

**INVESTMENT ADVISER BROCHURE  
PART 2A OF FORM ADV**



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**March 31, 2015**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Topspin Management Company LBO, LLC. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“CCO”) at (914) 834-7370. 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.**

Topspin Management Company LBO, LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information about Topspin Management Company LBO, LLC also is available on the SEC’s website at: [www.adviserinfo.sec](http://www.adviserinfo.sec).

**ITEM 2**                      **MATERIAL CHANGES**

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Topspin Management Company LBO, LLC is required to identify and discuss material changes made to this Brochure since its last annual update, filed on March 31, 2014. This Brochure was updated on July 9, 2014 and the material changes in this annual update include the change of our Chief Compliance Officer, the engagement of a placement agent, and a change of address to our principal place of business. This Brochure also contains certain clarifying changes, enhanced disclosure and routine annual updates since our last annual update.

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**General Description of Advisory Firm**

Topspin Management Company LBO, LLC, a Delaware limited liability company (“Topspin Management I” or the “Firm”), was formed on February 13, 2007. Topspin Management Company II, LP (“Topspin Management II”) was formed in 2014 to be the management company for Fund II (as defined below) and is under common control with Topspin Management I. Topspin Management I, together with Topspin Management II, is referred to herein as “we” or “Topspin.” Topspin Management I and Topspin Management II are generally operated as a single business and are registered with the SEC as investment advisers in accordance with SEC guidance under the Advisers Act. The principal owners of Topspin Management I are Leo A. Guthart, Steve Lebowitz and Leigh Randall (the “Principals”).

Topspin Management I and Topspin Management II provide investment management and administrative services to certain private investment funds. Topspin Partners LBO GP, LLC, a Delaware limited liability company, acts as general partner for Topspin Partners LBO, LP, Topspin Offshore LBO, LP and Topspin Associates LBO, LP (Topspin Associates LBO, LP, together with Topspin Partners LBO, LP and Topspin Offshore LBO, LP, collectively “Fund I”). Topspin Partners II GP, LP, a Delaware limited partnership, acts as general partner for Topspin Partners II, LP, Topspin Partners II Offshore, LP and Topspin Associates II, LP (Topspin Associates II, LP, together with Topspin Partners II, LP and Topspin Partners II Offshore, LP, collectively, “Fund II”). Fund II is the follow-on fund to Fund I. Fund I and Fund II are each referred to herein as a “Fund,” and collectively referred to herein as the “Funds.”

Topspin, and one of its advisory affiliates, Topspin Management Company, LLC (“TMC Management”) are under the common control of Leo A. Guthart and, as a result, Topspin and TMC Management are “related persons” within the meaning of the Advisers Act. While Topspin and TMC Management are affiliates because Leo A. Guthart is a control person of each adviser, the investment advisory business of Topspin and of TMC Management are otherwise operationally separate and run by separate management teams. For more information regarding TMC Management and their clients, please refer to TMC Management’s Form ADV. The Funds invest primarily in equity of small to middle-market buyouts and growth equity investments. The Firm provides investment advice to the Funds (not to Fund investors). Topspin Partners, LP is the only fund common to both Topspin Management I and TMC Management. Topspin Partners, LP is no longer deploying capital in new portfolio companies and therefore advisory services to this fund are limited to overseeing current portfolio assets and determining the timing of its disposition of securities.

Each of the Funds is organized into a structure comprised of parallel funds, which generally invest in assets side-by-side on a *pro rata basis* (based upon capital commitments made to each Fund) with the Funds. Generally, parallel funds may be established to accommodate specific tax, legal or similar issues impacting certain types of investors.

### ***Description of Advisory Services***

The Firm provides investment management and administrative services only to the Funds. Because of the parallel nature of each sub-group within the Funds, the Firm does not offer customized services for Funds within the same grouping. Investors purchase limited partnership interests in the Funds and investments are made at the Fund level.

The Funds are currently deploying capital and therefore seek, evaluate and consummate new investments as well as look for appropriate opportunities to exit investments.

The Firm does not provide investment advice to individuals. From time to time, the general partner of a Fund may offer certain investors or other persons the opportunity to co-invest.

### **Assets under Management**

As of December 31, 2014, the Firm had approximately \$311.3 million in assets under discretionary management.

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

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The following provides a general description of fees, compensation and expenses of the Firm. Each Fund's limited partnership agreement describes the fees, compensation and expenses of the particular Fund in much greater detail.

### **Advisory Fees and Compensation**

The Firm receives an annual management fee based on a percentage of the capital commitments made to the Funds and the invested capital of the Funds which is equal to (i) up to 2% of each limited partner's capital commitment during the investment period and (ii) 1.5% of each limited partner's invested capital following the termination of the investment period. The management fee is paid to the Firm quarterly in advance of the Fund's fiscal quarter. Topspin may elect to waive all or any portion of the management fee in certain cases and direct that such waived portion to be credited against the required capital contributions of the applicable general partner of the applicable Fund.

### ***Topspin Management I***

Management fees for Topspin Management I will be offset 100% by placement agent commissions or expenses paid by a Fund (if any), allocated over a three-year period; 50% of the Fund's *pro rata share* (determined on the basis of total capital invested by the Fund in the portfolio company in respect of which the given fee is paid or earned) of any transaction, management, advisory, director or similar fees (collectively, "Related Fees") paid to the general partner or the Firm (or any of their respective managers, members, directors, officers and employees) in connection with actual or prospective investments by that Fund (in each case, such fees being net of any amount necessary to reimburse the general partner, management company, any principal, or employee of the management company for reimbursable Fund expenses), provided, however, that the management fees shall be reduced by 100% of such Related Fees in

excess of \$1 million per annum and 100% of such Related Fees in excess of \$6 million for the life of the Fund (such that, for the avoidance of doubt, Topspin Management I shall be entitled to receive a maximum of \$500,000 in such fees per annum and \$3 million in such fees for the life of the Fund) and by 100% in excess of these amounts thereafter; and 100% of any break-up fees or litigation proceeds (to the extent in excess of expenses related thereto) from transactions not consummated by that Fund in connection with the Fund's proposed investment in such transactions. The Fund will bear up to \$300,000 of organizational expenses and any such organizational expenses incurred in excess of that amount will be paid by the general partner of Fund I. Credits will be carried forward until utilized. At the termination of a Fund, credits will be paid to the investors in that Fund.

### ***Topspin Management II***

Management fees for Topspin Management II will be offset 100% by placement agent commissions or expenses paid by a Fund (if any); 50% of the Fund's *pro rata share* (determined on the basis of total capital invested by the Fund in the portfolio company in respect of which the given fee is paid or earned) of any monitoring fees or Related Fees (as defined above) paid to the general partner or the Firm (or any of their respective managers, members, directors, officers and employees) in connection with actual or prospective investments by that Fund (in each case, such fees being net of any amount necessary to reimburse the general partner, management company, any principal, or employee of the management company for reimbursable Fund expenses), provided, however, that the management fees shall be reduced by 100% of such Related Fees in excess of \$1 million per annum and 100% of such Related Fees in excess of \$6 million for the life of the Fund (such that, for the avoidance of doubt, Topspin Management II shall be entitled to receive a maximum of \$500,000 in such fees per annum and \$3 million in such fees for the life of the Fund) and by 100% in excess of these amounts thereafter; and 100% of any break-up fees or litigation proceeds (to the extent in excess of expenses related thereto) from transactions not consummated by that Fund in connection with the Fund's proposed investment in such transactions. The Fund will bear up to \$750,000 of organizational expenses and any such organizational expenses incurred in excess of that amount will be paid by the Fund subject to a 100% offset against the management fee. Credits will be carried forward until utilized. At the termination of a Fund, credits will be paid to the investors in that Fund, unless receipt thereof has been waived by an investor.

### **Additional Fees and Expenses**

The Firm will bear certain administrative expenses of a Fund, including the costs of its own personnel, costs associated with office space, telephone and utilities, computer equipment and support. To the extent not paid by the underlying portfolio companies in which a Fund invests, such Fund will pay all expenses incurred in connection with its operations other than those specifically allocated to the Firm. Expenses to be borne by a Fund include, but are not limited to, Advisory Committee (defined below) expenses, legal, regulatory and compliance expenses, auditing, financing expenses, accounting fees and expenses, fees and expenses associated with the preparation of a Fund's tax returns and partners' K-1s, consulting, all fees and expenses incurred in connection with a Fund's investment activities (including with respect to the origination and diligence review of potential investments and research and travel expenses incurred in investigating investment opportunities), broken deal expenses, insurance, litigation

expenses, and any taxes, fees or governmental charges imposed on the Fund. It should be noted that the Funds will bear the regulatory expenses of the Firm related to the Firm's registration with the SEC as an investment adviser, and such expenses will be allocated *pro rata* based on each Fund's relative capital commitments. Costs and expenses incurred in connection with an investment in which both the Fund and co-investors invest will be allocated to the Fund and to the co-investors on a *pro rata basis* according to the relative amounts invested.

From time to time, the Firm may engage outside third-parties to provide certain administrative or fund accounting services to the Funds. Each Fund will bear its *pro rata portion* of any expenses incurred in connection with the retention of such third-party service providers.

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

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The general partner receives a performance fee payable by the Fund in the form of a carried interest. The carried interest is deducted from a Fund's distributable proceeds. The carried interest payable to the general partner will not exceed 20% of the amount of profits otherwise disburseable to each investor in the Fund. The Funds have established a distribution waterfall describing how distributions will be paid to the underlying investors and to the general partner. Investors in a Fund receive a preferential return on their investments before the distribution of any carried interest occurs in the amount of 8% per annum.

The fees paid to the general partner are subject to clawback provisions pursuant to which the general partner is obligated to return to a Fund any carried interest compensation that exceeds 20% of the profits of the Fund (subject to the return of invested capital and preferred return thereon) over the course of the life of the Fund. Any such excess carried interest will be determined by the general partner and reviewed by a Fund's independent public accountant.

The performance-based fees may create an incentive for the Firm to recommend or approve more speculative investments on behalf of the Funds than would be the case in the absence of this arrangement. All investments, however, will be made subject to the investment objectives and strategies set forth in Fund offering documents. In addition, the performance-based fees, if made, could result in allocations to the Firm that are greater than fees normally paid to other investment managers for similar services.

Based on the parallel nature of the Funds, the Firm expects that the Funds within a group will participate in investment opportunities at the same time. Each such investment opportunity is allocated *pro rata* among such Funds according to the respective amounts of capital commitments made to each Fund within that group.

When presented with an investment opportunity, the Firm will assess the suitability of the investment for a Fund. Its assessment takes into account, among other things, the Fund's investment objectives and strategies, risk profile, tax status, diversification requirements, liquidity needs and available assets for investment. The Firm also assesses current market conditions and any other relevant information.

The Funds have an advisory committee, the delegates of which are selected by the general partner on an annual basis and consist of representatives of the investors (the "Advisory

Committee”). The Advisory Committee is consulted with respect to, among other things, conflicts of interest that may arise in the course of managing the Funds.

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**ITEM 7            TYPES OF CLIENTS**

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The Firm provides investment management and administrative services solely to the Funds. The Funds have minimum capital commitments for investors, as specified in the offering documents for each Fund. The minimum investment amount is generally \$200,000 (or such lesser amount as the Fund’s general partner may determine). The general partner has the authority to waive minimum capital commitment levels in its discretion. Each investor is required to meet certain suitability qualifications, such as being an “accredited investor” (as defined under Rule 506 of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”) and/or a “qualified purchaser” (as defined under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

Investors participating in private funds that will be advised by the Firm in the future may include individuals, certain banks or thrift institutions, sovereign wealth funds, pension and profit sharing plans, trusts, estates, charitable organizations or other corporates or business entities (which may include entities that are owned, directly or indirectly, by principals or other employees of the Firm).

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

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The Firm will provide day-to-day investment advisory services to the Funds. The following is a summary of the investment strategies and methods of analysis that will be used by the Firm when making investments on behalf of the Funds. More detailed descriptions of a Fund’s investment strategies and methods of analysis are included in the Fund’s private placement memorandum and related Fund documents. There can be no assurance that the Firm will achieve the investment objectives of a particular Fund and a loss of investment capital is possible.

### **INVESTMENT STRATEGY**

#### **Introduction**

The Firm specializes in sourcing, structuring and overseeing control private equity investments in companies operating in the lower middle-market, defined as companies generating between \$2 million and \$10 million of EBITDA. We expect that a majority of a Fund’s investments will be in consumer-facing businesses and business services companies, specifically in the health and wellness, niche consumer and information services subsectors.

We expect each Fund to invest between \$10 million and \$25 million per transaction in approximately 8 to 10 platform companies. In each investment, we seek to retain affirmative voting control enabling us to make final decisions as to capital investment and allocation, management hiring and compensation, and the method and timing of sale or recapitalization transactions.



We focus on acquiring companies that are both defensible and differentiated – that is, (i) the target business has inherent characteristics that enable it to compete in its market without simply lowering price and (ii) its products or services provide a new, different and, in many cases, unique approach to addressing an existing market need. That said, despite these attributes, most of our target companies will have significant but addressable deficiencies. We believe that these shortcomings often discourage competitive bidders and allow us to acquire companies at attractive valuations. Moreover, they provide us an opportunity to build significant value and position companies for growth by working to address these needs.

## **Investment Selection**

We select investments by seeking out businesses with a defensible business model, a differentiated approach to serving an existing market need, and an addressable deficiency that provides an opportunity for value creation through company-building.

### ***Defensibility***

Our investment decision-making begins with an assessment of a target company's "defensibility." We need to be confident that a company's growth and performance will continue into the future, without significant pressure on gross margins. Key to this is the ability of the business to enjoy sustained success in the face of competitive and other market pressures, i.e., its "defensibility." We avoid investing in businesses built on unique relationships or knowledge of an owner, and also avoid many of the "commodity-oriented" businesses that are common in the lower end of the middle-market, such as distributors and contract manufacturers.

### ***Differentiation***

We actively seek out companies that have developed a new way of addressing an existing market need and demonstrated customer demand for their innovative offerings. These companies can gain market share and generate meaningful revenue growth, yet "fly under the radar" because of their small size relative to the competition.

### ***Addressable Deficiency***

We invest in companies that have one or more notable deficiencies that we are in a position to address. Because of the incomplete nature of these companies and the fact that filling in the gaps will require time, money and/or expertise, many potential buyers avoid them. This muted competition provides an opportunity for the buyer to create value by taking on the challenge of "company building." We focus on differentiating between those companies that have truly "addressable" deficiencies and those that have "permanently debilitating" deficiencies.

## **Risk of Loss**

Investments in a Fund involve a significant risk of loss that investors should be prepared to bear. A Fund investor should not invest in a Fund unless the investor is able to withstand a

total loss of the investment. Even if the investments of a Fund are successful, they may not produce a realized return to Fund investors for a period of years. There is no assurance that a Fund will achieve its investment objective. In addition to the speculative nature of such investments, the risks include limited operating history for the Funds and the companies in which they invest, challenges in achieving optimum diversification, dependence on managers to enhance portfolio company values, limitations on withdrawal from the Funds, potential conflicts of interest, non-transferability of interests in the Funds and illiquidity of the Funds' investments. The Funds' risk management cannot entirely eliminate risk. The following are risks associated with the Funds' significant investment strategies:

### **Risks Related to the Business and Investments of the Fund**

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Prospective investors should read a particular Fund's entire private placement memorandum and consult their own counsel and advisors before deciding to invest in that Fund.

Investing in portfolio companies involves a high degree of business and financial risk that can result in substantial losses. In order for the Funds to succeed, they must be able to identify potentially successful business enterprises, a process that is difficult even for those with extensive experience investing in such enterprises. Portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and may require substantial additional capital to support expansion or to achieve or maintain a competitive position.

Investing involves the risk of loss that an investor in the Funds should be prepared to bear. The discussion below of risks associated with an investment in the Funds does not purport to be an exhaustive list of all such risks. Please see the applicable Fund's private placement memorandum for a more detailed discussion of risks.

#### ***Business Risks***

The Funds investment portfolio consists primarily of securities issued by privately-held smaller middle-market companies and investing in such companies involves a high degree of business risk and uncertainty. Furthermore, such portfolio companies may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or may otherwise have a weak financial position. In addition, such portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities and a larger number of qualified managerial and technical personnel.

#### ***Leveraged Nature of Investments***

The Funds may use debt to leverage investments in its portfolio companies. Investments in leveraged companies involve a high degree of risk. As a result, recessions, operating problems and other general business economic risks may have a more pronounced effect on the profitability or survival of such companies. Also, increased interest rates generally increase

portfolio company interest expenses. In the event that any such portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company.

### ***Future and Past Performance***

The performance of the prior funds managed by the Principals of the Firm cannot be relied upon as indicative of the Funds' future results. While the general partner intends the Funds to have estimated returns commensurate with the risks undertaken, there can be no assurances that an internal rate of return will be achieved. Any given investment made by the Funds may prove to be unsuccessful and investors should determine whether they are able to absorb a loss of some or all of their investment before purchasing any interests in the Funds.

### ***Investment in Subordinated and Unsecured Securities***

The securities in which the Funds invest may be unsecured or subordinate, and, as a result, there may be no collateral to protect an investment once made. Additionally, the securities acquired by a Fund may be the most junior in what may be a complex capital structure and thus subject to the greatest risk of loss.

### ***Bridge Financing***

A Fund may provide bridge financing in connection with one or more of its investments. A Fund will bear the risk of any changes in capital markets that may adversely affect the ability of a portfolio company to refinance any bridge investments. If such portfolio company were unable to complete a refinancing, the Fund could have a long-term investment in a junior security and the interest rate on such bridge financing may not adequately reflect the risk associated with the unsecured position taken by the Fund.

### ***Competitive Market for Investments***

The business of identifying and structuring transactions of the nature contemplated by the Funds is highly competitive. The Funds compete for investments with other private equity investment vehicles and other companies, including institutional investors. There can be no assurance that the Funds will be able to continue to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve a superior rate of return or fully invest its committed capital.

### ***Concentration of Investments***

The Funds participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Funds' investment portfolio could become concentrated and its lack of diversification may increase the Funds' exposure to adverse market conditions. Moreover, such concentration could cause the Funds' aggregate return to be affected substantially by the performance of a few holdings.

### ***Lack of Sufficient Investment Opportunities***

It is possible that the Funds will never be fully invested if enough suitable investments are not identified. Investors pay a quarterly management fee based on the entire amount of their capital commitments during the investment period or until a successor fund is launched, and thereafter on the unfunded portion of capital commitments plus their capital invested in portfolio securities. The payment of such fee is required even if the Funds experience net losses in a particular year and even if the Funds are never fully invested.

### ***Difficulty in Valuing Investment Portfolio***

A Fund's general partner will value the Fund's investments in portfolio companies from time to time at their fair market values. Partnership assets that are publicly traded securities for which market prices are readily available will be valued based on their trading prices; however, for almost every portfolio company, there will likely be no public market for its securities. Thus, the valuation of investments in portfolio companies inherently is highly subjective and imprecise and requires the use of techniques that are costly and time consuming and ultimately provide no more than an estimate of value. In establishing the value of a Fund's investments in portfolio companies, the general partner may also consult with accounting firms, investment banks and other third-parties when needed, to assist with the valuation of the Fund's investments. The value set by the general partner may not reflect the price at which a Fund could dispose of its investment in a particular portfolio company at any given time.

### ***Restricted Nature of Investment Positions***

All or a substantial portion of a Fund's investments will consist of securities that are subject to restrictions on sale by that Fund because they are not registered under the Securities Act or other applicable securities laws and may be subject to contractual restrictions and conditions on transfer. Generally, the Funds will not be able to sell such securities under the Securities Act or will only be able to sell the securities under Rule 144 or other rules under the Securities Act which permit limited sales under specified conditions. In addition, practical limitations may inhibit a Fund's ability to liquidate certain of its investments in the portfolio companies since the issuer will be privately held and the Fund will own a relatively large percentage of the issuers' equity securities. Sales may also be limited by market conditions, which may be unfavorable for the sale of securities of particular issuers or issuers in particular industries. The above limitations on liquidity of a Fund's investments could prevent a successful sale thereof, result in the delay of any sale or reduce the amount of proceeds that might be realized from such sale.

### ***Potential Illiquidity of Securities Distributed in Kind***

Investments may be distributed in kind to the limited partners under certain circumstances. Generally, in-kind distributions are expected to be salable by the distributee partner. However, circumstances may arise after distribution which defer or prohibit the sale by a limited partner of distributed securities. No assurances can be made that the distributee partner will achieve gains or will not suffer losses by reason of choosing or being required to hold securities distributed to it by the Fund.

### ***Actual Results May Vary Significantly From Projections***

The Funds may rely upon projections, forecasts or estimates relating to investment decisions in a particular portfolio company. Projections, forecasts and estimates are forward looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond the Funds' control and may differ significantly from those assumed. Accordingly, there can be no assurance that estimated returns or projections can be realized or that actual returns or results will not be materially lower than estimated. Projected operating results of a company in which the Funds invest normally will be based primarily on financial projections prepared by each portfolio company's management and subject to numerous factors outside the control of the Funds. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

### ***Need for Follow-On Investments***

Following their initial investments in portfolio companies, the Funds may decide to provide additional funds to portfolio companies or have the opportunity to increase their investments in a successful business. There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient funds to make all or any of such investments. Any decision by the Funds not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may result in a lost opportunity for the Funds to increase its participation in a successful operation..

### ***Certain Regulatory Considerations***

The Funds may make investments in industries that are or may become subject to regulation under the laws of any one or more jurisdictions in which they operate. New and existing regulations and the burdens of regulatory compliance may have a material adverse effect on companies that operate in these industries. In addition, the Funds may invest in companies which thereafter experience a change in laws or regulations which change has an adverse effect on the portfolio company.

### ***Public Disclosure Obligations***

A Fund may be required to disclose confidential information relating to its investments in portfolio companies and its financial results to third-parties that may request such information if and to the extent required by federal, state or local law or regulation applicable to the Fund or any of its limited partners, including those limited partners that are public agencies or governmental bodies. There can be no assurance that such information will not be disclosed either publicly or to regulators, or otherwise. In addition, in order to comply with regulations and policies to which the Fund, the general partner, the Firm, portfolio companies, or service providers (including financial institutions) are or may become subject, or to satisfy regulatory or other requirements in connection with transactions, the Fund, the general partner or the Firm may be required to disclose information about the limited partners, including their identities. (Such disclosure obligations may adversely affect certain limited partners, particularly limited partners who are not otherwise subject to public disclosure of information relating to the private holdings of funds in which they invest.

### ***Effects of Bankruptcy***

A Fund may make investments in portfolio companies that are or may become the subject of voluntary or involuntary bankruptcy or similar proceedings under applicable laws. Certain risks that are faced in bankruptcy or similar proceedings that must be factored into the investment decision include, for example, the potential total loss of any such investment. Upon confirmation of a plan of reorganization under applicable bankruptcy laws, or as a result of a liquidation proceeding, a Fund could suffer a loss of all or a part of the value of its investment in a portfolio company. A bankruptcy filing or similar proceeding may adversely and permanently affect a portfolio company. The portfolio company could lose market position and key employees, and the liquidation value of the portfolio company may not equal the liquidation value that was believed to exist prior to the making of the investment by the Fund. In general, bankruptcy laws may be expected to have a variety of adverse impacts on the value of a Fund's investments and the timing and amount of any distributions such Fund is able to receive therefrom. In addition, investments in restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.

### ***Possible Adverse Consequences of Control Positions***

Although non-control investments may also be made, each Fund intends to make investments that allow the Fund to acquire control or exercise influence over management and the strategic direction of a portfolio company. The exercise of control over a company imposes additional risks of liability in circumstances where the limited liability characteristic of business operations of the company may be ignored. In one recent U.S. court ruling, the court held that a private equity fund was liable for the pension withdrawal liabilities of one of its portfolio companies because the private equity fund was engaged in a "trade or business" through its management and operational control of its portfolio company. Thus, the exercise of control over a portfolio company by a Fund could expose the assets of such Fund to claims by such portfolio company and its shareholders, pension beneficiaries and creditors. While the general partner intends to conduct the affairs of each Fund in a manner that will minimize the exposure of these risks, the possibility of successful claims cannot be precluded.

### ***Less Control in Minority Positions***

Although the Funds typically acquire principally controlling interests in their portfolio companies, they may, as part of its overall investment strategy, elect to purchase or maintain after any disposition a minority position in one or more of its portfolio companies, and as such, it may not be able to exercise control over such companies.

### **Other Risks**

Other risks related to investment in a Fund are detailed in such Fund's offering documents.

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**ITEM 9            DISCIPLINARY INFORMATION**

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The Firm and its management persons are not subject to any material legal or disciplinary events.

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**ITEM 10           OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Topspin Management I is affiliated with other Topspin management companies that are registered investment advisers in accordance with SEC guidance under the Advisers Act pursuant to Topspin Management I's registration. This adviser is:

- Topspin Management Company II, LP

Additionally, Topspin Management I is affiliated with other Topspin general partners that are also investment advisers registered in accordance with SEC guidance under the Advisers Act pursuant to Topspin Management I's registration. These general partners are:

- Topspin Partners LBO GP, LLC; and
- Topspin Partners II GP, LP

These affiliated investment advisers operate as a single advisory business together with Topspin Management I and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions. All of these affiliated investment advisers are under common control and subject to Topspin Management I's code of ethics and compliance programs adopted pursuant to the requirements of the Advisers Act.

Topspin Management I and its advisory affiliate, TMC Management, are under the common control of Leo A. Guthart. While Topspin Management I and TMC Management are affiliates because Leo A. Guthart is a control person of each adviser, the investment advisory business of Topspin Management I and TMC Management are otherwise operationally separate and run by different management teams. For more information regarding TMC Management and their clients, please refer to TMC Management's Form ADV.

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

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**Code of Ethics**

The Firm has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest, as required by Rule 204A-1 under the Advisers Act. The Firm's Code of Ethics contains policies and procedures that address, among other things, pre-clearance of certain personal securities transactions, periodic reporting of employees' personal securities transactions and holdings, and prompt internal reporting of any violations of this Code of Ethics.

The Firm will provide a copy of its Code of Ethics to Fund investors or prospective investors upon request.

Since the Firm may be paid or reimbursed for certain compensation and other fees and expenses that relate to certain services provided to portfolio companies, the Firm could have a conflict of interest in connection with the applicable Fund's initial investment in such portfolio company and the resulting payment or reimbursement of such amounts.

Principals and employees of the Firm may serve as directors and officers of certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio company and its shareholders. In certain circumstances (for example in situations involving bankruptcy or near-insolvency of a portfolio company), actions that may be in the best interests of the portfolio company may not be in the best interests of a Fund, and vice versa. Accordingly, in these situations, there may be conflicts of interests between such individual's duties as an employee of the Firm and such individual's duties as a director of such portfolio company.

The Firm and/or its employees maintain relationships with (or may invest in) financial institutions or other service providers, some of which will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services to, the Firm and/or the Funds.

In addition, Fund portfolio companies may, from time to time, make discounts and other benefits available to employees in connection with products or services offered by such companies.

The Firm and its affiliates may also, from time to time, engage in arm's length transactions with service providers to the Funds that may also have ownership interests in one or more Funds.

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## **ITEM 12      BROKERAGE PRACTICES**

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Although the Firm has discretionary authority to recommend broker-dealers for client transactions, the Firm does not expect to use this authority. Since the Firm anticipates that the securities of the underlying funds and portfolio companies will not be publicly traded, the Firm does not anticipate engaging any broker-dealer to effect transactions in securities of underlying funds and portfolio companies.

In addition, with respect to private company securities transactions on behalf of a Fund, the Firm may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio company. In doing so, the Firm may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Firm generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not necessarily pay the lowest commission or fee for such services.



## **ITEM 13      REVIEW OF ACCOUNTS**

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### **Review of Fund Portfolio**

The only accounts managed by the Firm are the Funds. The Principals of the Firm meet on a periodic basis to discuss new investment opportunities that should be presented to the general partner. The investment positions and assets within the Funds' portfolios are monitored and reviewed by personnel of the Firm regularly. The Principals of the Firm also meet whenever needed to review and approve new investment opportunities or to evaluate developments with respect to existing investments and/ or opportunities for exiting investments.

### **Fund Reporting**

Investors receive an audited annual financial report for each Fund within 120 days after the conclusion of each fiscal year, and an unaudited financial report within 60 days after the conclusion of each of the first three quarters of each Fund's fiscal year, or as soon as practicable thereafter. The Firm will use all reasonable efforts to deliver annual tax information for an investor's tax return within 180 days after the end of each fiscal year.

In addition to the information provided to all investors, the Firm may provide certain investors with additional information or more frequent reports that other investors will not receive.

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

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The Firm has entered into a solicitation arrangement with Sixpoint Partners LLC (the "Placement Agent") pursuant to which the Firm compensates the Placement Agent for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees and expenses payable to the Placement Agent or any other Placement Agent engaged by the Firm will be borne by the Firm either directly or indirectly through an offset against the Management Fee. From time to time, the Firm or its affiliates may engage other placement agents to solicit investments from potential investors in the Funds.

## **ITEM 15      CUSTODY**

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Under Advisers Act rules, the Firm is deemed to have custody of Fund client assets.

Each Fund is subject to an annual audit, and the audited financial statements are distributed to each Fund's investors in accordance with the custody rules. Such financial statements are prepared in accordance with generally accepted accounting principles by an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board.

## **ITEM 16      INVESTMENT DISCRETION**

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The Firm has investment discretion over the Funds' assets in accordance with each Fund's respective offering document and limited partnership agreement. The general partner has the authority to delegate investment discretion to the Firm pursuant to the limited partnership

agreements of the Funds. The offering documents and limited partnership agreements generally set forth the limitations with respect to the management of the Funds and the activities of the Firm.

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**ITEM 17 VOTING CLIENT SECURITIES**

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In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, the Firm has adopted and implemented written policies and procedures governing the voting of client securities.

The Funds are primarily invested in privately-held portfolio company investments which typically do not issue proxies. However, upon occasion, the Firm will receive proxies in connection with publicly traded portfolio companies, in which case it is the Firm's policy to exercise the proxy vote in the best interest of the Funds, taking into consideration all relevant factors, including without limitation, acting in a manner that it believes will (i) maximize the economic benefits to the relevant Fund and (ii) promote sound corporate governance by the issuer. On rare occasions, the Firm may be required to exercise a vote for a privately-held portfolio company, in which case the same procedures shall apply.

The Firm seeks to avoid material conflicts of interest between its own interests on the one hand, and the interests of the Funds on the other. In situations where the Firm is required to vote the proxy for a company in which its employees serve on the board of directors, the Firm has determined that this does not inherently present a conflict of interest, as the sole purpose of this representation is to maximize the return on the Funds' investment in such portfolio company. Accordingly, while the Firm is generally, but not automatically, fully supportive of recommendations made by a portfolio company's board of directors with respect to proxy votes related to that issuer, the Firm will review all proxies in accordance with its proxy voting guidelines and may or may not vote in favor of the board's recommendation.

All conflicts of interest will be resolved in the interests of the Funds. In situations where the Firm perceives a material conflict of interest, the circumstances surrounding such potential conflict will be reviewed with the Firm's CCO, Leigh Randall, who will be responsible for recommending the appropriate action, which may include removing certain of the Firm's employees from the proxy voting process.

All proxies that the Firm receives will be treated in accordance with these policies and procedures. A copy of the Firm's written proxy voting policies and procedures, as well as a record of how the Firm has voted in the past, will be maintained and available for review upon written request made to the Firm's CCO at One Station Plaza, Suite 2B, Mamaroneck, NY 10543.

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**ITEM 18 FINANCIAL INFORMATION**

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The Firm does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure. The Firm has not been the subject of any bankruptcy petition.