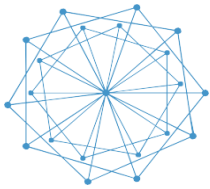


Item 1 – Cover Page



# BRIGHTSTAR

## CAPITAL PARTNERS

### Form ADV Part 2A: FIRM BROCHURE

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**April 28, 2017**

This Brochure provides information about the qualifications and business practices of Brightstar Capital Partners, L.P. (“Brightstar”). If you have any questions about the contents of this Brochure, please contact us at (212) 430-2500 or [renee@brightstarcapitalpartners.com](mailto:renee@brightstarcapitalpartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Brightstar is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Brightstar also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Since the initial filing of Brightstar Capital Partners, L.P.’s (“Brightstar” or the “Firm”) initial Brochure on March 31, 2017, the address of the Firm’s New York office has changed.

Pursuant to SEC rules, Brightstar will provide a summary of material changes to its Brochure within 120 days of the close of its fiscal year. Brightstar may provide further disclosures about material changes, as deemed necessary. Additionally, Brightstar will provide clients and investors with a new Brochure as necessary, without charge. Brightstar’s Brochure may be requested by contacting Renee Noto, Chief Compliance Officer, at (212) 430-2500 or [renee@brightstarcapitalpartners.com](mailto:renee@brightstarcapitalpartners.com).

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## Item 4 – Advisory Business

Founded in July 2015, Brightstar Capital Partners, L.P. (collectively with its general partners and affiliate entities, “Brightstar” or the “Firm”), is a private equity firm that predominantly invests in closely held, entrepreneurial or family-owned U.S. or Canadian middle market businesses and corporate partnerships where Brightstar believes it can have an impact on the management, operations and the strategic direction of the business. Brightstar registered as an exempt reporting adviser in June 2016 and with this filing is registering as an investment adviser.

Brightstar typically focuses on proprietarily-sourced, middle market investments in established industries where the investment thesis can be clearly articulated, the diligence process is thorough and Brightstar believes it can add strategic or operational value through its experience and network of relationships. Brightstar seeks to make equity investments of \$50-\$250 million of equity per portfolio company primarily in U.S. or Canadian middle market companies of which there are 32,000 with revenues between \$50 million and \$1 billion. Integral to Brightstar’s business are its Senior Partners (“Senior Partners”), four of whom worked with the Managing Partner for more than a decade, who provide operational experience, strategic insight and mentoring of management teams. Senior Partners have extensive networks in their industries of experience, their communities and their circles of influence, which enable them to help source new opportunities on a proprietary basis.

Brightstar serves as the investment adviser for and provides discretionary investment advisory services to private funds exempt from registration under the Securities Act, as well as to co-investment funds (collectively referred to throughout this Brochure as “Funds”). In particular, Brightstar provides investment advisory services Brightstar Capital Partners Fund I, L.P. (“Fund I”) and Brightstar Capital Partners Strategic Fund I, L.P. (“Strategic Fund”), a Fund which invests alongside Fund I. Brightstar may also form vehicles to co-invest alongside Fund I and Strategic Fund in a particular transaction. For more information about the Brightstar Funds, please see the Firm’s Form ADV Part 1, Schedule D, Section 7.B.(1) Private Fund Reporting.

The general partner of the Funds, Brightstar Associates, L.P., (the “General Partner”), as well as an affiliate of the general partner who serves as an affiliate adviser to (Brightstar Advisors, L.P.), are deemed to be relying advisers with authority to make investment decisions on behalf of the Funds and are registered under the Investment Advisers Act of 1940, as amended (“Advisers Act”), pursuant to Brightstar’s registration in accordance with SEC guidance. More information about these entities is available in Form ADV Part 1, Schedule D, Section 7.B.(1) Private Fund Reporting.

Brightstar provides advisory services as a private equity fund manager to its Funds. Interests in the Funds are privately offered to qualified investors in the United States and elsewhere. The Funds generally invest through negotiated transactions in operating companies. Brightstar’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling such investments. Investments are made predominantly in non-public companies, although

investments in public companies are permitted in certain instances. Where such investments consist of portfolio companies, the Managing Partner, Partner, Managing Directors, Senior Partners or other personnel of Brightstar typically will serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds.

Brightstar does not tailor its advisory services to the individual needs of investors in its Funds; the Firm's investment advice and authority for each Fund is tailored to the investment objectives of that Fund. These objectives are described in the private placement memorandum, limited partnership agreement and other governing documents of the relevant Fund (collectively, "Governing Documents"). The Firm does not seek or require investor approval regarding each investment decision. Fund investors generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letters agreements. Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints, pursuant to the terms of the applicable Governing Documents. Brightstar may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Fund's Governing Documents.

Brightstar does not participate in wrap fee programs.

As of December 31, 2016, Brightstar has \$224,349,966 of regulatory assets under management, all managed on a discretionary basis. Brightstar is wholly owned by Andrew S. Weinberg, the Founder and Managing Partner of Brightstar, though various entities under his control.

## **Item 5 – Fees and Compensation**

Brightstar or an affiliate receives a management fee and its affiliated General Partner is allocated carried interest as compensation for providing investment advisory services to the Funds. The following is a general description of fees, compensation and expenses of the Funds. Each Fund's Governing Documents describe fees, compensation and expenses in greater detail.

### **Management Fees**

Brightstar charges each Fund a management fee (the "Management Fee"), generally 2% per annum, although some Funds charge a lower Management Fee. The Management Fee charged to each Fund is specified in the Governing Documents of each Fund. Generally, Management Fees are initially calculated based upon each investor's committed capital for the period of time during which each Fund is making investments; thereafter, the Management Fee will be equal to a percentage of each investor's invested capital, although in some Funds the Management Fee is always calculated upon each investor's invested capital. For more specific information on the Management Fees for each Fund, please refer to the relevant Fund's Governing Documents.

Brightstar may, in its sole discretion, waive all or a portion of the Management Fee. Management Fees differ from one Fund to another, as well as among investors in the same Fund. For example, Management Fees are generally waived for Brightstar employees, affiliates and their families investing in a Fund. Similarly, investors in a co-investment fund may pay a reduced Management Fee.

The Management Fee is accrued and payable quarterly in advance, is payable without regard to the overall success or income earned by a Fund and is deducted from the applicable Fund's account. Installments of the Management Fee payable for any period other than a full calendar quarter are adjusted on a pro rata basis according to the actual number of days in such period, and in the case of the last period in which the Management Fee is paid. Withdrawals of capital from Funds are not permitted. The Funds typically invest on a long-term basis. Accordingly, Management Fees are expected to be paid, except as otherwise described in the relevant Governing Documents, over the term of the Funds and investors generally are not permitted to withdraw or redeem interests in the Funds. Management Fees are not negotiable after the final closing of a Fund.

### **Manager Expenses**

Brightstar and its affiliates are responsible for all of the day-to-day overhead expenses, including office expenses and compensation of its employee and partners, any out-of-pocket costs and expenses incurred in causing the Firm to register and/or maintain registration, as the case may be, as an investment adviser under the Advisers Act, as amended, and/or other registration, filing or permit fees imposed on Brightstar (and not the Fund) under other applicable law.

### **Fund Expenses**

The Funds, except as noted above, will pay all expenses of operating the Funds (except those reimbursed by a portfolio company), including (but not limited to): fees, costs and expenses of any custodians, attorneys, accountants, auditors, tax advisors, consultants, brokers, agents, research-related data providers, valuation experts, third-party administrators or other professionals (including advisers to Brightstar); costs associated with preparing, printing and distributing communications and reports to investors and monitoring investor portfolio activity (including, without limitation, accounting or financial management software and other third party expenses incurred in connection with secure communications to investors, the preparation of financial statements and other accounting or similar administrative functions); out-of-pocket costs and expenses, if any, incurred in connection with attending meetings or conferences related to portfolio investments (including travel related thereto); developing, negotiating, structuring, monitoring, custody, or, to the extent applicable, disposing of, portfolio investments, including, without limitation, any financing, legal, accounting, advisory, consulting or other professional expenses in connection therewith; brokerage commissions, prime brokerage fees, registration fees and expenses, custodial expenses, other bank service fees and other investment costs, fees and expenses incurred in connection with actual portfolio investments; expenses incurred in connection with organizing the Funds and the offering of interests therein, including, without limitation, meetings with one or more prospective investors, travel expenses, legal and accounting fees and expenses, and filing fees; the costs and expenses of holding meetings or

conferences with investors and/or the limited partner advisory committee, including, without limitation, travel, set-up, room and board, honorarium, dining, entertainment and related expenses; out-of-pocket costs and expenses, if any, incurred by or on behalf of the Funds in developing, negotiating and structuring prospective or potential portfolio investments which are not ultimately made, including, without limitation, any legal, accounting, advisory, financing, travel and consulting costs and expenses in connection therewith (“Broken-Deal Expenses”); expenses incurred in connection with complying with provisions in side letter agreements; interest on and fees and expenses arising out of all borrowings made by the Funds, including, without limitation, the arranging thereof; the costs of any litigation, liability or other insurance and indemnification or extraordinary expenses or liabilities relating to the affairs of the Funds; all out of pocket fees, costs and expenses, if any, incurred in connection with the Funds’ (but not Brightstar’s, as provided above) legal and regulatory compliance with U.S. federal, state, local, non-U.S. or other law or regulation (including, without limitation, Form PF and the Alternative Investment Fund Managers Directive) and third party expenses incurred in connection with the preparation and administration of filings in connection with such laws or regulations; the costs and expenses of any lenders, investment banks and other financing sources; the costs of dissolving the Funds and liquidating the Funds’ assets; certain expenses incurred by limited partner advisory committee members; and any taxes, fees or other governmental charges levied against the Funds; and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Funds (the “Fund Expenses”). Portfolio company expenses generally include reimbursements for travel and Brightstar employee visits to the specific portfolio company. For the avoidance of doubt, any travel expenses described herein may include expenses associated with the use of private aircraft, business class or first class travel. For more information about Brightstar’s brokerage practices, please see Item 12, below.

### **Offering and Organizational Expenses**

Each investor will bear its pro rata share of the Fund’s, the General Partner’s and the affiliate’s organizational expenses, including legal, accounting, filing, capital raising, travel and other organizational expenses (“Organizational Expenses”). The amount of Organizational Expenses varies by Fund and is further detailed in the Governing Documents of each Fund.

### **Senior Partner Expenses**

Senior Partners typically are compensated with an annual stipend, which is paid for by Brightstar or an affiliate and not by the Funds. Senior Partners also receive a percentage of carried interest, as well as reimbursement for travel and reasonable business expenses. Most travel expenses are reimbursed by the relevant portfolio company which the Senior Partner is advising but may also be paid by the relevant Fund. Senior Partners are not compensated for their participation on the boards of the Firm’s portfolio companies.

## **Portfolio Company Remuneration**

Brightstar may receive director's fees, consulting fees, commitment fees, monitoring fees, break-up fees and success fees or other remuneration (including any options, warrants or other equity securities), the amount of which are paid by the Funds (directly, or indirectly by the portfolio companies) and are determined by Brightstar on a transaction by transaction basis, subject to the terms set forth in each Fund's Governing Documents. Any such fees paid during the year to Brightstar, the General Partner, or their employees generally shall be used first to offset any transaction expenses advanced by Brightstar and not reimbursed by a Fund. However, any reimbursement by a portfolio company of out-of-pocket expenses incurred by Brightstar, a General Partner or their respective affiliates will not be offset against the Management Fee payable by the Funds. Brightstar does not accelerate monitoring fees.

## **Fee Offset**

In connection with actual or potential portfolio investments, 100% of the investors' (other than affiliates of the General Partner) share of all net transaction, directors, consulting, management, investment banking, monitoring, closing, topping, break-up and other similar fees paid to or received by Brightstar or its affiliates in connection with portfolio investments or its unconsummated transactions will be applied to reduce the Management Fee. Such fees subject to offset shall be net of unreimbursed out-of-pocket expenses incurred by Brightstar or its affiliates in connection with the transaction out of which such fees arose. Such reduction amount will be net of any unrecouped Broken-Deal Expenses, which Brightstar has elected to pay on behalf of the Funds. To the extent such offsets would reduce the Management Fee for a given quarterly period below zero, such offsets will be carried forward and reduce future installments of the Management Fee.

Neither Brightstar nor any of its supervised persons accepts compensation for the sale of securities or other products.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Each Fund General Partner is entitled to be allocated carried interest ("Carried Interest") with respect to the Funds, which is generally equal to 20% of all realized profits in excess of an 8% annually compounded preferred return (or hurdle) and subject to reimbursement of all allocable Fund expenses, including Management Fees. Each Fund's Carried Interest arrangement may differ, and each Fund's Carried Interest calculation, as well as the clawback provisions of each Fund, is further described in the relevant Fund Governing Documents. A Carried Interest allocation represents an adviser's compensation based on a percentage of net profits of the Funds it manages. The Carried Interest allocated to a General Partner is subject to a potential giveback if the respective General Partner has received excess cumulative distributions.

These performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule

205-3. The General Partner of each Fund may, in its sole discretion, waive or reduce the amount of Carried Interest for an investor in a Fund. Specifically, if principals and employees, and their respective family and friends are Fund investors, they will generally pay reduced Carried Interest or none at all. Similarly, investors in co-investment Funds generally pay a lower amount of Carried Interest.

The fact that the General Partner's Carried Interest allocations are based on the performance of each Fund may create incentive for Brightstar to make investments that are more speculative than would be the case in the absence of such distributions. This incentive is mitigated, however, due to the fact that any losses the Funds sustain will reduce the General Partner's Carried Interest distribution and the fact that Carried Interest is generally calculated only after investors have received as distributions 100% of their capital contributions plus a preferred return.

## **Item 7 – Types of Clients**

Brightstar provides investment advice to the Funds. The Funds limit its investors to persons who are both “accredited investors” as defined in the Securities Act of 1933 and “qualified purchasers” as defined in the Investment Company Act of 1940. Investors in the Funds must meet certain suitability and net worth qualifications prior to making an investment in the Funds. The Funds are not registered or required to be registered under the Investment Company Act of 1940; its securities are not registered or required to be registered under the Securities Act of 1933 and are privately placed to qualified investors in the United States and elsewhere.

The investors participating in the Funds include individuals, other investment entities, university endowments, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Brightstar and its affiliates and members of their families, Senior Partners or other service providers retained by Brightstar.

The Funds typically require capital commitments from each investor of at least \$5 to \$10 million, although commitments of less than \$5 have been accepted in the discretion of the applicable Fund's General Partner.

Brightstar also serves as the investment manager for co-investment vehicles that invest in certain Fund portfolio companies. Opportunities to invest in a portfolio company are made available on a pro rata basis to those investors who have made a \$10 million commitment to a Brightstar Fund, subject to legal, tax, regulatory, accounting and other similar considerations. Such determinations are based on the provisions of the applicable Governing Documents and such other factors as Brightstar may consider in its sole discretion, including those that may be specified from time to time in its policies on investment allocation and co-investments.

Some co-investors may be provided the opportunity to sit, or have a representative sit, on the board of directors or board of advisers of a Brightstar portfolio company. Positions on boards of directors

or advisers of such portfolio companies may 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. Any board fees received by such co-investors, if any, are paid by the relevant portfolio company and are not subject to the offset against Management Fees.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **Investment Strategy**

Brightstar seeks to make investments in closely held, entrepreneurial or family-owned U.S. or Canadian middle market businesses as well as corporate partnerships where Brightstar believes it can have an impact on the management, operations and the strategic direction of the business. These businesses, which typically are sourced through Brightstar's network of relationships, often require capital for internal growth or acquisitions. Brightstar typically focuses on proprietarily sourced investments in established industries where the investment thesis can be clearly articulated, the diligence process is thorough, and Brightstar believes it can add strategic or operational value through its experience and network of relationships. Brightstar seeks to make equity investments of \$50-\$250 million of equity per portfolio company primarily in U.S. or Canadian middle market companies of which there are 32,000 with revenues between \$50 million and \$1 billion. Brightstar typically seeks to make control or control-oriented investments; however, Brightstar will make non-control investments if it can ensure that adequate governance and other protections are in place to protect the Funds' investment. Brightstar believes that investing with collaborative management involvement in its portfolio companies increases its ability to deliver value creation.

*Sourcing.* In pursuing investments for the Funds, Brightstar primarily seeks opportunities where it can provide meaningful support in management, operations and the strategic direction of the business. Brightstar employs strategies to accelerate the growth and the profitability of each portfolio company and, potentially, the return on the investment to investors.

Brightstar believes its Senior Partners, four of whom worked with the Managing Partner for more than a decade, are an integral component of the Firm's strategy. Senior Partners provide operational experience, strategic insight and mentoring of management teams. They also have extensive networks in their industries of experience, their communities and their circles of influence which enable them to help source new opportunities on a proprietary basis. Certain Senior Partners have extensive investment experience as well and sit on the Firm's Investment Committee and/or the boards of portfolio companies.

*Rigorous Investment Evaluation.* Once Brightstar has identified a company that meets its initial criteria, the investment team will seek to conduct a thorough due diligence process. Brightstar's Managing Partner and the broader team have extensive experience in rigorous investment evaluation. Brightstar believes that deep and granular due diligence help allow it to better assess and quantify the opportunities for and challenges to the investment. As a result, the Funds typically will seek to enter

into investments with a road map of definable strategic initiatives for creating post investment value. An Investment Committee comprised of the Managing Partner, a Partner and four Senior Partners will review every transaction and make its recommendations to the Managing Partner. Ultimately, all portfolio company investment decisions for the Funds will be made by the Managing Partner.

*Post-Acquisition Value-Add.* The Brightstar team has experience across many sectors and has owned portfolio companies through many cycles. Brightstar typically underwrites a detailed business plan for each portfolio company over a three to five year time frame. Brightstar seeks to be an engaged and collaborative private equity investor. The Firm typically will pursue opportunities where it can have an impact on the management, operations and strategic direction of the business and expects to play a collaborative role in enhancing the company's post-investment value. With its network of operational experience, Brightstar believes it can focus its efforts on one to three key strategic initiatives during the course of an investment which may create a positive, differentiated outcome for the investment. The initiatives may vary from scaling growth to customer acquisition to return on capital efficiency, among others.

*Exit Alternatives.* Brightstar's professionals have long-term experience in equity and debt capital markets, mergers and acquisitions and recapitalizations. Brightstar seeks to identify potential exit strategies early in the due diligence process and evaluation of the investment opportunity providing further clarity to the required initiatives, timeline and targeted results for an investment. Post-investment, Brightstar will monitor all portfolio companies, typically speaking with management teams at least weekly. As Brightstar monitors the Funds' portfolio companies, it will continually evaluate potential realizations. The Managing Partner has experience in structuring and negotiating exits including initial public offerings, recapitalizations, sales to third parties and mergers.

## **Risk Factors**

An investment in the Funds involves a high degree of risk, including the risk of a partial or total loss of capital, and investors must be prepared to bear capital losses which might result from investments. An investment in the Funds is speculative, illiquid and long-term in nature, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Funds and for which the respective Fund does not represent a complete investment program. Investors should also refer to a Fund's Governing Documents for a description of the risk factors specific to their Fund. Risks and potential conflicts of interest include, but are not limited to, the following:

*Reliance on the General Partner and Advisor; Passive Investment.* Brightstar and its affiliates will have exclusive responsibility for the Funds' activities, and investors will not be able to make investment or any other decisions concerning the management of the Funds (although the limited partner advisory committee will have a role in reviewing and/or approving certain matters as more fully set forth in the relevant Governing Documents). Investors have no rights or powers to take part in the management of a Fund or make investment decisions and will not receive the amount of portfolio company financial information that is generally available to the Firm. The success of the Funds will depend on the ability

of the Brightstar investment team to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of portfolio investments. Brightstar may be unable to find a sufficient number of suitable attractive opportunities to meet the Funds' investment objectives.

*Newly Formed Entities.* Although the Brightstar investment professionals have extensive investment experience generally, the Funds and the General Partner have no operating history upon which prospective investors may evaluate their specific performance. The past performance of the Brightstar investment professionals, including the Managing Partner, may not be indicative of the future performance of the Funds. Prospective investors should also note that the investment professionals responsible for the Funds have not previously worked together as a group and there can be no assurance that the Funds' intended strategy, including seeking access to proprietary investment opportunities in portfolio companies through relationships of the Senior Partners and Brightstar professionals, will be successful. The Funds are subject to all of the business risks and uncertainties associated with any new fund, including the risk that it will not achieve its investment objective and that the value of an interest in the Funds could decline substantially. In addition, during the ramp-up period of the Funds' investment activity, fees and expenses, which reduce returns, can result in a "J" curve effect.

*Highly Competitive Market for Investment Opportunities.* The Funds' strategy is based, in part, upon the premise that investments will be available for purchase by the Funds at prices that the Firm considers favorable. The activity of identifying, completing and realizing on attractive private equity and other similar investments is highly competitive and involves a high degree of uncertainty. The Funds expect to encounter competition from other entities having similar investment objectives and others pursuing the same or similar opportunities. The Funds will be competing for investments with other private equity investment managers, as well as individuals, companies, financial institutions, sovereign wealth funds and other institutional investors. Further, over the past several years, an ever-increasing number of private equity funds with objectives similar to those of the Funds have, and may be formed (and many existing funds have grown in size). The Funds may incur significant expenses identifying, investigating and attempting to acquire potential investments which are ultimately not consummated, including expenses relating to due diligence, transportation, extended competitive bidding processes, legal expenses and the fees of other third-party advisors. To the extent that the Funds encounter competition for investments, returns to investors may decrease.

*Uncertain Exit Strategies.* Due to the illiquid nature of many of the positions which the Funds are expected to acquire, as well as the uncertainties of the reorganization and active management process, when entering into a new investment, Brightstar is unable to predict with confidence what the exit strategy ultimately will be for any given portfolio investment, or that one definitely will be available. Exit strategies which appear to be viable when a portfolio investment is initiated may be precluded by the time the portfolio investment is ready to be realized due to economic, legal, political or other factors.

*Investments in Highly Leveraged Companies.* The Funds' portfolio investments are expected to include companies whose capital structures may have significant leverage. While investments in leveraged companies offer the opportunity for capital appreciation and Brightstar will seek to use leverage in a manner it believes to be prudent, investments in levered companies involve a high degree of risk. The Funds' portfolio investments may involve varying degrees of leverage, which could magnify the impact of circumstances such as unfavorable market or economic conditions, operating problems and other changes that affect the relevant portfolio company or its industry, resulting in a more pronounced effect of such circumstances on the profitability or prospects of such companies. In using leverage, these companies may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair their ability to finance or otherwise pursue their future operations or otherwise satisfy additional capital needs. Moreover, rising interest rates may significantly increase portfolio companies' interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet its debt obligations, the Funds may suffer a partial or total loss of capital invested in the portfolio company.

*Illiquid and Long-Term Investments, Investments Longer than Term.* It is anticipated that there will be a significant period of time before the Funds will have completed investments in portfolio companies. Many of such investments could take at least three to five years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Although portfolio investments by the Funds occasionally may generate some current income, the return of capital and the realization of gains, if any, from a portfolio investment generally will occur only upon the recapitalization, public offering or partial or complete disposition of such portfolio investment. Private investment transaction structures typically will not provide for liquidity of the Funds' investment prior to that time. In light of the foregoing, it is likely that no significant return from the disposition of the Funds' investments will occur for a substantial period of time from the date of closing of the Fund.

*Non-U.S. Investments.* The Funds may invest a portion of its aggregate commitments outside of the U.S. and Canada. Non-U.S. securities or instruments involve certain risks not typically associated with investing in U.S. securities or instruments. The Funds may be less influential than other market participants in jurisdictions where it does not have a significant presence.

*Additional Capital Requirements of Portfolio Companies.* Certain of the Funds' portfolio companies, especially those in a development or "platform" phase, may require additional financing to satisfy their working capital requirements, business development needs or acquisition strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each such round of financing (whether from the Funds or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to the existing investors, including the relevant Fund. The availability of capital is generally a function of capital market conditions that are beyond the control of the Fund or any portfolio company. In addition, the Funds may make additional debt and equity investments or

exercise warrants, options or convertible securities that were acquired in the initial investment in such company in order to preserve the Funds' proportionate ownership when a subsequent financing is planned, or to protect the Funds' investment when the performance of such portfolio company does not meet expectations. To the extent a portfolio company in which a Fund has invested receives additional funding in subsequent financings and the Fund does not participate in any such additional financing rounds or offerings, the Fund's interest in the portfolio company may be diluted or become functionally subordinated. There can be no assurance that Brightstar or the portfolio companies themselves will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source. The Funds may be called upon to provide follow-on funding for its investments or have the opportunity to increase its investment in such a portfolio company. There can be no assurance that the Funds will want to make follow-on investments or that it will have sufficient funds of the ability to do so. Any decision by the Funds not to make a follow-on investment or its inability to make it may have a substantial negative impact on a portfolio company in need of such an investment or may diminish the Funds' ability to influence the portfolio company's future development.

*Reliance on Portfolio Companies' Management Teams.* Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although Brightstar will be responsible for monitoring the performance of each investment and intends to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in accordance with the respective business plan or the expectations of the Funds. The success of each portfolio company depends in substantial part upon the skill and expertise of each portfolio company's management team. Additionally, portfolio companies will need to attract, retain and develop executives and members of their management teams. The market for executive talent is, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, thus, the Funds may be adversely affected thereby.

*Financial Projections Related to Portfolio Companies.* Brightstar generally will make investment decisions and establish the pricing of transactions, the capital structure of portfolio companies, and/or the terms of financing for a portfolio investment, on the basis of financial projections, including projections specific for such portfolio companies. There can be no assurance that financial or economic models used to determine investment decisions will be correct, accurate or appropriately reflect subsequent developments or all the other factors that could cause actual results to differ from such models or projections. Projected operating results will often be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections. Moreover, the Funds' portfolio investments, particularly investments in loans or other forms of indebtedness, may be subject to early redemption features, refinancing options, pre-

payment options or similar provisions which, in each case, could result in the issuer or borrower repaying the principal on an obligation held by the Funds earlier than expected (which could result in the Funds' investment return from such portfolio investment being less than that anticipated by the relevant Fund when it made the portfolio investment). Therefore, the Funds' ability to achieve its investment objective may be affected.

*Risks Relating to Due Diligence of and Conduct at Portfolio Companies.* Before making portfolio investments, Brightstar typically will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each portfolio investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisers, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third party advisers or consultants may present a number of risks primarily relating to Brightstar's reduced control of the functions that are outsourced. In addition, if Brightstar is unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, Brightstar will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that Brightstar carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the portfolio investment being successful. Additionally, among the other risks inherent in investments, particularly so in companies experiencing financial distress, is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. There can be no assurance that attempts to provide downside protection with respect to portfolio investments will achieve their desired effect and potential investors should regard an investment in the Funds as being speculative and having a high degree of risk.

*Participation on Boards of Directors and Other Committees.* The Funds may, in certain circumstances, have the opportunity to place its representatives on the boards of directors and/or other committees of certain companies in which the relevant Fund has invested. In addition, the Funds will invest in affiliate companies in which Brightstar and/or other Brightstar investors have representatives on the boards of such companies. While such representation may enable the Funds to enhance the sale value of any debt investments in a company, such involvement (and/or an equity stake by the Funds, Brightstar and/or other Brightstar investors in such company) also may prevent the Funds from freely disposing of any debt investments and may subject the Funds to additional liability or result in re-characterization of the Funds' debt investments as equity.

*Investments in Less-Established Companies.* The Funds may invest in the securities or instruments of less-established companies or companies which have been unaudited. Investments in such early stage companies may involve greater risks than generally are associated with investments in more established companies. Such companies may not have securities that trade publicly and may not have easy access to the capital markets or other traditional funding sources. Interests in such companies may be subject

to transfer limitations and other restrictions. To the extent there is any market for the securities or instruments held by the Funds, such securities or instruments may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less-established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. In addition, less mature companies could be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which the Funds invest, the Funds may suffer a partial or total loss of capital invested in that company. Start-up enterprises may not have significant or any operating revenues, and any such investment should be considered highly speculative. Such companies also may have a lower capitalization and fewer resources (including cash) and be more vulnerable to failure, which may result in the loss of the Funds' entire investment therein. The foregoing factors may increase the difficulty of valuing such investments. In addition, there can be no assurance that any losses on such investments will be offset by gains (if any) realized on the Funds' other investments.

*No Market for Investor Interests / Transferability Restrictions.* Interests in the Funds have not been registered under the Securities Act or applicable securities laws of any state or the securities laws of any non-U.S. jurisdiction. Therefore, the interests cannot be resold unless subsequently registered under the Securities Act and other applicable laws or an exemption from such registration is available. It is not contemplated that registration of the interests under the Securities Act or other securities laws ever will be effected. There is no public market for the interests in the Funds and none is expected to develop. Accordingly, it may be difficult to obtain reliable information about the value of the interests. In addition, the interests are not transferable except with the consent of the General Partner, which it may withhold in its sole discretion. Additionally, an investor will not be permitted to share confidential information regarding the Funds or such investor's interests to prospective purchasers of its interests unless the General Partner provides its prior written consent, which it may withhold in its sole discretion. Investors may not withdraw capital from the Funds, except in very limited circumstances. The General Partner is under no obligation to facilitate or approve transfers. Consequently, investors may not be able to liquidate their investments prior to the end of the relevant Fund's term and must therefore be prepared to bear the economic risk of an investment for an indefinite period.

*Cyber Security Breaches and Identity Theft.* Brightstar's information and technology systems and those of its portfolio companies may be vulnerable 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 Brightstar has implemented, and portfolio companies will likely have implemented, various measures designed 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, Brightstar, the Funds and/or a portfolio company may 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 Brightstar's, the Funds' and/or

a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information. Such a failure could result in reputational harm to Brightstar, the Funds and/or the affected portfolio company, subject any such entity and its affiliates to legal claims and otherwise affect its business and financial performance.

*Valuation of Portfolio Investments and Interests.* As noted above, there is no established market for the Funds' interests and there may not be any comparable companies for which public market valuations exist. The Funds' investments will include securities or other financial instruments or obligations that are very thinly traded or for which no market exists and which may be extremely difficult to value accurately. Although Brightstar will determine the fair value of such investments based on various factors and may engage an independent third-party to review such valuations, the valuation of such investments is inherently subjective and subject to increased risk that the information utilized to value the investment or to create price models may be inaccurate or subject to other error. In addition, securities which Brightstar believes are fundamentally undervalued or overvalued may not ultimately be valued in the capital markets at prices and/or within the time frame Brightstar anticipates. In particular, purchasing securities at prices which Brightstar believes to be distressed or below fair value is no guarantee that the price of such securities will not decline even further. Because of this significant uncertainty as to the valuation of illiquid investments, the values of such investments may not necessarily reflect the values that could actually be realized by the Funds. Under certain conditions the Funds may be forced to sell portfolio investments at lower prices than it had expected to realize or defer – potentially for a considerable period of time – sales that it had planned to make. In addition, under limited circumstances, Brightstar may not have access to all material information relevant to a valuation analysis with respect to a portfolio investment. As a result, the valuation of the Funds' portfolio investments, and as a result the valuation of the interests themselves, may be based on imperfect information and is subject to inherent uncertainties.

*Recycling; Reinvestment.* During the commitment period, Brightstar has the right to generally recall (or retain) distributable amounts up to the cost basis of any portfolio investment that has been disposed of within twenty-four months after the date such investment was made. Additionally, during and after the commitment period, the amount of investment proceeds distributable to investors is recallable up to the aggregate capital contributions made by the investors for, inter alia, Management Fees, deemed contribution amounts, Organizational Expenses and Fund Expenses. Accordingly, during the term of the Fund, an investor may be required to make capital contributions in excess of its commitment, and to the extent such recalled or retained amounts are reinvested in investments, an investor will remain subject to investment and other risks associated with such investments. Moreover, because of the unpredictability of timing of sales proceeds and the amount of cumulative fees and expenses incurred by investors changing over the term of the Funds, the amount of recallable proceeds similarly will change over time in a manner that cannot be predicted, and as a result, investors will need to have sufficient liquidity in order to meet cumulative drawdown requirements that may vary across periods.

*Amendments; Side Letters.* The Funds' Governing Documents may be amended from time to time generally with the consent of the General Partner and a majority in interest of the investors, subject

to certain exceptions set forth in the relevant Fund's Governing Documents. Under certain circumstances, failure to object or respond to a proposed amendment within certain time periods specified in the Governing Documents may be deemed consent. The Governing Documents set forth certain other procedures for amendment, including provisions allowing the General Partner to amend the Governing Documents without the consent of the investors in certain circumstances. The Funds or the General Partner may enter into a side letter or other similar agreement with a particular investor with respect to the Funds without the approval or vote of any other investor, which may have the effect of establishing rights under, altering or supplementing the terms of the Governing Documents or the subscription agreement related thereto with respect to such investor in a manner more favorable to such investor than those applicable to other investors. Any rights established, or any terms of the Governing Documents or any subscription agreement related thereto altered or supplemented in a side letter or other similar agreement with an investor will govern solely with respect to such investor notwithstanding any other provision of the Governing Documents or any subscription agreement related thereto.

*Investments in the Communications Industry.* The Funds may make investments in communications companies. Communications companies are undergoing changes, mainly due to evolving levels of governmental regulation or deregulation as well as the development of communication technologies. Competitive pressures within the communications industry are intense and the securities or instruments of communications companies may be subject to significant price volatility. In addition, because the communications industry is subject to significant changes in technology, the companies that the Funds may invest in will face competition from technologies being developed or to be developed in the future by other entities, which may make such companies' products and services obsolete.

*Investments in Technology Companies.* The Funds may make investments in technology companies. Technology companies face similar risks as companies within the communications sector. Moreover, the technology industry is challenged by various factors, including rapidly changing market conditions and/or participants, new competing products, services and/or improvements in existing products. The Funds' portfolio companies in this industry will compete in this volatile environment. There is no assurance that products or services sold by these portfolio companies will not be rendered obsolete or adversely affected by competing products and services or that these portfolio companies will not be adversely affected by other challenges. Instability, fluctuation or an overall decline within the technology industry may not be offset by increases in other industries not so affected.

*Investments in the Energy Sector.* The Funds will target companies operating in the energy sector, among others. The operations of energy companies are subject to many risks inherent in the transporting, processing, storing, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, coal, refined petroleum products or other hydrocarbons, or in the exploring, managing or producing of such commodities, including, without limitation: damage to pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism; inadvertent damage from construction and farm equipment; leaks of

natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons; and fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage, and may result in the curtailment or suspension of their related operations, any and all of which could result in lower than expected returns to the Funds.

## **Item 9 – Disciplinary Information**

Like other registered investment advisers, Brightstar is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of Brightstar or the integrity of Brightstar's management. Brightstar and its management persons have not been subject to any material legal or disciplinary events applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Brightstar is not actively engaged in a business other than giving investment advice to the Funds. Neither Brightstar 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. Neither Brightstar nor any of its management persons are registered or has an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser or associated person of the foregoing.

Brightstar does not have arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, financial planning firm, futures commission merchant, commodity pool operator, commodity trading adviser, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory services, the Funds or its investors.

As described above in Item 4, Brightstar is affiliated with the Funds' General Partner (Brightstar Associates, L.P.) and Advisor (Brightstar Advisors, L.P.) who are deemed registered with the SEC under the Advisers Act pursuant to Brightstar's registration. These affiliated investment advisers operate as a single advisory business together with Brightstar and serve as the General Partner, affiliate or managing members of private investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Brightstar has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, investment banking, tax preparation, insurance brokerage and other personal services. Some of these professionals may provide services to the Funds or their portfolio companies.

From time to time, Brightstar may receive training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom it may do business or to whom it may make

referrals. At no time will Brightstar accept any benefits, gifts or other arrangements that are conditioned on directing individual Fund transactions to a specific investment, product or provider. Brightstar does not recommend or select other investment advisers for its Funds.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

Pursuant to Rule 204A-1 of the Advisers Act, Brightstar has adopted a written code of ethics (“Code of Ethics” or the “Code”) that sets forth standards of conduct expected of supervised persons and addresses conflicts that can arise from personal trading. The Code of Ethics requires all supervised persons to place Fund interests ahead of the Firm’s interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws.

Employees are required to certify to their compliance with the Code on an annual basis. Employees of Brightstar who violate the Code may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Employees are also required to promptly report any violations of the Code of which they become aware.

Brightstar will provide a copy of its Code to any existing or prospective investor upon request to Brightstar’s Chief Compliance Officer and Partner, Renee M. Noto, (212) 430-2500 or [renee@brightstarcapitalpartners.com](mailto:renee@brightstarcapitalpartners.com).

### **Interest in Client Transactions**

Brightstar will not affect any principal or agency cross securities transactions for Funds without the proper consent of the relevant General Partner or the limited partner advisory committee, as applicable. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. This situation does not apply to Brightstar.

### **Conflicts of Interest**

The Brightstar Code requires Firm principals and employees to place the interests of clients first, and on an annual basis each principal and employee must certify that he or she has read and understands the Brightstar Code and has complied with its provisions. If any matter arises that Brightstar

determines in its good faith constitutes an actual conflict of interest, Brightstar may take such actions as may be necessary or appropriate, within the context of any applicable Fund's Governing Documents, to address the conflict.

The Governing Documents for each Fund include a description of what Brightstar believes to be the most significant conflicts of interest associated with an investment in such Fund. Investors should carefully consider the conflicts of interest herein as well as those outlined in each applicable Fund's Governing Documents prior to investing in a Fund.

*Senior Partners.* Brightstar's Senior Partners generally are limited partners of Brightstar (i.e., the Firm itself) who have broad business and investing experience and generally provide assistance to Brightstar, the Funds and its portfolio investments on a less than full-time basis. Senior Partners are not employees of Brightstar but will generally be extensively involved in the Funds' and Firm's activities. Senior Partners will, for so long as they remain actively involved in the Funds' and Brightstar's affairs, be considered "affiliates" of Brightstar for purposes of the Management Fee offset provisions of the relevant partnership agreement. However, because the Senior Partners have outside business activities and other endeavors (including those in the private equity and asset management industries), they will not be considered "affiliates" of Brightstar for purposes of the relevant partnership agreement's restriction on formation of other funds, allocation of investments away from the Fund and related conflict provisions. The nature of the relationship with each Senior Partner and the amount of time devoted or required to be devoted by them will vary considerably. In certain cases, they will provide Brightstar with industry-specific insights, assist in transaction due diligence, make introductions to and provide reference checks on management teams. In other cases, they may take on more extensive roles and serve as executives or directors on the boards of portfolio companies or contribute to the origination of new investment opportunities. Senior Partners will have the ability to co-invest alongside the Funds pursuant to the General Partner's annual side-by-side co-investment rights. Brightstar may have formal arrangements with these Senior Partners (which may or may not be terminable upon notice by any party), and in other cases the relationships may be more informal. There can be no assurance that any of the Senior Partners will continue to serve in such roles and / or continue their arrangements with Brightstar, the Funds and / or any portfolio companies throughout the term of the Funds. (See Item 5 above for more information).

*Co-Investment Opportunities.* From time to time, co-investment opportunities may arise, and Brightstar applies its discretion when allocating such opportunities to Brightstar's investors (including investors in the Funds), company management, service providers, third-party investors and/or others, taking into account facts and circumstances which may include the nature of the transaction, speed of execution required, tax considerations, familiarity with and history of investing in the relevant industry, ability to provide strategic insights and other factors believed relevant. In certain circumstances, service providers to the Funds may be offered the opportunity to co-invest. Brightstar endeavors to keep itself informed regarding investor interest in co-investment by maintaining records of those investors who have expressed interest in co-investments. However, Brightstar is not obligated to offer co-investments to all investors who have expressed an interest in pursuing them. Brightstar may

receive fees and/or allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or allocations borne by the Funds. Co-investments may be offered by the General Partner on such terms and conditions (including with respect to Management Fees, Carried Interest and related arrangements) as the General Partner determines in its discretion on a case-by-case basis. Investing in the Funds does not entitle any investor to allocations of co-investment opportunities and such opportunities may, and typically will, be offered to some and not other investors or to third parties who are not investors in the Funds. It is expected that some investors who may have expressed an interest in co-investment opportunities will not be allocated any co-investment opportunities or may receive a smaller amount of co-investment opportunities than the amount requested. Moreover, transaction-specific returns, and an investor's overall returns from its exposure to the Funds' portfolio companies, may be affected significantly by the extent to which investors are offered and choose to participate in co-investment opportunities.

In addition, certain co-investors may receive favorable terms and/or priority arrangements with respect to their participation in co-investment opportunities and the terms thereof (including, for greater certainty, potentially relating to reduced or waived Management Fees and/or Carried Interest arrangements) and fees attributable to any such co-investments received by Brightstar and/or its affiliates will generally not be shared with the Funds' investors except to the extent expressly specified. However, co-investors often do not bear their share of Broken Deal Expenses (such as reverse termination fees, extraordinary expenses such as litigation costs and judgments and other expenses) or receive any benefit from break-up fees relating to unconsummated transactions. The Funds generally will bear these costs on behalf of any co-investors.

*Allocation of Expenses.* From time to time, Brightstar, the Funds, and/or any co-investment vehicles or portfolio companies may receive products or services from third parties, the costs and expenses of which are allocable (in whole or in part) between or among Brightstar and/or such Funds, vehicles and/or portfolio companies. Brightstar generally will seek to allocate such expenses among those parties in the manner prescribed by the applicable Governing Documents for the Fund and such Funds, vehicles and/or portfolio companies, and in cases where costs and expenses are properly allocable between or among multiple parties, the allocation is done in a manner that Brightstar considers to be fair and reasonable, taking into account factors such as the actual or estimated relative benefits to each applicable party of the expense-generating item (which may include consideration of the Funds' relative positions' size in an expense-generating investment). A conflict of interest could arise in Brightstar's determination whether certain costs or expenses that are incurred in connection with the operation of the Funds meet the definition of Fund operational expenses for which the Funds are responsible, or whether such expenses should be borne by Brightstar. The Funds will be reliant on the determinations of Brightstar in this regard. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would be undertaken to correct such circumstance, which might include a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by Brightstar to be the most appropriate corrective measure. Brightstar does not receive any favorable legal fee rates or discounts that are not also provided to the Funds.

*Fund and Portfolio Company Expenses.* Brightstar and its affiliates may perform related services for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds. Such fees are in addition to any Management Fees or Carried Interest paid by the Funds to Brightstar. Additionally, a portfolio company may reimburse Brightstar for expenses incurred by Brightstar in connection with its performance of services for such portfolio company, and such reimbursements are not subject to the fee offset provision. Brightstar determines the amount of these fees and reimbursements in its own discretion, subject to agreements with sellers, buyers and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements may not be disclosed to investors in the Funds. Brightstar may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such fees or expenses. Rather, when engaging a third party to provide such services, Brightstar will select the third party it believes is appropriate for the situation and such selection will not be based on cost alone.

*Transactions with Fund Investors.* Brightstar may enter into transactions with certain Fund investors such as, for example, investors who are also business partners, such as insurance agents, investment banks, broker-dealers, legal counsel or others who provide services (including mezzanine and/or other lending arrangements) to the Firm, its Funds and portfolio companies. The terms of these transactions are negotiated on an arm's-length basis; however, Brightstar is subject to a conflict of interest when determining such terms because Brightstar may benefit from retaining such investors' investment in the Funds.

*Investment Allocation.* Brightstar's exercise of its discretion in allocating investment opportunities with respect to a particular investment among investors, including the Funds and potential co-investors, existing Fund investors and third parties, may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While Brightstar will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which Brightstar may be subject did not exist.

During a period when one Fund is reaching the end of its investment period and Brightstar is in the process of forming a new Fund, considerations of fairness to existing Fund investors dictate that Brightstar consider allocating a specific investment to the prior Fund or between Funds. These considerations include such factors as the overall mix of Fund investments and the ability of the existing Fund to draw additional capital. These circumstances could present a conflict of interest because Brightstar may have an incentive to favor allocating the investment to the newer Fund.

*Advisory Board.* Each of Brightstar's Funds has an advisory board, which is established under the respective Fund's offering and Governing Documents. Each Fund's advisory board is comprised of

select investors of each Fund, as well as Brightstar principals, Senior Partners and outside advisers. A conflict of interest may exist in that not all investors are asked to join a Fund's advisory board.

*Tax Considerations.* Each Fund's investors include persons or entities resident in various jurisdictions, including the United States and other countries, who may have conflicting investment, tax and other interests with respect to their investments. The conflicting interests of individual 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 structuring of portfolio companies may result in different after-tax returns being realized by different investors. Consequently, conflicts of interest may arise in connection with decisions made by Brightstar that may be more beneficial for one investor than another investor, especially with respect to investors' individual tax situations. Brightstar 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.

## **Personal Trading**

The personal trading policy for all Brightstar personnel is set forth in Brightstar's Code of Ethics and is acknowledged as received and understood by each supervised person. Brightstar's personal trading policies are designed to ensure that no Fund is disadvantaged in any respect by the transactions executed by any supervised person and that supervised persons in no respect misappropriate any benefit properly belonging to a Fund.

The Code of Ethics establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. Under the Code of Ethics, Brightstar employees are required to file certain periodic reports with the Chief Compliance Officer, as required by Rule 204A-1 under Advisers Act.

Brightstar's employees are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding publicly traded securities or communicating material nonpublic information about such securities to others. The Firm maintains a restricted list regarding issuers about whom it has material nonpublic information. Pre-clearance is required for certain personal securities transactions, including initial public offerings and certain limited offerings, by its supervised persons. In addition, supervised persons are required to submit their brokerage account statements for review.

The principals and employees of Brightstar may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar. In addition, principals, employees and affiliates may buy securities in transactions offered to but rejected by the Funds. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds.

## **Item 12 – Brokerage Practices**

Brightstar focuses on securities transactions of private companies and generally purchases and sells such companies through privately negotiated transactions in which the services of an investment banker may be retained. Brightstar may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. In selecting a broker or dealer to execute client transactions, Brightstar may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) gross compensation paid to the broker. Brightstar has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or, for public securities, to select any broker on the basis of its purported or “posted” commission rate. Although Brightstar generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Brightstar does not receive research or other soft dollar benefits in connection with securities transactions for the Funds, does not receive client referrals in connection with selecting or recommending broker-dealers for the Funds, does not engage in directed brokerage and does not aggregate the purchase or sale of securities for client accounts.

## **Item 13 – Review of Accounts**

The investment portfolios of each Fund are generally private, illiquid and long-term in nature and accordingly Brightstar’s review of them is not directed toward a short-term decision to dispose of securities. Brightstar closely monitors the portfolio companies of its Funds and maintains an ongoing oversight position in such portfolio companies. A team of investment professionals reviews each Fund’s portfolios on an on-going basis. These reviews include, without limitation, sales trends, margins, profitability, debt to equity ratios, material business developments, competitive landscape and management. The team generally includes principals and other investment professionals of Brightstar.

Annually, Brightstar provides investors on behalf of each of its Funds: (i) audited financial statements prepared in accordance with generally accepted accounting principles (“GAAP”), accompanied by the report of its independent certified public accountants within 120 days of fiscal year end; (ii) unaudited financial statements for the first three quarters of each fiscal year; (iii) tax information necessary for the completion of tax returns (K-1s); and (iv) a statement of the determination of the value of each of investment as of the end of the preceding calendar year. All reports are sent to investors in writing and are delivered electronically through the Firm’s third party administrator’s investor portal. The Firm also has contact with investors (personal visits, telephone, email) throughout the year as conditions warrant. Upon request, certain investors may receive additional information and reporting that other investors may not receive.

In the course of conducting due diligence or otherwise, Fund investors periodically request information pertaining to their investments. Brightstar responds to these requests, and in answering these requests provides information that is not generally made available to other Fund investors who have not requested such information. While Brightstar does not have an obligation to update any such information provided, the Firm endeavors to provide the information requested in the most current form available.

#### **Item 14 – Client Referrals and Other Compensation**

As described in Item 5 above, Brightstar receives monitoring fees and reimbursements from the portfolio companies held by the Funds. These fees are paid pursuant to separate agreements entered into with some portfolio companies to provide certain consulting services to the companies that Brightstar believes will ultimately enhance the value of the companies and benefit the Funds and their investors.

These types of arrangements present potential conflicts of interest and provide Brightstar with an incentive to recommend investments based on compensation received rather than the best interests of the Fund. To help mitigate this potential conflict, such benefits received by Brightstar, its affiliates or its employees in connection with services rendered to portfolio companies or transactions of the Funds are offset in whole against (and therefore reduce) advisory fees payable by the Funds, to the extent described above and detailed in each Fund’s Governing Documents.

From time to time, Brightstar may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an investor in a Brightstar Fund. In connection with fundraising for Fund I and the Strategic Fund, Brightstar has entered into a placement agreement with Eaton Partners, LLC (“Eaton”). Eaton is a registered broker-dealer and the agreement with Brightstar and Eaton has been structured to comply with Rule 206(4)-3 of the Advisers Act. Any fees payable to Eaton will be borne by Brightstar indirectly through an offset against the Management Fee.

#### **Item 15 – Custody**

The Investment Advisers Act of 1940 Rule 206(4) (the “Custody Rule”) requires that pooled investment vehicles which Brightstar advises either undergo an annual audit pursuant to GAAP or be subject to a surprise custody examination by examination by a PCAOB-registered auditing firm. Brightstar is deemed to have custody of the Funds’ assets because of its affiliation with each Fund’s General Partner and the General Partner (or an affiliate’s) ability to deduct fees from investor accounts. In order to comply with the Custody Rules, Brightstar has elected to undergo an annual GAAP financial statement audit for each of the Funds over which it is deemed to have custody, copies of which are (or will be, for newly closed Funds) delivered to the Funds and their respective investors within 120 days of fiscal year end.

Brightstar does not, however, have physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly sent or wired into the relevant Fund's qualified custodial account. Brightstar receives monthly statements from each of its qualified custodians on behalf of the Funds. For more information about Brightstar's qualified custodians, please see Form ADV Part 1, Schedule D, 7.B.(1).

## **Item 16 – Investment Discretion**

Brightstar generally receives and exercises complete discretionary authority to manage investments on behalf of the Funds. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement with such Fund. Such governing documents generally contain a power of attorney that grants Brightstar or its General Partner certain powers related to the orderly administration of the affairs of the Funds. Once an investor executes these documents, Brightstar is not required to contact an investor prior to transacting any business. An investor may impose limitations on Brightstar's authority through a side letter agreement and the Firm may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed by an investor must be presented to Brightstar in writing and agreed to by Brightstar and such investor. No investors to date have limited the Firm's discretion to provide investment advice.

## **Item 17 – Voting Client Securities**

By virtue of the applicable Governing Documents, Brightstar has the authority to vote client proxy statements on behalf of the Funds. The majority of "proxies" received by Brightstar, however, will be written shareholder consents or similar instruments for private companies owned by the Funds. As such, Brightstar has adopted proxy voting policies and procedures pursuant to SEC Rule 206(4)-6. Brightstar's proxy policy seeks to ensure that it votes proxies in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Brightstar generally believe its interests are aligned with those of the Funds' investors through the principals' beneficial ownership interests in the Funds. In the event that there is or may be a conflict of interest in voting proxies, Brightstar's proxy policy provides that the Firm may address the conflict using several alternatives, including by seeking the approval or concurrence of an advisory board on the proposed proxy vote, or through other alternatives as set forth in Brightstar's proxy policy. Investors in the Funds cannot direct how Brightstar votes proxies nor is Brightstar required to seek investor approval or direction when voting proxies.

Firm principals, Senior Partners and affiliated or unaffiliated third parties appointed by Brightstar may sit on the boards of portfolio companies to which Brightstar provides operational, management and consulting services and, as such, exercise authority with respect to various issues faced by the portfolio companies. Brightstar does not consider service on portfolio company boards by Brightstar personnel, Senior Partners and affiliated and unaffiliated third parties appointed by Brightstar or their receipt of nominal board fees, if any, to create a material conflict of interest in voting proxies with respect to such companies.

Brightstar will provide a copy of its proxy voting policy to any existing or prospective investor upon request to Renee M. Noto, Chief Compliance Officer and Partner of Brightstar, at (212) 430-2500 or [renee@brightstarcapitalpartners.com](mailto:renee@brightstarcapitalpartners.com). Investors may also obtain information from the Firm, free of charge, about how Brightstar voted any previous proxies, if any.

#### **Item 18 – Financial Information**

Brightstar does not require prepayment of more than \$1,200 in fees per client, six months or more in advance or have any other events requiring disclosure under this item of the Brochure. Brightstar has not been the subject of a bankruptcy proceeding.