

Part 2A of Form ADV: *Firm Brochure*

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This brochure provides information about the qualifications and business practices of CSFC Management Company, LLC (hereinafter “CSFC” or “Investment Adviser”, “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at (212) 981-0140 or at tmckinney@capitalspring.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser with the SEC, or any state securities authority, does not imply any level of skill or training.

Additional information about CSFC is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for CSFC is 161372.

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Item 2. Material Changes

There have been no material changes to the business of CSFC Management Company, LLC (“CSFC”) since the last update to our Brochure in March 2019.

Item 4. Advisory Business

CSFC was formed in 2010 and became an SEC-registered investment adviser in 2012. Our principal place of business is in New York City.

CSFC is wholly-owned by CapitalSpring Finance Company, LLC (“CapitalSpring”). Our predecessor company, CapitalSpring LLC (“CS LLC”), was formed in 2006 and its investing platform and employees were merged into CSFC at its formation in 2010. Since 2006, CS LLC and subsequently CapitalSpring and its affiliates including CSFC, have made more than 200 high yielding senior secured loans and subordinate capital investments in operators in the franchised and branded restaurant sector. Collectively these entities have invested more than \$1.8 billion in more than 5,000 locations across more than 60 restaurant brands. Richard Fitzgerald, who co-founded CapitalSpring, has over 22 years of experience in the direct private equity and debt business.

Richard Fitzgerald and other senior managers of CSFC are responsible for the day-to-day management of the Funds (as defined below) and control the Funds’ investment, monitoring, portfolio valuation and exit decisions. (See Item 13, “Review of Accounts”.)

CSFC provides investment management services to private equity and debt funds, other pooled investment vehicles and separately managed accounts (hereinafter collectively, “CapitalSpring Funds” or the “Funds”) for high net worth individuals, family offices and institutional clients, including but not limited to pension funds, foundations, insurance companies and asset managers.

The CapitalSpring Funds, which are private equity and private debt funds, receive capital commitments from investors during one or more fundraising stages, after which the Funds are generally closed to new investors. Once an investment has been identified and vetted through a due diligence and negotiation process, CSFC will call capital from investors (a “drawdown”), generally based on their commitments, to support the Fund’s investment activity. Investments made for the CapitalSpring Funds are generally, but not exclusively, in private, illiquid securities.

The Funds are not required to register under the Securities Act of 1933 or the Investment Company Act of 1940 in reliance upon certain exemptions available to issuers whose securities are not publicly offered. We manage the Funds on a discretionary basis in accordance with the terms and conditions of each Fund’s offering and/or organizational documents.

CSFC specializes in managing investments in businesses in the franchised and branded restaurant industry. The earlier CapitalSpring Funds primarily invested in preferred equity to finance the development of new locations of single-unit and small multi-unit franchisees of smaller, less developed brands. The more recent Funds seek to construct a defensively-oriented and diversified

portfolio senior secured debt, subordinated debt, unitranche investments, mezzanine/preferred capital, and, to a lesser extent, common equity investments in franchised and branded restaurants and food & food retail businesses, real estate linked to restaurants, food & food retail businesses, and other related businesses that serve the restaurant, food & food retail industries. The investment objective of the Funds is to seek current pay and long-term capital appreciation over the course of each Fund's term, which is generally five to ten years from the final closing. Each of the Funds is organized in the State of Delaware or in the Cayman Islands.

CSFC believes that it and its clients benefit from a management team with diverse backgrounds, including experienced principal investors, legal professionals, investment bankers and experienced franchised and branded restaurant business. CSFC personnel have relationships with strategic referral partners and market influencers. Due to its focus on the franchised and branded restaurant industry, CSFC has developed expertise in identifying, structuring and monitoring investments in this sector.

CSFC sources transactions directly from a variety of channels including franchisors, senior lenders, franchisees and service providers. CSFC's broad network of franchised and branded restaurant sector relationships, its developing brand name and its current investment portfolio are valuable assets for the purpose of originating compelling portfolio investment opportunities.

The current CapitalSpring Funds (excluding any separately managed accounts and single-client vehicles) are:

- CapitalSpring LLC
- Franchise Equity Capital Partners II, LP
- Franchise Equity Capital Partners II Parallel, LP
- CSFC Financing I, LLC
- CapitalSpring SBIC, LP
- CapitalSpring Direct Lending Partners, LP
- CapitalSpring Direct Lending Partners US Parallel, LP
- CapitalSpring Direct Lending Partners US Parallel II, LP
- CapitalSpring Direct Lending Partners Parallel, LP
- CapitalSpring Investment Partners V, LP
- CapitalSpring Investment Partners V Parallel II, LP
- CapitalSpring Investment Partners V Parallel III, LP
- CS Adjacent Investment Partners, LP

As of December 31, 2019, CSFC had \$1,576,468,899 in discretionary assets under management, including uncalled capital commitments by Fund investors. CSFC does not manage any assets on a non-discretionary basis.

CSFC does not participate in wrap fee programs.

IMPORTANT ADDITIONAL CONSIDERATIONS: The information provided herein merely summarizes the detailed information provided in each Fund's offering and/or organizational documents. Current Fund investors or prospective investors in any new Fund launched by CSFC should be aware of the substantial risks associated with the investment as well as the terms applicable to such investment. This and other detailed information is provided in the appropriate Fund offering and/or organizational documents.

Item 5. Fees and Compensation

In several of our Funds, we charge management fees for our services to the Funds. Management fees are generally charged quarterly in advance. For certain Funds, there are no management fees, though CSFC may receive a portion of origination and other forms of transaction fees charged to portfolio companies in which such Funds invest. The fees described below are generally non-negotiable except as described herein.

In addition, each Fund's general partner or managing member, an affiliate of CSFC through common ownership and control, may receive carried interest, a form of performance-based compensation or similar compensation, as described in Item 6. The general partner of each Fund or other affiliates of the firm may charge origination fees and other forms of transaction fees to portfolio companies in which such Funds invest. Such fees may or may not be credited as an offset to the management fees payable by Fund investors depending on the type of transaction fee and the organizational documents of the Fund in question.

For separately managed accounts of institutional clients, we may charge a management fee, a performance-based fee, and/or origination and/or transaction fees as agreed upon with each institutional client.

CSFC generally deducts fees, if any, from each Fund pursuant to the relevant organizational and offering documents and/or advisory agreements. Investors must understand the proposed method of compensation to CSFC and its affiliates and its risks prior to investing in any of the Funds. Investors should refer to the appropriate Fund offering documents and/or organizational documents for detailed information regarding fees, fee offsets and performance-based compensation. It is also important to note that any new Fund launched by CSFC may have similar or materially different terms than the current Funds.

Below is a summary of each of the Funds' (excluding any separately managed accounts) fees and compensation in the form of management fees, carried interest and other economic terms:

CapitalSpring LLC

DATE OF FORMATION: October 3, 2006

MANAGEMENT FEE: None.

WATERFALL STRUCTURE: Certain classes of members are eligible to receive a 9% preferred return and any distributions in excess of that amount are split pro-rata amongst the various classes of members in accordance with the operating agreement.

Franchise Equity Capital Partners II, LP

DATE OF FORMATION: January 11, 2008

MANAGEMENT FEE: Generally, 2% of capital commitment during investment period, then 2% of invested capital.

CARRIED INTEREST: General partner receives 20% carried interest after investors have achieved return of capital and an annual 8% preferred return, subject to clawback and other standard adjustments.

Franchise Equity Capital Partners II Parallel, LP

DATE OF FORMATION: April 1, 2008

MANAGEMENT FEE: Generally, 2% of capital commitment during investment period, then 2% of invested capital.

CARRIED INTEREST: General partner receives 20% carried interest after investors have achieved return of capital and an annual 8% preferred return, subject to clawback and other standard adjustments.

CSFC Financing I, LLC

DATE OF FORMATION: August 8, 2013

DISTRIBUTION STRUCTURE: Distributions shall be made to the sole member, CapitalSpring Finance Company LLC, at the times and in the aggregate amounts as determined by the sole member.

CapitalSpring SBIC, LP

DATE OF FORMATION: July 27, 2010

MANAGEMENT FEE: Generally, 2% of regulatory capital or 2% of aggregate cost of investments. As common ownership exists (CapitalSpring SBIC, L.P. and CSFC are wholly owned by CapitalSpring Finance Company, LLC). CSFC may waive these fees.

CARRIED INTEREST: General partner receives 10% carried interest after investors have achieved an annual 8% preferred return, subject to clawback and other standard adjustments. The General partner may waive receipt of carried interest.

CapitalSpring Direct Lending Partners, LP

DATE OF FORMATION: August 31, 2012, amended October 5, 2012

MANAGEMENT FEE: No management fee, although CSFC may receive compensation in the form of a portion of the origination fees earned by the Fund.

CARRIED INTEREST: General partner receives 20% carried interest provided investors achieved return of capital and an annual 8% preferred return. Carried interest is subject to clawback and other standard adjustments

CapitalSpring Direct Lending Partners US Parallel, LP

DATE OF FORMATION: March 27, 2013

MANAGEMENT FEE: No management fee, although CSFC may receive compensation in the form of a portion of the origination fees earned by the Fund.

CARRIED INTEREST: General partner receives 20% carried interest provided investors achieved a preferred return on all unreturned capital contribution. Carried interest is subject to clawback and other standard adjustments.

CapitalSpring Direct Lending Partners US Parallel II, LP

DATE OF FORMATION: March 27, 2013

MANAGEMENT FEE: No management fee, although CSFC may receive compensation in the form of a portion of the origination fees earned by the Fund.

ADMINISTRATIVE FEE: A fee to defray the fund administration cost to the Fund equal to sixty-five one hundredths percent (0.65%) of the aggregate capital commitments to the Fund.

CARRIED INTEREST: General partner receives 20% carried interest provided investors achieved return of capital and an annual 8% preferred return. Carried interest is subject to clawback and other standard adjustments

CapitalSpring Direct Lending Partners Parallel, LP

DATE OF FORMATION: December 11, 2012

MANAGEMENT FEE: No management fee, although CSFC may receive compensation in the form of a portion of the origination fees earned by the Fund.

CARRIED INTEREST: General partner receives 20% carried interest provided investors achieved return of capital and an annual 8% preferred return. Carried interest is subject to clawback and other standard adjustments.

CapitalSpring Investment Partners V, LP

DATE OF FORMATION: July 7, 2015

MANAGEMENT FEE: During the commitment period, 0.5% per annum on unfunded commitments, reduced by indebtedness used to make investments. In addition, during the commitment period and thereafter, 1.5% per annum on invested capital plus indebtedness used to make outstanding investments.

CARRIED INTEREST: General partner receives 20% carried interest provided investors achieved return of capital and an annual 7% preferred return. Carried interest is subject to clawback and other standard adjustments.

CapitalSpring Investment Partners V Parallel II, LP

DATE OF FORMATION: February 17, 2016

MANAGEMENT FEE: During the commitment period, 0.5% per annum on unfunded commitments, reduced by indebtedness used to make investments. In addition, during the commitment period and thereafter, 1.5% per annum on invested capital plus indebtedness used to make outstanding investments.

CARRIED INTEREST: General partner receives 20% carried interest provided investors achieved return of capital and an annual 7% preferred return. Carried interest is subject to clawback and other standard adjustments.

CapitalSpring Investment Partners V Parallel III, LP

DATE OF FORMATION: February 4, 2016

MANAGEMENT FEE: During the commitment period, 0.5% per annum on unfunded commitments, reduced by indebtedness used to make investments. In addition, during the commitment period and thereafter, 1.5% per annum on invested capital plus indebtedness used to make outstanding investments.

CARRIED INTEREST: General partner receives 20% carried interest provided investors achieved return of capital and an annual 7% preferred return. Carried interest is subject to clawback and other standard adjustments.

CS Adjacent Investment Partners LP

DATE OF FORMATION: February 9, 2018

MANAGEMENT FEE: Generally, 1.25% per annum on invested capital for limited partners with a capital commitment of \$75 million or more. For limited partners with a capital commitment of less than \$75 million, 1.5% per annum on invested capital.

CARRIED INTEREST: General partner receives between 16% and 18% carried interest after investors have achieved return of capital and an annual 7% preferred return, subject to clawback and other standard adjustments. The applicable rate of carried interest will be: (a) 16% for a limited partner which has made a capital commitment of \$150 million or more; (b) 17.5% for a limited Partner which has made a capital commitment of at least \$75 million but less than \$150 million; or (c) 18% for a limited partner which has made a capital commitment of less than \$75 million, in each case, as of the final closing.

Management Fee Waivers / Reductions: In CSFC's discretion, the management fee may be waived, reduced or calculated differently with respect to any investor in a Fund, including affiliates of CSFC.

Clawbacks: In accordance with the terms of each Fund's governing documents and/or offering documents, carried interest distributions made by a Fund to its general partner or managing member may be subject to clawback net of taxes if, as of the dissolution of such Fund, the distributions to such general partner or managing member in respect of carried interest exceed the carried interest which should have been allocated to the general partner or managing member under the relevant Fund's governing document when the Fund is viewed as a whole. In certain funds, management fees may also subject to clawback if Fund investors do not receive the agreed hurdle rate.

Transaction Fees: CSFC, or any of its affiliates, may from time to time charge the Funds' portfolio companies certain fees to enter into the investment or for other services, which may include, but are not limited, origination fees, monitoring fees, advisory fees, consulting fees, transaction fees, financing fees, break-up fees or other fees paid in respect of an actual or proposed investment by a Fund. Collectively, the foregoing fees are referred to as "Transaction Fees." For certain Funds, one hundred percent (100%) of such Transaction Fees may inure to the benefit of the relevant Fund, and may be structured as an offset against future payments distributable to CSFC or as income to be distributed in accordance with the distribution waterfall as may be set forth in the relevant Fund offering and organizational documents (a "Transaction Fee Offset"). For other Funds, as disclosed above, all Transaction Fees may be retained by CSFC and/or its affiliates or a portion of them may be retained by CSFC and/or its affiliates while other Transaction Fees inure to the benefit of the relevant Fund through a Transaction Fee Offset. Fees charged by CSFC affiliates to portfolio companies not listed above, such as financial arranging services, investment banking, loan administration or servicing or other investment activities, would not inure to the benefit of the relevant Fund and may be retained by such CSFC affiliate without credit or offset. Reference should be made to the Fund investment documents for a more detailed discussion of the treatment of Transaction Fees and other similar fees for such Fund.

Other than as disclosed, neither CSFC nor its affiliates accept compensation for the sale of securities or other investment products to Funds.

Fund Operating Expenses: Specific reference should be made to the terms of each Fund's offering documents, for a description of Fund operating expenses. Certain older vintage Funds have required that the Fund pay for the following fees, costs and expenses: (1) all fees and expenses incurred in connection with identifying, evaluating, structuring, negotiating, acquiring, holding, servicing, collecting, refinancing, pledging, selling or otherwise disposing of, or any proposed refinancing, pledging, sale or other disposition of, all or any portion of any Investment or any potential Investment, including the Fund's allocable percentage of any expenses incurred in connection with any Person through which an Investment is held; (2) the Management Fee and other obligations due and owing under the Management Agreement; (3) all registration fees, costs, expenses or other similar duties payable from time to time on or in respect of this Agreement or the Fund or necessary to register or qualify the Fund under any applicable U.S. federal or state or foreign laws, to maintain such registrations or qualifications or to obtain or maintain exemptions under such laws; (4) all duties, taxes or other governmental charges; all break-up fees; all brokerage fees; finders fees; commissions; bank charges; transfer fees; registration fees; travel costs; all costs and expenses of lawyers, including a reasonable allocation to offset overhead associated with in-house counsel employed by the general partner or its affiliates, accountants, agents, consultants, crisis management firms, custodians, administrators, valuation and other experts and other professional fees and expenses, including costs associated with any research or investigation; and any other reasonable charges or fees incurred in connection with the operation of the Fund; (5) expenses incurred in the collection of capital commitments/contributions, the disbursement of limited partner Distributions or distributions made coincident with the final dissolution of the Fund or the distribution of any documents necessary or desirable in connection with the business and administration of the Fund; (6) the expenses of the initial registration of the Fund and maintaining records and books of account in relation to the business of the Fund; (7) expenses incurred in relation to obtaining consents or convening and holding meetings of the limited partners; (8) any transfer, capital and other taxes (including any value added taxes) imposed on the Fund; (9) any costs and expenses incurred in the preparation and filing of tax returns and K-1s or providing financial or tax information to the Partners; (10) any obligations under a credit facility or other borrowings of the Fund or encumbering Fund assets and any reasonable expenses incurred in negotiating, entering into, effecting, maintaining, varying and terminating any borrowing or loan, guarantee, security or indemnity arrangements including commitment fees and arrangement fees; (11) all costs and expenses of, and/or incidental to, the preparation of amendments to the Fund investment documents; (12) all reasonable out-of-pocket costs and expenses incurred as a result of termination of the Fund and the realization of Investments and other Fund assets; (13) all arbitration or other legal or administrative proceedings (including reasonable legal fees and expenses) involving the Fund and the amount of any judgment or settlement paid in connection therewith, excluding however the costs and expenses of any judgment or settlement (i) in which the general partner and/or CSFC is found to have violated the standard of conduct set forth in the Fund investment documents (ii) relating to proceedings between the Fund and the general partner or any of the general partner's affiliates; (14) indemnification payments made under the Fund investment documents, insurance premiums, including directors' and officers' insurance, and the cost of any insurance coverage acquired by the Fund covering errors and omissions of an indemnified party; (15) all expenses incurred in respect of the maintenance of insurance by the Fund; (16) costs of tax returns, financial statements and other reports to Partners as well as costs of all governmental returns, reports and other filings;

(17) costs of attorneys, accountants and other professionals employed by the Fund, the general partner or CSFC including costs in connection with valuations of the Investments; (18) any other reasonable costs in connection with the administration of the Fund or otherwise that may be authorized by the Fund investment documents; and (19) all reserves established in contemplation of the foregoing.

In addition to all of the fees, costs and expenses outlined above, more recent Fund investment documents include many of the same Fund operating expenses (sometimes differently stated) with the additional or rewording of the following costs, fees and expenses: (1) all fees and expenses incurred in connection with sourcing, identifying, evaluating, negotiating, structuring, acquiring, holding, managing, servicing, collecting, refinancing, pledging, selling or otherwise realizing or disposing of, or any proposed refinancing, pledging, sale, realization or other disposition of, all or any portion of any investment or any potential investment (whether or not consummated), including the Fund's allocable percentage of any expenses incurred in connection with any person through which an investment is held; (2) all fees and expenses incurred in connection with providing guarantees or similar undertakings; (3) all fees and expenses incurred in connection with IT systems and software used for research, investment and/or portfolio tracking and management purposes; (4) all servicing and special servicing fees; (5) all brokerage fees or finders' fees (but excluding costs of placement agents); (6) all transfer fees; (7) all hosting expenses and other out-of-pocket costs and expenses, including travel expenses; (8) all fees and expenses of any agents, administrators, attorneys, accountants, auditors, advisers, consultants, crisis management firms, custodians, independent appraisers, experts and other professionals engaged by the Fund, the general partner or managing member (as applicable) or CSFC; (9) all fees and expenses of in-house counsel and in-house operations professionals employed by the general partner or managing member (as applicable) or its affiliates for Fund-related work or services that would otherwise be outsourced at a higher cost; and (10) duties, taxes or other governmental charges.

Each investor in a Fund is solely responsible for its own legal and tax counsel expenses and any out-of-pocket expenses incurred in connection with its admission to, or the maintenance of its interest in, the Fund.

Organizational and Offering Expenses: In accordance with the terms of each Fund's offering documents, each Fund is responsible for the Fund's organizational expenses, up to a disclosed amount generally ranging from \$500,000 to \$1,500,000. Investors in any new Fund launched by CSFC should refer to the offering document for such Fund for information regarding the amount of organizational expenses that will be incurred by the Fund. No Fund will be responsible for or otherwise incur any percentage of the organizational expenses of any other of the Funds.

Administrative Fee: An investor in certain Funds may be required to pay to CSFC an annual administrative fee, if the Fund investment documents call for one and CSFC assesses the fee. CSFC reserves the right to waive such administrative fee in its discretion.

Side Letters: CSFC or each Fund's general partner or managing member, as appropriate, has and may in the future, waive or modify certain terms of each Fund's Fund agreement or other governing document for certain large or strategic investors, in side letters or otherwise, in its sole discretion, including but not necessarily limited to (i) different or more favorable withdrawal or

transfer rights, (ii) greater information than may be provided to other Fund investors and/or more frequent or varied formats or modes of portfolio reporting, (iii) different fee or performance-based compensation terms and (iv) rights related to co-investment opportunities. (See Item 8 below, “Side Letters”).

Item 6. Performance-Based Fees and Side-By-Side Management

As we disclosed in Item 5 of this Brochure, each Fund’s general partner or managing member is an affiliate of CSFC through common ownership and control and may receive carried interest or other forms of performance-based profits interest (in addition to expense reimbursement). In our Funds that are structured as separately managed accounts, such performance-based compensation will be structured as a fee that is generally payable to CSFC or one of its affiliates. Such a performance-based profits interest is typically calculated based on a share of aggregate realized profits on the assets of the Fund (subject to the terms as set forth in the applicable Fund’s offering documents).

In the general partner, the managing member or CSFC’s discretion (as applicable), the performance-based compensation may be waived, reduced or calculated differently with respect to any investor in the Fund, including affiliates of CSFC. If CSFC is performing advisory services to clients who are its affiliates or related persons wholly owned by the affiliates, CSFC will not charge performance based fees to such affiliate or related persons. CSFC has also, on limited occasions, not charged performance based fees to certain legacy investors, who subsequently invest in newer Funds. Such investors may have terms and agreements in a side letter which will govern future investments in a Fund. Institutional clients, investors in the Funds, and prospective investors in any new Fund launched by CSFC, should note that performance-based profits interest, in some contexts, can create an incentive for an adviser such as CSFC to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. The long term nature of private fund investing and the fact that carried interest is calculated based on realized investment proceeds leads CSFC to focus on fundamentals when making investment decisions.

Except as it may pertain to certain affiliated entities or legacy investors with prior agreements with CSFC, we generally do not offer advisory services to clients who do not pay performance-based compensation, and therefore, we do not have an incentive to favor performance-based compensation accounts over non-performance-based compensation accounts. However, in theory, we have an incentive to favor a Fund paying higher aggregate performance-based compensation than one paying less; a Fund that is at or above its preferred return level compared to one that is in a significant loss position; or a Fund in which officers and employees of the firm may have more of their personal capital invested. We seek to mitigate these potential conflicts, including (where appropriate) by investing some of our own capital and the capital of affiliates into the Funds, but also by following procedures that we believe are reasonably designed to ensure that all Funds are treated equitably over time and to prevent conflicts from influencing allocation decisions among Funds. We endeavor at all times to put the interest of the Funds first as part of our fiduciary duty as a registered investment adviser. (See Item 11, “Code of Ethics, Participation in Client Transactions, Personal Trading and Conflicts of Interest”).

Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940.

Item 7. Types of Clients

We provide investment management services to private equity and debt funds, other pooled investment vehicles and separately managed account(s), which funds, vehicles and accounts are for the benefit of high net worth individuals, family offices and institutional clients, including but not limited to, pension funds, foundations, insurance companies and asset managers, as disclosed in Item 4 of this Brochure.

CSFC generally requires a minimum investment of \$5,000,000 for a prospective client to invest in a Fund but may accept less subject to applicable legal requirements and, in certain cases, an administration fee. (See Item 5, “Administration Fees”.) Prospective investors in any new Fund launched by CSFC should refer to the appropriate Fund offering documents and/or organizational documents for information regarding that Fund’s minimum required capital commitment and any additional qualifications required for investment.

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

CSFC typically targets businesses that have similar operations, demand drivers and risk factors. These similarities across investment opportunities allow for streamlined due diligence and consistent analytics.

CSFC specializes in managing investments in businesses in the franchised and branded restaurant industry. In the earlier CapitalSpring Funds, the strategy was primarily to invest in preferred equity to finance the development of new locations of single-unit and small multi-unit franchisees of smaller, less developed brands. The more recent Funds primarily target creating a diversified portfolio of senior secured debt, subordinated debt and unitranche investments and, to a lesser extent, preferred and common equity investments, in franchised and branded restaurants and prepared food retail businesses, real estate linked to restaurants and prepared food retail businesses, and other related businesses that serve the restaurant and prepared food retail industries.

Franchised restaurant businesses are generally characterized by simple, formulaic and proven business models operating under established and recognizable brands. The interests of the franchisor and franchisee are generally aligned. By licensing its business model to a franchisee, the franchisor is able to expand its operations in a capital-efficient manner while leveraging entrepreneurial management and local market expertise. Franchisees benefit from an established brand, proven business model and the support of a franchisor that has a vested interest in the success of their business. The relationship between a franchisee and a franchisor is analogous to that of a portfolio company and its private equity sponsor, which also has a vested interest in the success of the portfolio business. High-quality franchisors have resources and expertise that can add significant value to a franchised business by providing: real estate selection support, coordinate mass media marketing, gain purchasing power through economies of scale, and arrange ongoing training for franchisees, new product development, best practice sharing, benchmarking, revenue audit and crisis management.

CSFC also has in-house restaurant operations specialists who assist in due diligence, portfolio optimization and who support underperforming portfolio companies. From time to time, CSFC assists certain portfolio companies in establishing or improving their own administrative infrastructure to reduce overhead and enhance financial management and reporting. This expertise assists in the analysis CSFC performs when assessing transactions and reviewing investment opportunities.

When assessing the risk of loss on our investments, we consider the collateral and position of our equity or debt investments associated with each investment. Our senior debt investments generally have liens on the assets of the portfolio company and are often supported by guarantees made by the portfolio company's executive management. However, our subordinated debt investments may or may not have liens on the assets of the portfolio company being financed and may or may not have guarantees made by the executive management. Our preferred and common equity portfolio company investments do not typically have asset liens or guarantors. The equity investments or investments in the franchised business as a "going" concern may be subordinated to senior debt and illiquid market to sell such investments. Dispositions of investments will be subject to certain factors, such as economic conditions, the competitive environment and the availability of potential acquirers, and may be subject to limitations on transfer or other restrictions that would interfere with the subsequent sale of such investments or adversely affect the terms that could be obtained upon any disposition thereof.

An investor in a Fund should understand that the strategy of our Funds involves significant risks, many of which are outside of our control. Investing in securities and other investments involves significant risks, including the risk that Funds could lose some or all of any invested capital.

A description of the main risks that the Funds may face in employing their strategies is set forth below. A more complete (but not exhaustive) description of the risks associated with our strategy is included in the offering documents of the Funds, a copy of which is provided to prospective investors in the Funds and should be carefully reviewed prior to investing.

RISKS RELATING TO CSFC'S ADVISORY BUSINESS

Cybersecurity Risk. As part of its business, CSFC processes, stores and transmits large amounts of information electronically, including information relating to the investment transactions and personal information of the Fund investors or other clients. Similarly, service providers of CSFC and its Funds may process, store and transmit such information. CSFC has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to CSFC and its Funds may be susceptible to compromise, leading to a breach of CSFC's network. The service providers of CSFC and the Funds are subject to the same electronic information security threats. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information may be lost or improperly

accessed, used or disclosed. The loss or improper access, use or disclosure of CSFC's or the Funds' proprietary information may cause, among other things, financial loss, the disruption of their business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Funds and the Fund investors' investments therein.

Competition for Identified Investment Opportunities. The Funds may face intense competition for the acquisition of investments with other lenders and competitors in the same market. Due to the competitive investment landscape, it may be difficult for the Funds to source and consummate suitable transactions. As such, there is no assurance that the Funds will be able to invest all of their available funds or that the investments acquired will result in the Funds achieving their desired investment objective(s). There may be intense competition for the Funds target investments and this competition may result in less favorable investment terms than would otherwise be the case for the same investment. The Funds may invest in similar or the same securities and therefore the size of investment allocated to individual Funds may be limited based on available capital in affiliated fund(s). CSFC has an allocation policy in effect which seeks to address these issues.

Key Personnel at CSFC. Key investment personnel employed or engaged by CSFC provide business and investment acumen, diligence, networking skills and expertise. The success of CSFC and the clients it advises is highly dependent on the expertise and performance of key investment personnel. There can be no assurance that these key investment professionals or other persons will continue to be associated with or available to CSFC. In addition, the investment professionals and other CSFC personnel may be called upon to provide managerial assistance to Funds' portfolio companies. Furthermore, an investment professional may leave or elect to change his or her role within CSFC, transitioning to an outside consultant whose business time and attention is not dedicated to managing the Funds. Any failure to manage the Funds' business effectively could have a material adverse effect on their results of operations and financial condition, and could impact the Funds' ability to make distributions or cause their investors to lose all or a part of their investments. Additionally, if one or more Funds were to incur substantial losses or were subject to an unusually high-level of withdrawals (to the extent permissible), CSFC's revenues may decline substantially. Such losses and/or withdrawals as well as other events including, without limitation, a failure by CapitalSpring to repay its debt to its current lender, may impair CSFC's ability to provide the same level of service to the Funds as it has provided in the past and continue operations and may result in the departure of certain investment professionals or other employees. The loss of CSFC's services or the services of certain personnel could have a material adverse effect on the Funds.

Richard Fitzgerald, a co-Founder of CSFC, is named as the sole "Key Person" in the governing documents of certain Funds. As a result, the departure of Mr. Fitzgerald would trigger a suspension of most investing activity of such Funds, at least until such time as Mr. Fitzgerald is replaced by a new "Key Person" acceptable to the Limited Partner Advisory Committee of such Funds. Any such suspension, if prolonged, would cause CSFC's revenues to decline substantially, with adverse consequences as described in the preceding paragraph.

Risks Associated with Size. The Funds may have aggregate Capital Commitments that may range in size from \$15,000,000 up to \$1,000,000,000. Depending on the size of the Fund, investment opportunities, and finite amount of available capital, the Funds may not have sufficient capital to

participate in an investment or provide incremental capital to the portfolio company. In addition, a Fund that is relatively small in size may incur an expense burden that is larger relative to the size of such Fund than larger Funds which can benefit from economies of scale.

General Risks Associated with Changes in Laws and Regulations. CSFC is subject to risks associated with changes that may generally occur with respect to U.S. federal, state or local laws and regulations, developing interpretations of such laws and regulations, and increased scrutiny by U.S. federal, state and local regulators and law enforcement authorities. These risks are often difficult or impossible to predict, avoid or mitigate in advance and may make some investments unavailable to the Funds. Virtually all of the Funds' investments may be subject to varying degrees of statutory and regulatory requirements, including where real estate may be involved, those imposed by zoning, environmental, safety and other regulatory authorities. Such investments may require numerous regulatory approvals, licenses and permits to commence and continue their operations or may have specific periodic reporting obligations. Failure to obtain, or a delay in obtaining, relevant permits or approvals, or failure to timely file necessary reports, could hinder construction or operation and could result in fines or additional costs for the project or result in the portfolio company's loss of the right to operate the affected business, or both, which in each case could have a material adverse effect on the Funds. Adoption of new laws or regulations, or changes in interpretations of existing ones, or any of the other regulatory risks mentioned above could have a material adverse effect on investments and on the Funds' ability to meet their investment objective(s).

Risks in General. Investments in a Fund are not guaranteed, and investors may lose money on their investments. Investors or prospective investors should carefully review the detailed explanation of the many risks associated with investment in the Funds as outlined in the applicable Fund's offering memorandum.

RISKS RELATED TO POTENTIAL INVESTMENTS

Franchised businesses may underperform as a result of the actions of a franchisor or other franchisees. Franchised businesses operate under business names and use trademarks that they license from franchisors. These franchisors have multiple other franchisees in their systems. Our portfolio companies have no influence or control over their respective franchisors or over the other franchisees in the same franchise system. Accordingly, a portfolio company may be significantly adversely affected by decisions made by the franchisor or by events or publicity initiated by other franchisees under the same brand.

CSFC faces particular risks associated with investments in the quick-serve franchised and branded restaurant sector. A significant portion of the Funds' investments are in the franchised and branded quick serve restaurant sector, also known as QSR. While QSRs have achieved commercial success by offering affordable food that appeals to consumers who are budget-conscious or pressed for time, local governments or other constituents such as public health advocates may not view QSRs positively because they sell high calorie/high fat foods that may not be considered "healthy". This may cause local legislative initiatives, such as tighter zoning restrictions and special labeling requirements (for example, requiring the highlighting of calories

on menu boards for QSRs, but not other food retailers) that may limit the growth of QSRs. In addition, QSRs may be considered undesirable businesses by local governments, which could lead the local government to restrict QSRs from operating in select areas. Restrictions on new QSR development can limit or slow demand for capital for new development.

The novel coronavirus pandemic will negatively affect most of our portfolio companies.

As of March 2020, a novel strain of coronavirus has spread across the world, including to the U.S., causing the temporary closure or changes in the normal operation of businesses across many sectors, including the restaurant sector. These closures have caused the disruption of local and global economies, the duration of which remains uncertain. The extent to which COVID-19 may negatively affect the operations of CSFC and the performance of the Funds is difficult to predict at this time but CSFC does expect its Funds to be negatively impacted.

In order to limit the spread of COVID-19, certain authorities (including in the United States) and other entities have ordered a cessation in all non-essential movement and in certain cases have mandated social distancing measures by law, as a result of which restaurant traffic has declined significantly. The expansion of take-out, delivery and drive-through options will not, in most cases, fully compensate for lost dine-in revenue.

Due to the uncertainty surrounding the long-term impact of COVID-19 on the economy generally and the restaurant industry specifically, the impact to the portfolio of the Funds cannot be predicted as of the date hereof. The long term outlook for the portfolio of the Funds will depend on a number of factors including without limitation: (i) the duration and spread of the outbreak, (ii) new information on the severity of, and options with respect to, COVID-19, (iii) further actions taken by authorities and other entities to contain COVID-19 or treat its impact, (iv) government assistance to impacted businesses and (v) consumer habits once restrictions on social interactions are lifted. Also, even when the pandemic is contained and the effects of COVID-19 abate, it may be difficult to scale up restaurant operations quickly due to staff layoffs that may have occurred in some cases as well as continuing social distancing measures.

Other pandemics could in the future similarly affect the restaurant sector and our portfolio companies.

Shortages or interruptions in the supply or delivery of perishable food products could damage a portfolio company's brand reputation. Restaurant operators depend on frequent deliveries of perishable food products that meet brand specifications. Shortages or interruptions in the supply of perishable food products caused by unanticipated demand, problems in production or distribution, disease or food-borne illnesses, inclement weather or other conditions could adversely affect the availability, quality and cost of ingredients, which could lower a portfolio company's revenues, increase operating costs, damage brand reputation and otherwise harm the business of a portfolio company.

Adverse reputational events at a particular portfolio company could harm the value of the investment in that portfolio company. In addition to the possibility of harm to an investment's value due to negative developments concerning the franchisor's brand, the value of an investment in any particular portfolio company could suffer due to negative reputational events suffered at the

franchisee level. For example, instances of food-borne illness at a franchisee's location(s), while not attracting enough attention to harm the overall brand, could materially adversely affect consumer demand at the franchisee's particular locations(s) and thus harm the value of the investment in that portfolio company.

Changes in consumer tastes, preferences and discretionary spending could result in a decline in portfolio company sales. The restaurant industry is often affected by changes in consumer tastes, national, regional and local economic conditions, discretionary spending priorities, demographic trends, traffic patterns and the type, number and location of competing restaurants. The success of our investments will depend to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. Accordingly, the restaurant industry may experience declines in sales during economic downturns. In addition, if portfolio companies are unable to adapt to changes in consumer preferences and trends, they may lose customers and revenues.

Instances of food-borne illnesses could cause a portfolio company's sales to decline. Instances of food-borne illnesses, such as but not limited to mad cow disease, bird flu, salmonella, e-coli or hepatitis A, could adversely affect the price and availability of beef, poultry or other ingredients, and may cause consumers to shift their preferences to other food products. As a result, instances of food-borne illness could cause a portfolio company to experience a significant increase in food costs, adverse publicity, reduction in consumer demand or other negative effects on revenues or profitability.

The Investments may be unsecured, subordinate or junior debt securities. The Funds' investments may be unsecured and/or subordinated to substantial amounts of senior indebtedness. Such subordinated investments are characterized by greater credit risks than those associated with the senior obligations of the same issuer. The Funds may invest in junior debt securities which, although senior to common stock or other equity securities, are subject to the rights of senior creditors. These subordinated securities may not be protected by all of the financial covenants, such as limitations upon additional indebtedness, typically protecting such senior debt. The ability of the Funds' to influence a portfolio company's affairs, especially during periods of financial distress or insolvency, will be substantially less than that of senior creditors.

Franchisees risk losing their franchise rights. Franchisees' rights to operate within a franchise system and under a brand name can expire, be revoked by the franchisor or be lost for other reasons. A portfolio company's loss of its franchise rights could make the investment in that business worthless.

Franchised and branded restaurant businesses are highly dependent on access to good business locations. Franchised and branded restaurant businesses often require highly visible locations in busy, high-traffic areas. Competition to secure access to such sites, through lease or ownership, is very strong. Portfolio companies may not gain access to adequate operating locations or may lose the right to operate in a location from which they have been operating. In addition, portfolio companies may face detrimental competition due to similar businesses locating nearby the portfolio company's place of business.

Failure to Make Capital Contributions. If a Fund investor fails to fund amounts when due to a Fund, and the contributions made by non-defaulting Fund investors and borrowings by such Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, such Funds may be subjected to significant risks and penalties that could materially adversely affect the returns to the Fund investors.

Risk of Capital Expenditures. There is a risk that unforeseen factors may require capital expenditures in excess of forecasts and a risk that new or additional regulatory requirements, safety requirements or other issues may result in the need for additional capital and additional capital expenditures. No guarantee can be given that capital expenditures in excess of the anticipated levels will not be required.

High-risk Investments. The Funds' investments involve a high degree of risk. The Funds' investment portfolio consists primarily of loan and equity securities issued by privately-held companies. The Fund's portfolio companies have operating results that are difficult to predict and may have a need for substantial resources or additional capital to support expansion or to achieve or maintain a competitive position. Such portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable. Additionally, there is generally limited publicly available information about privately-held companies. There can be no assurance that the CSFC's diligence efforts will uncover all material information about a portfolio company necessary to make a fully informed investment decision. In addition, because the Funds' investments will consist primarily of securities issued by privately-held companies, actual results may differ and the difference may be material. Such investments involve a high degree of business and financial risk that can result in substantial losses.

The Funds may make investments in small companies that default and cannot provide an investment return. The Funds will invest in, and lend to, small businesses. Those small portfolio companies may have significant variations in operating results, could be subject to litigation and may be engaged in rapidly changing businesses which require substantial additional capital to support their operations or maintain a competitive position. The Funds may make additional subordinated investments, in which the portfolio companies may not meet the net income, cash flow and other coverage tests that may be imposed by senior lenders. This failure may seriously affect the ability for an investment to generate the desired return.

Portfolio Companies may be highly leveraged and may be subject to interest rate risk. The Funds may invest in portfolio companies that employ significant debt. Such use of debt results in additional risk factors at the portfolio company such as exposure to the risk of increasing interest rates, and may affect its operating performance and cash flow. If a portfolio company is unable to generate sufficient cash flow to meet its debt-service obligations, the value of the Fund's investment in such portfolio company may be significantly diminished or lost altogether. Fluctuations in interest rates, and in the availability of other debt financing for the Fund's portfolio companies, may materially and adversely affect the performance of the Fund and/or its investments

Non-Performing Loan, Collateral, Guarantee and Insolvency Risks. A loan or debt obligation may become non-performing for a variety of reasons. Such non-performing loan or debt obligation may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal amount of the loan or debt obligation and/or the deferral of payments. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery. A Fund may also incur additional expenses to the extent that it is required to seek recovery upon a default on a loan or participate in the restructuring of such obligation. An investment may also become involved in bankruptcy or similar proceedings. There are many significant risks inherent in the bankruptcy process, including, but not limited to, fraudulent conveyances, voidable preferences and lender liability and the bankruptcy court's power to disallow, reduce, subordinate, re-characterize debt as equity or disenfranchise particular claims. The repayment of defaulted obligations is subject to significant uncertainties.

Investments in Real Estate Associated with Fund Investments. The Funds may invest in real estate related to or associated with franchised and branded restaurants and prepared food retail and other related businesses. Such investments may introduce similar and/or risks unique to real estate. Expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. The Funds may need to comply with certain legal, tax and other requirements prior to liquidating such investments.

Portfolio Company Management Risks. Each portfolio company's day-to-day operations will be the responsibility of such portfolio company's management team. Although the general partner or a managing member (as applicable) will be responsible for monitoring the performance of each investment and intends to invest in portfolio companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate a portfolio company successfully. Ultimately, the profitability of the Fund will depend on the ability of the general partner or a managing member (as applicable) to select portfolio companies with good management, and the ability of that management to carry out a portfolio company's plan successfully.

Risks of Long-Term Investing through Private Equity/Private Debt Funds. One of the primary risks of a long-term investment strategy is that these debt securities may have speculative characteristics. If our predictions are incorrect, a security may decline sharply in value before we make the decision to exit the position. This risk is particularly pronounced when investing for the long term in privately issued securities with no credit ratings or collateral due to the absence of an immediate and liquid market for these investments. Any exit of such securities will typically take time to complete and during that time may not produce current income. The company, its competitors or its industry may behave in ways which were not, and in some cases could not have been predicted, leading to significant losses and/or a lack of any attractive exit option.

Side Letters. Each Fund may have the discretion to waive or modify the application of, or grant special or more favorable rights with respect to, provisions in the governing documents of a Fund, to the extent permitted by applicable law. To effect such waivers or modifications or the grant of

any special or more favorable rights, a Fund may enter into a side letter with particular Fund investors that may provide for, among other things, (i) different or more favorable withdrawal or transfer rights, (ii) greater information than may be provided to other Fund investors and/or more frequent or varied formats or modes of portfolio reporting (iii) different fee or performance-based compensation terms and (iv) rights related to co-investment opportunities. Such Funds or CSFC may only offer such terms if they believe other Fund investors will not be materially disadvantaged or such terms are disclosed to the other Fund investors.

Item 9. Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Neither our firm nor our management personnel has reportable disciplinary events to disclose.

Item 10. Other Financial Industry Activities and Affiliations

As disclosed in Item 4 of this Brochure, CSFC is wholly-owned by CapitalSpring. "Principal Owners," for purposes of this disclosure, include those owning 25% or more of CapitalSpring.

The general partner or managing member for each Fund is related to CSFC and CapitalSpring through common ownership and control. Each general partner or managing member typically shares many of the same executive officers with each other and with CSFC and CapitalSpring.

CSFC employees may serve on boards of directors, creditor committees or in other management capacities at companies in which the Funds invest. This may expose CSFC and its Funds to certain limitations on the ability to trade the securities of the issuer company and certain conflicts of interest. As a result of such service, an employee may become aware of material non-public information about the portfolio company in which the Funds invest, which could substantially restrict the Funds' ability to trade the securities of such portfolio company. Such limitations may cause the Funds to forgo sales or purchases that they would otherwise make, thereby exposing the Funds to losses and lost opportunities.

Item 11. Code of Ethics, Participation in Client Transactions, Personal Trading and Conflicts of Interest

Our firm has adopted a Code of Ethics which sets forth the ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures that require the review of quarterly personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's employees. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering and provides for oversight, enforcement and recordkeeping. A copy of our Code of Ethics is available to our advisory clients and prospective clients, including investors and

prospective investors in one or more of the Funds, upon request to the Chief Compliance Officer, at the firm's principal office address.

As disclosed in Item 5 of this brochure, certain executive officers and/or other employees of CSFC have invested and may invest a portion of their personal net worth in one or more of the Funds. It is the policy of our firm that no person employed by us may usurp an investment opportunity which may be appropriate for one or more of the Funds without first presenting the opportunity to appropriate managing members, senior management or our Chief Compliance Officer, particularly when there is limited availability for participation in the opportunity.

Conflicts of Interest:

Various conflicts of interest may exist or arise between and/or among the general partner or managing member (as applicable), CSFC and their affiliates (on the one hand) and the Funds and the Fund investors (on the other hand). The Funds must rely on the general partner or managing members (as applicable) and CSFC for the operation of their affairs and the control of their portfolios. The existence of an actual or potential conflict of interest does not mean that it will be acted upon to the detriment of the Funds. When a conflict of interest arises, CSFC will endeavor to ensure that the conflict is resolved fairly and in an equitable manner that is consistent with its fiduciary duties to the Funds.

(a) ***Allocation of Investments:*** CSFC and its affiliates may face a conflict of interest in allocating investment opportunities among the Funds and other entities with which they may be associated. CSFC and its affiliates may engage in, invest in, participate in or otherwise enter into other businesses of any kind, nature or description, alone or with others, including without limitation, the development, operation, acquisition, management, or investment in businesses with some of the same investment criteria as those of the Funds. Certain Funds may pay higher fees or compensation to CSFC or such affiliate and members of the management team of CSFC may have more of their personal capital invested in particular Funds or other entities managed by CSFC. As a result, CSFC may have interests that conflict with the interests of the Funds in relation to the allocation of time, resources and/or investment opportunities (in particular, scarce investment opportunities).

Except as may be disclosed in the offering and/or organizational documents of a particular Fund, no Fund is guaranteed the right to invest in a particular transaction or investment opportunity. Affiliates of CSFC have committed to invest alongside many Funds, and have certain rights to expand their co-investments alongside the Funds under certain circumstances, as described in the offering and/or organizational documents of such Funds. CSFC and its affiliates currently manage, sponsor or advise Funds with identical or overlapping investment strategies and may manage, sponsor or advise other such funds and accounts in the future. The investment activities of one Fund and/or CSFC and its affiliates may significantly affect the size of investment opportunities available to the Funds. CSFC will allocate investment opportunities that are suitable for multiple accounts that it manages in accordance with CSFC's Allocation Policy.

(b) ***Co-Investment:*** CSFC undertakes no obligation to create co-investment opportunities to any limited partner. Where co-investments are made, CSFC will follow its co-

investment allocation policy and such processes it deems necessary to ensure that investors are provided with appropriate disclosures which may be set forth in the confidential offering memorandum regarding the conflicts of interest inherent in investments or co-investments.

(c) **Advisory Committees:** In recent Funds, advisory committees have been formed and their duties include but are not limited to: review and approve or disapprove any actual or potential conflicts of interest of the Fund, general partner or CSFC and approve or disapprove any investments entered into through the Funds that are brought to it by the general partner of such Fund. Reference should be made by investors to the offering and/or organizational documents of the relevant Fund.

(d) **New Funds:** To address any potential conflicts of interest in the allocation of opportunities but also dedication of time, the general partner or a managing member (as applicable) and their affiliates may have restrictions on its ability to launch new Funds under the terms of a Fund's organizational documents and/or offering memoranda. Reference should be made to those specific requirements addressing Fund launches with similar investment goals and objectives. CSFC may form, sponsor or advise additional Funds at any time unless prohibited from doing so by the organizational documents of a Fund.

(e) **Write-Downs:** Subject to the terms of the Funds' governing documents, management fees are typically calculated on initially on funded capital commitments or invested capital less write downs, defined as significant and permanent declines in value. In accordance with the appropriate Fund's governing documents, these assets are valued in accordance with our Valuation Policy. As a result of the fee calculation methodology, a conflict of interest is created whereby we may, theoretically, have an incentive not to write-down valuations of portfolio companies (or not to declare a write down as a permanent impairment) as may otherwise be dictated by available market data and prudent, fair valuation techniques. To address this conflict, we have adopted valuation policies and procedures designed to ensure fair and accurate valuations of our Investments.

(f) **Principal Transactions:** The Investment Advisers Act of 1940, as amended, makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, to knowingly sell any security to, or purchase any security from, a client without disclosing to the client in writing the capacity in which the adviser is acting and obtaining the client's consent to the transaction. This rule may apply to certain transactions involving accounts in which investment advisers have interests, such as private fund investments by the firm's owners, principals, or employees. If we engage in principal transactions, these transactions are documented, the applicable conflicts of interests are identified and the necessary waivers and consents are obtained under the Fund documents. The advisory committee for each affected Fund is authorized, on behalf the Fund and its investors, to approve or disapprove of a principal transaction.

(g) **Cross Trades:** CSFC and its affiliates may, from time to time, cause the Funds to buy or sell investments to or from other Funds. CSFC or such affiliate may determine to execute such a cross trade for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the entities, or to reduce transaction costs that may arise in

an open-market transaction. If CSFC or such affiliate does execute such a cross trade, it will first determine that the transaction is in the best interests of all Funds involved and take steps to ensure that the transaction is executed at a fair price. Although such approval is not required in the case of a cross trade which is not also a principal transaction, the advisory committee for each affected Fund is authorized, on behalf the Fund and its investors, to approve or disapprove of a cross trade. The member(s) of the advisory committee will generally be exculpated and indemnified by the Funds.

(h) Side Letters: The general partner of a Fund may enter into side agreements and side letters with certain limited partners of such Fund, in the discretion of such general partner. The terms contained in a side agreement or side letter may be different and may be more favorable to such limited partner than the general terms and conditions of such Fund, including terms related to management fees and carried interest. Please also refer to the discussion of Side Letters under Item 8 above.

Item 12. Brokerage Practices

CSFC is responsible for all parts of the investment cycle including deal sourcing and origination, investment decision-making, deal negotiation and transaction structuring, portfolio management (the act of overseeing the investments that we have made) and exit strategies. CSFC will typically make direct investments on behalf of the Funds in privately-held companies.

The investments made by the Funds generally do not require the use of a broker-dealer. On certain occasions, however, an investment by a Fund or disposition of securities held by a Fund will require CSFC to select a broker-dealer to execute a transaction.

To facilitate the sale of public securities that may, from time to time, be held by the Funds, CFSC may select one or more broker-dealers to provide execution services. CFSC believes that its selection of broker-dealers is consistent with its duty to seek “best execution” of Fund transactions. “Best execution” means obtaining for the Funds the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputation and reliability of the executing broker-dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, CSFC takes into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Soft Dollars

CSFC does not have any formal or informal soft-dollar arrangements nor do we utilize client commissions to purchase research or other soft-dollar benefits.

Item 13. Review of Accounts

CSFC monitors the portfolio companies of each Fund and client on an ongoing basis.

The senior managers and the investment committee of CSFC (the “Investment Committee”) are responsible for the day-to-day management of the Funds (as defined below) and control the Funds’ investment, monitoring, portfolio valuation and exit decisions. The Investment Committee will approve all portfolio investments and dispositions and will be actively involved in analyzing each investment and reviewing those investments on an on-going basis.

The Investment Committee together with CSFC’s senior managers meet periodically throughout the year, to review ongoing monitoring activities and to evaluate potential new investments and add-on acquisitions.

The Funds are audited annually by an independent, certified public accountant that is both registered with and subject to regular inspection by the Public Companies Accounting Oversight Board (PCAOB) or are covered by a surprise annual exam of our client assets. To the extent a Fund is audited, a copy of the audited financials is sent to each investor in such Fund within 120 days of the Fund’s fiscal year end. For CapitalSpring SBIC, LP, as required by SBA regulations, a quarterly Form 468 filing is made and submitted to the SBA.

Item 14. Client Referrals and Other Compensation

CSFC has entered and may in the future enter into arrangements whereby it appoints placement agents in connection with the offer and sales of interests in the Funds. Although common, such referral arrangements do create a potential conflict of interest because, in theory, the referrer may be motivated, at least partially, by financial gain and not because the Funds are the most suitable to the prospective investor’s needs. To address this potential conflict of interest, all referred investors are required to meet certain eligibility criteria (although each investor must assess independently whether an investment in a Fund would meet its investment needs, objectives and risk tolerance before investing), and any such referral arrangements are adequately disclosed.

Item 15. Custody

Because CFSC is affiliated with each Fund’s general partner or a managing member (as applicable) through common ownership and control, CSFC is deemed to have custody of client assets under current applicable regulatory interpretations. Consequently, each of the Funds are audited on an annual basis by an independent public accountant that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB) or our clients assets are subject to a surprise annual exam by an independent accounting firm. If a Fund does prepare audited financial statements, we send them, directly or through a third party, to each Fund investor within 120 days of the Fund’s fiscal year end.

Item 16. Investment Discretion

As investment adviser to the Funds, CSFC is granted the discretionary authority in the relevant organizational documents and/or advisory agreements to determine which investments to make and the amounts of the investment to be made on behalf of the Funds. Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

Item 17. Voting Client Securities

Because the Funds transact primarily in privately issued securities, CSFC does not vote proxies.

Item 18. Financial Information

CSFC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Funds, and it has not been the subject of a bankruptcy proceeding.