

FIVE POINTS CAPITAL



Five Points Capital, Inc.

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**Part 2A of Form ADV: Firm Brochure
March 20, 2020**

This brochure provides information about the qualifications and business practices of Five Points Capital, Inc. If you have any questions about the contents of this brochure, please contact us at 336-733-0350. 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 authority.

Additional information about Five Points Capital, Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov.

Material Changes

The purpose of this section is to provide clients with a summary of the material changes that have been made to this Brochure since the filing of the previous annual update.

Since the filing of the previous Brochure on March 28, 2019, there have been no material changes made.

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Advisory Business

General Information

Five Points Capital, Inc., a North Carolina corporation (the “Adviser”), was organized in February 2005.

Although the Adviser formerly conducted business under the “BB&T” name, Branch Banking and Trust Company and BB&T Corporation (collectively, the “BB&T Entities”) have no ownership interest in the Adviser, nor is it financially backed or supported by the BB&T Entities. In the past we conducted our business under the “BB&T” name, with the permission of the BB&T Entities, because the BB&T Entities served as the seed investors and were (and they currently still are) the majority investors in certain of the Funds (defined below). The significant investments made by the BB&T Entities could have the potential of incentivizing us to favor the BB&T Entities over smaller Fund investors.

Fund investments are not bank deposits and are not insured or guaranteed by the FDIC or any other agency.

Pooled Investment Advisory Services

The Adviser provides investment advisory services to pooled investment vehicles (each, a “Fund”, and collectively, the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). As the investment adviser to a particular Fund, the Adviser identifies investment opportunities for, and participates in the acquisition, management, monitoring and disposition of investments, of the applicable Fund.

The following related persons of the Adviser, each of which is under common control with the Adviser, serve as the general partners or managers, as applicable, of the Funds (the “General Partners”): (i) Reynolda Capital Management Company, LLC, which is the manager of BB&T Capital Partners, L.L.C.; (ii) Winston Mezzanine Partners, LLC, which is the general partner of BB&T Capital Partners Mezzanine Fund II, LP; (iii) Five Points Mezzanine Advisors III, LLC, which is the general partner of Five Points Mezzanine Fund III, LP; (iv) Pinewood Advisors, LLC, which is the manager of BB&T Capital Partners II, L.L.C.; (v) Forsyth Equity Advisors, LLC, which is the manager of Five Points Small Buyout Strategies I, LLC (which was formerly operated under the name “BB&T Capital Partners Fund of Funds I, LLC”) and Five Points Small Buyout Strategies II, LLC; (vi) Five Points Advisors III, LP, which is the general partner of Five Points Small Buyout Strategies III, LP and Five Points SBS Co-Investment A, LP; (vii) Five Points Equity Advisors IV, LLC, which is the general partner of Five Points Capital Partners IV, L.P.; and (viii) Five Points Advisors IV, LLC, which is the general

partner of Five Points Small Buyout Strategies IV, LP. Five Points Management III, LLC serves as the general partner of Five Points Advisors III, LP, and Five Points Management IV, LLC serves as the general partner of Five Points Advisors IV, LLC. In providing services to the Funds, the Adviser and the General Partners seek to tailor their services to the needs, interests and circumstances of the Funds.

SBIC Funds. The Adviser provides discretionary investment advisory services to Funds that are Small Business Investment Companies (“SBICs” or the “SBIC Funds”) that are regulated by the Small Business Administration (the “SBA”). The SBIC Funds focus on investments in companies that (i) satisfy the requirements set forth by the SBA for an SBIC and (ii) are located in the United States. The primary investment advisory services provided by the Adviser to the SBIC Funds are researching and advising on private equity investments and mezzanine lending across a wide variety of industries. Such investments take the form of privately negotiated investment instruments, including, without limitation, unregistered equity securities and mezzanine notes. Although the primary focus of each of the SBIC Funds is on private equity investments and/or mezzanine lending, the Adviser may from time to time recommend other types of investments consistent with the respective Fund’s investment strategy and objectives, as set forth in its offering documents. The SBIC Funds currently advised by the Adviser include: (i) BB&T Capital Partners, L.L.C.; (ii) BB&T Capital Partners Mezzanine Fund II, LP; (iii) BB&T Capital Partners II, L.L.C; (iv) Five Points Mezzanine Fund III, LP; and (v) Five Points Capital Partners IV, L.P.

Funds of Funds. The Adviser provides investment advisory services to Five Points Small Buyout Strategies I, LLC, Five Points Small Buyout Strategies II, LLC, Five Points Small Buyout Strategies III, LP, and Five Points Small Buyout Strategies IV, LP, which are private equity funds of funds (the “Funds of Funds”). Five Points Small Buyout Strategies IV, LP is a “master fund” in a master-feeder arrangement, with Five Points Small Buyout Strategies IV (A), LP and Five Points Small Buyout Strategies IV (B), LP as its “feeder funds.” In addition, Five Points Small Buyout Strategies IV (Cayman), LP is a “feeder fund” for Five Points Small Buyout Strategies IV (A), LP. The Funds of Funds focus on investments in private equity funds that are in the lower middle-market buyout segment of private equity fund (*i.e.*, private equity funds with commitments of \$750 million or less). The primary investment advisory services provided by the Adviser to Funds of Funds is selecting private equity funds of established and emerging private equity fund managers that have appropriate sector focus and that have differentiated business strategies and monitoring such investments.

Co-Investment Fund. The Adviser provides investment advisory services to Five Points SBS Co-Investment A, LP, a co-investment fund that invests alongside the equity focused SBIC Funds and Funds of Funds (the “Co-Investment Fund”).

Institutional Investor Advisory Services

The Adviser may provide investment advisory services to institutional investors (“Institutional Investors Advisory Services”). Institutional Investors Advisory Services may use in part or whole investment strategies used by the Funds or the Adviser’s other clients.

Investment Discretion

All of the Adviser’s investment advisory services are provided on a discretionary basis. As of December 31, 2019, the Adviser had \$1,078,600,604 in assets under management.

Principal Owners

David G. Townsend, Thomas H. Westbrook, Martin P. Gilmore, and Christopher N. Jones are the principal owners of the Adviser.

Fees and Compensation.

Fees For Pooled Investment Advisory Services

The Funds generally pay the Adviser an annualized management fee of up to 2.00%, as set forth below, and as further described in each Fund’s offering documents (the “Management Fee”). The Management Fee is paid quarterly in advance and is deducted from the Fund. Generally, each Fund pays the Management Fee on capital committed by the Fund’s investors for an initial period (*e.g.*, the first five years of the Fund’s existence), and thereafter, the fee percentage is typically applied only to the amount equal to the Fund’s invested capital, and also may be scaled down. The Management Fee is generally subject to waiver or reduction by each General Partner in its sole discretion, including in connection with investments made by the General Partner or its related persons.

As of June 13, 2018, Five Points Small Buyouts Strategies I, LLC does not charge a management fee.

In addition, each Fund is also responsible for certain of its operating expenses including, without limitation, legal, accounting, tax, auditing and administrative fees, as outlined in its offering documents. To the extent the Adviser or its affiliates provide and are compensated for any of the foregoing services not covered by the Management Fee, such payments may offset the Management Fee, as described in each Fund’s offering documents. Each Fund is also responsible for brokerage commissions and custodial fees paid to third parties.

In the event of a termination of a Fund's investment advisory agreement, fees will be prorated. Any paid but unearned fees will be promptly refunded to the Fund, and any fees due to the Adviser from the Fund will be invoiced or deducted from the Fund's account prior to termination.

Notwithstanding the foregoing, the Adviser may negotiate or set a management fee different from the foregoing with respect to any Fund it manages.

Institutional Investor Advisory Services Fees

The Adviser's fees for Institutional Investor Advisory Services are negotiated individually with each client.

Additional information related to the foregoing Fee discussion is set forth below under "*Performance-Based Fees and Side-By-Side Management*" and "*Brokerage Practices*".

Performance-Based Fees and Side-By-Side Management

While the Adviser does not receive a performance based fee, the General Partners generally receive distributions of carried interest of up to 20% of the net profits earned by each investor in the respective Fund. While the Funds have long-term investment strategies, potential investors should note that a carried interest arrangement may nonetheless provide an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement.

Notwithstanding the foregoing, the Adviser or its affiliates may negotiate or set carried interest or other terms different from the foregoing with respect to any Fund the Adviser manages.

Types of Clients

The Adviser currently provides investment advisory services solely to the Funds, subject to the direction and control of the General Partner of each Fund, and not individually to the investors of a Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Permitted investors in the Funds may include high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, trusts, estates, charitable organizations and other business entities.

The minimum investment requirement for a Fund offered by the Adviser varies from Fund to Fund, but typically begins at \$250,000. However, the General Partner of each Fund, in its sole discretion, may permit investments that are less than the required minimum investment commitment set forth in the applicable Fund's offering documents.

Differential Business Terms and Access to Information

The Adviser may allow certain investors to invest in a Fund on different business terms than other investors. For example, one Fund may agree to provide certain investors additional or different information from the information made available to the investors in that Fund. The Adviser also may agree to provide certain investors with a fee arrangement that differs in structure and amount from that generally available to investors in the same Fund. In determining whether to allow an investor to participate in a Fund on different business terms, the Adviser may consider a number of different factors including, but not limited to, the Adviser's belief about whether the different terms will adversely affect the other investors in the relevant Fund considered as a group; such investor's objectives in requesting or accepting such terms; whether such investor is under legal, regulatory or "best practices" obligations to request such terms; and/or whether granting such terms is in any respect inconsistent with representations made by the Fund or the Adviser to investors.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

The Adviser currently manages Funds with three different primary investment strategies. Each strategy involves significant risks, including the risk that each Fund (and, in turn, the underlying investors in such Funds), could lose some or all of any invested capital. An investment in a Fund will provide limited liquidity because there are significant restrictions on transferability of each Fund's interests and withdrawals from each Fund.

A description of the primary investment strategies, are set forth below.

SBIC Funds. Each of the SBIC Funds has an investment strategy of either focusing primarily on making private equity investments or on providing mezzanine lending.

- **Private Equity Investment Strategy.** The SBIC Funds that focus on private equity investments generally target equity investments in middle market companies (*i.e.*, companies with an enterprise value between approximately \$25 and \$150 million) that operate in higher-growth industry segments in the United States. The Adviser's value-oriented approach generally relies on identifying investment opportunities that are sourced through targeted processes, and that can be acquired for what the Adviser believes are attractive valuations given the nature of their management (often founder-run and without key functional area leaders) or their size. After making an investment, the Adviser may seek to add value to a portfolio company by supporting upgrades or expansions in management teams, encouraging the establishment of operational best practices,

developing strategic plans in an effort to accelerate growth and diversify service offerings, or taking other steps to assist or strengthen the company and its business.

- Private Credit Investment Strategy. The SBIC Funds that focus on private lending generally target their lending to middle-market companies that the Adviser believes are in a position to capitalize on key competitive advantages. Before making a loan, the Adviser conducts due diligence to assess different factors utilizing available resources, including the experience of the Individual Managers. After making loans to companies, the Adviser may assist them with identifying, prioritizing and pursuing initiatives in an effort to enhance performance and create value.

Funds of Funds. The Funds of Funds focus on making investments in, and co-investments alongside, private equity funds with a sector focus, as well as those with differentiated business strategies. The Funds of Funds target both established and emerging managers and private equity funds.

Co-Investment Fund. The Co-Investment Fund focuses on making investments alongside the equity focused SBIC Funds and Funds of Funds.

Risk of Loss

While the Adviser seeks to diversify each Fund's investment portfolio by investing in multiple companies, all investment portfolios are subject to risks. Accordingly, there can be no assurance that a Fund will be able to fully meet its investment objectives and goals, or that investments will not lose money. Below is a description of several of the principal risks that each Fund may face.

Economic Conditions. Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws may adversely affect the business prospects or perceived prospects of companies. While the Adviser performs due diligence on the companies in which it invests, economic conditions are not within the control of the Adviser and no assurances can be given that the Adviser will anticipate adverse developments.

Geographic Concentration Risk. Certain Funds will focus their investments in a particular geographic region and therefore will be particularly vulnerable to events affecting companies in the region. The economy of a particular region in which a Fund may focus its investments is influenced by financial and market considerations in the

relevant region. The performance of a Fund focused on a particular region may be worse than the performance of other funds that invest more broadly geographically.

Lack of Diversification. A Fund may not have a diversified portfolio of investments at any given time. While investing in a relatively small number of companies will allow the Adviser to more easily monitor the performance and operations of portfolio companies, a substantial loss with respect to any particular investment in an undiversified portfolio will have a substantial negative impact on the aggregate value of the portfolio.

Leverage. Certain Funds may allow the Adviser or one of its affiliates to borrow money on behalf of a Fund and to invest the proceeds thereof for the Fund's investment portfolio. While the use of leverage may increase potential gains, Funds that use leverage are also subject to greater risk of loss in the event that investments acquired with borrowed money decline in value.

Additional Risks Relating to the SBIC Funds Only

The following risks apply to the SBIC Funds only, and to the SBIC Funds that utilize SBA leverage in particular:

Regulation by SBA. The SBIC Funds are subject to SBA regulations and policies which may change during the life of the SBIC Funds in ways that might require the SBIC Funds to alter their business activities. Any such changes may have adverse consequences for the SBIC Funds.

Use of SBA Leverage. For the SBIC Funds that utilize SBA leverage, the use of this leverage will magnify the potential for both gains and losses with respect to investments made by the SBIC Funds. As a result of the commitment fees, repayment obligations and semi-annual interest payments to which the SBA is entitled, the SBIC Funds' investors may realize a lower return than they otherwise would have realized if they had made an investment in a fund that did not use SBA leverage, and may realize no return when they would have realized a positive return if they had made their investment in such a fund. There can be no assurance that the SBIC Funds that utilize SBA leverage will generate returns that exceed the crossover point for return enhancement attributable to SBA leverage. The payments to which the SBA is entitled may reduce or entirely eliminate returns to the SBIC Funds' investors if the SBIC Funds do not generate sufficient returns in excess of such payments.

Ongoing Availability of SBA Leverage. Becoming licensed as an SBIC does not ensure that the SBIC Funds will receive SBA leverage funding. Receipt of SBA leverage funding is dependent upon the SBIC Fund continuing to be in compliance with SBA

regulations and policies and there being funding available. The amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and, in the future, may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient SBA leverage funding available at the times desired by the SBIC Fund.

Please see each Fund's offering documents for information about the specific risks associated with an investment in that Fund.

Disciplinary Information

The Adviser has no disciplinary events to disclose.

Other Financial Industry Activities and Affiliations

The General Partner of each Fund is an advisory affiliate of the Adviser.

Code of Ethics, Participation or Interest in Client Transactions

Code of Ethics

Under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), the Adviser and its principals and certain employees ("Supervised Persons") owe fiduciary duties to their clients. Consistent with these duties, the Adviser has adopted the Code of Ethics (the "Code") that, among other things, requires that its Supervised Persons reflect the professional standards expected of investment advisers and comply with federal and state securities laws and regulations pertaining to the Adviser. Under the Code, Supervised Persons should place the interests of clients first, ahead of their own personal interests, and generally seek to treat clients fairly. In addition, Supervised Persons are prohibited from engaging in any practice that defrauds or misleads any client or investor, or engaging in any manipulative or deceitful practice with respect to clients, investors or securities.

The Code also includes provisions addressing personal trading by Supervised Persons, as summarized below:

Personal Trading. Under the Code, Supervised Persons are generally required to submit information about their personal trading activities to the Adviser's Chief Compliance Officer ("CCO") or the CCO's designee for review. In addition, Supervised Persons are generally required to notify the CCO or the CCO's designee and obtain advance approval of certain personal trades in securities that may be traded by the Adviser for client accounts or otherwise affected by investments made on behalf of clients. Violations of the Code may result in disciplinary action up to and including dismissal.

Participation or Interest in Client Transactions. Under the Code, Supervised Persons are prohibited from trading in securities on the basis of material, non-public information or communicating material, non-public information about the issuer of any security to any other person.

The Adviser will provide a copy of the Code to clients or prospective clients upon request.

Brokerage Practices

The Adviser does not normally utilize the services of broker-dealers for transaction related services. In the event that the Adviser chooses to use a broker-dealer for a securities transaction, the Adviser will seek to obtain best execution for any such transactions.

Soft Dollar Transactions

The Adviser does not generate or use soft dollars, which are credits generated by transactions placed with certain securities broker-dealers that may be used to “purchase” certain research and brokerage products from such securities broker-dealers.

Aggregation of Trades

The Funds normally do not actively trade in securities. However, the Adviser may aggregate a Fund’s securities trades with those of another Fund to the extent consistent with receiving best execution. Generally, Funds participating in an aggregated order will receive an average price of all trades placed that trading day and pay their ratable share of brokerage costs. In some cases, the Adviser may be excluded from aggregated block trades due to legal, regulatory or other concerns.

Review of Accounts

Oversight and Monitoring

The General Partner of each Fund will cause Fund accounts to be reviewed not less than quarterly. These reviews will include appropriateness of the Fund’s investments for the Fund’s portfolio and the performance of the Fund.

Reporting

Investors in the Funds generally receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of the Fund (180 days for the Funds of Funds). In addition, investors in each Fund will typically receive unaudited summary financial information regarding the Fund following the end of each financial quarter. Investors in the Funds also receive regular reporting updates through letters and investor meetings.

Client Referrals and Other Compensation

The Adviser may compensate certain third-parties who refer investors to the Funds advised by the Adviser. In addition, the Adviser or its affiliates may, in certain instances, receive discounts on products and services provided by portfolio companies, or receive compensation for services provided to portfolio companies.

In the past, the Adviser has engaged solicitors to serve as placement agents for the Funds and the Adviser may do so again in the future. In these cases, the Adviser pays a portion of its advisory fee to the solicitor and complies with the requirements of Rule 206(4)-3 under the Advisers Act. Any compensation paid to such placement agents that the Adviser may engage, will not impact the fees paid by investors in the Funds.

Custody

The Adviser (through the General Partners) is deemed to have custody of certain assets of the Funds.

The Funds' current qualified custodian is Branch Banking and Trust Company. All of the Funds' certificated investment securities are currently held by the qualified custodian on behalf of the Funds. Each SBIC Fund and Fund of Funds currently is audited annually and the annual audited financial statements of each such Fund are sent to the Fund's investors. Additionally, the qualified custodian for the SBIC Funds sends quarterly account statements directly to the SBIC Funds or investors in the SBIC Funds. The audits of the SBIC Funds are conducted in accordance with applicable SBA rules and the audits of the Funds of Funds are conducted in accordance with generally accepted accounting principles.

In addition to obtaining an annual audit of the SBIC Funds, the Adviser has engaged an independent accountant to provide an annual surprise exam of the Adviser's custody practices related to each of the SBIC Funds.

The qualified custodian for the Co-Investment Fund sends quarterly account statements directly to the investors in the Co-Investment Fund. The Adviser has also engaged an independent accountant to provide an annual surprise exam of the Adviser's custody practices related to the Co-Investment Fund.

Investment Discretion

The Adviser has discretionary authority to determine the investments to be bought or sold and the amounts to invest for the Funds, pursuant to the investment advisory agreement and/or management agreement between each Fund's General Partner and the Adviser.

A copy of the Adviser's policies regarding the allocation of investment opportunities among clients is available upon request.

Voting Client Securities

As a general policy, the Adviser votes proxies related to securities held in Fund accounts in a manner that serves the best interests of the Fund. Clients have no authority to direct the vote of the Adviser. In voting securities held by a Fund, the Adviser will attempt to resolve any conflict of interest between the Fund and the Adviser's business interests in the way that will most benefit the Fund. The Adviser maintains a detailed Proxy Voting Policy and a record of how the Adviser has voted proxies, each of which is available to clients upon request.

Financial Information

The Adviser does not require or solicit prepayment of fees six months or more in advance, and the Adviser currently does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.