx chooses the broker-dealer to liquidate these positions, SunTx, consistent with its duty to seek best execution, selects brokers and dealers based upon their reputation, quality of service, and ability to liquidate the particular security. When selecting a broker or dealer, SunTx will take into account factors such as execution capabilities, commission rates, responsiveness and financial responsibility. In applying these factors, SunTx recognizes that different brokers may have different execution capabilities with respect to different types of securities and transactions, and that no one broker will likely be judged the best at every relevant factor as a general matter or with respect to any particular transaction.

*Soft Dollar.* SunTx's current policy is not to use commissions generated by trading for Clients to pay for third party research services.

*Brokerage for Client Referrals.* SunTx does not use brokerage relationships for client referrals.

### **ITEM 13: REVIEW OF ACCOUNTS**

*Reviews.* Private Funds are reviewed by the SunTx Investment Team on a semi-annual basis. The SunTx Investment Team, comprised of senior executive members of SunTx, reviews, among other items, market outlooks and data related to the Portfolio Companies in each Private Fund such as reporting and valuations.

*Reports.* Investors generally receive quarterly written reports from SunTx detailing, at a minimum, a description of the Private Fund holdings, financial statements and a capital account statement. Investors in each Private Fund receive periodic reports, communications and/or statements, as set forth in the relevant Private Fund's Governing Documents or as otherwise agreed.

Additionally, annual audit reports may be provided to each Investor in a Private Fund within 90 or 120 days (as set forth in each Private Fund's Governing Documents) after the end of the relevant Private Fund's fiscal year. Reports may include or be accompanied by information with respect to the performance of the Private Fund, information about the Investor's capital account and certain tax-reporting information (*e.g.*, Form K-1).

Representatives of SunTx may be made available for discussions with Investors on a periodic or agreed upon basis.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

SunTx does not currently have any arrangements with third-party placement agents as all of the Private Funds are not currently raising capital. In the past, SunTx has entered into agreements with third-party placement agents that provided for a payment to a placement agent in the event that a prospective investor introduced to SunTx by that placement agent elected to invest in a Private Fund managed by SunTx. These arrangements were pursuant to a negotiated written agreement and SunTx typically paid each placement agent a percentage of the assets that placement agent introduced to SunTx ranging from 0% to 2%, subject to other contingencies.

## **ITEM 15: CUSTODY**

While it is SunTx's practice not to accept or maintain physical possession of our Client's assets, SunTx is deemed to have custody of their assets under Rule 206(4)-2 of the Advisers Act because SunTx or our affiliates have authority to access our Client's funds and deduct fees and expenses from their accounts.

In order to comply with Rule 206(4)-2, SunTx utilizes the services of qualified custodians (as defined under Rule 206(4)-2) to hold all of our Clients' assets. SunTx also ensures that each qualified custodian maintains these assets in an account that contains only our Clients' assets, under the Client's name. In accordance with Rule 206(4)-2, SunTx also (i) engages an outside auditor to audit each Private Fund at the end of each fiscal year and (ii) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all Investors within 120 days after the end of the fiscal year for each Private Fund.

## **ITEM 16: INVESTMENT DISCRETION**

The investment objectives and restrictions of the Private Funds are set forth in the relevant Governing Documents. Investors in the Private Fund do not have authority to impose any restrictions upon SunTx's discretion.

## ITEM 17: VOTING CLIENT SECURITIES

Investors in the Private Funds cannot direct how proxies for securities held in Private Funds are voted and therefore SunTx is generally responsible for voting proxies with respect to securities held in the Private Funds. SunTx does not vote or review proxies on securities held by underlying Portfolio Companies. SunTx has adopted Proxy Voting Policies and Procedures (the “**PVPs**”). These PVPs provide that, in cases where SunTx has such authority and deems it in the best interest of the Clients, it will vote the securities in accordance with the PVPs and in an effort to maximize value of the relevant Client(s). Clients and Investors may receive a copy of the PVPs, as well as information on how proxies were voted for relevant Clients by request.

SunTx does not typically invest in or hold publicly-traded securities and, therefore, does not typically vote proxies. To the extent SunTx is in a position to vote proxies, SunTx generally votes proxies or corporate actions based on what it considers to be in the best financial interest of the Clients.

## **ITEM 18: FINANCIAL INFORMATION**

SunTx is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients.