

The Sterling Group, L.P.

Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of The Sterling Group, L.P. If you have any questions about the contents of this brochure, please contact us at 713-877-8257. 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.

Additional information about The Sterling Group, L.P. is also available on the SEC's website at:
www.adviserinfo.sec.gov.

Item 2 – Material Changes

The Sterling Group, L.P. filed its most recent Form ADV Part 2 on March 30, 2020. This annual amendment updates the description of the business practices of The Sterling Group, L.P. and supplements existing disclosure, including under “Item 4 - Advisory Business,” “Item 5 - Fees and Compensation,” and “Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.”

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Item 4 – Advisory Business

The Sterling Group, L.P. (together with its general partner, “Sterling Group”), a Texas limited partnership, together with any predecessors, has been in business since 1981 and is a private investment management firm that provides investment advisory services to private investment funds. The Sterling Group GP, LLC, a Delaware limited liability company, acts as the general partner of the Sterling Group. Sterling Group is not principally owned by any one individual or entity.

Sterling Group’s affiliated entities serve as the general partners of Sterling Group Partners III, L.P., Sterling Group Partners IV, L.P., and Sterling Group Partners V, L.P. (together with any parallel investment vehicles and alternative investment vehicles, the “Sterling Equity Funds”) and Sterling Group Credit Fund, L.P. and the Sterling Group Credit Fund II, L.P. (together with any parallel investment vehicles and alternative investment vehicles, the “Credit Funds”). The Sterling Equity Funds and Credit Funds, together with any future private investment fund to which Sterling Group or its affiliates provide investment advisory services, are collectively

referred to herein as the “Private Investment Funds.” The current Private Investment Funds have entered into management agreements with the following affiliated entities of Sterling Group to provide investment advisory services: Sterling Group Management III, L.P. (“Sterling Management III”), Sterling Group Management IV, L.P. (“Sterling Management IV”), Sterling Group Management V, L.P. (“Sterling Management V”), Sterling Group Credit Management, L.P. (“Sterling Credit”), or Sterling Group Credit Management II, L.P. (“Sterling Credit II”). Sterling Group, Sterling Management, Sterling Management III, Sterling Management IV, Sterling Management V, Sterling Credit, and Sterling Credit II are collectively referred to herein as “Sterling.” Sterling Management, Sterling Management III, Sterling Management IV, Sterling Management V, Sterling Credit, Sterling Credit II and the general partners of the Private Investment Funds do not have any employees of their own. As a result, Sterling Management, Sterling Management III, Sterling Management IV, Sterling Management V, Sterling Credit, and Sterling Credit II have entered into sub-management agreements with Sterling Group to provide investment advisory services. Pursuant to the sub-management agreements described above, all investment advisory services are performed by employees of Sterling Group.

The Private Investment Funds are managed in accordance with their respective private equity or private credit strategies and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” Sterling’s investment advisory services to the Sterling Equity Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring portfolio companies and achieving dispositions for such investments. Investments are made predominately in non-public companies, although investments in public companies are permitted. From time-to-time, Sterling personnel serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies. With respect to the Credit Funds, Sterling’s investment advisory services consist primarily of identifying and evaluating mezzanine and second lien loans to middle-market companies as well as equity co-investments alongside its loans. The Credit Funds expect to be minority investors in such portfolio companies.

Sterling formulates the investment objective for each Private Investment Fund, directs and manages the investment and reinvestment of each Private Investment Fund’s assets, and provides periodic reports to investors in each Private Investment Fund. Investment advice is provided directly to each Private Investment Fund and not individually to the limited partners of the Private Investment Fund. The terms upon which Sterling and its affiliates serve as investment manager and general partner of a Private Investment Fund are established at the time of the organization of each Private Investment Fund and are generally set forth in the governing documents of such Private Investment Fund. Sterling’s investment strategies are discussed in further detail under Item 8 - *Methods of Analysis, Investment Strategies and Risk of Loss* below. Investors in Private Investment Funds participate in the overall investment program for the applicable Private Investment Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other applicable constraints pursuant to the applicable governing documents; such arrangements generally do not and will not create an adviser-client relationship between Sterling and any investor.

As of December 31, 2020, Sterling managed approximately \$4,423,610,468 billion in client assets on a discretionary basis.

Item 5 – Fees and Compensation

Management Fees and Performance Compensation

Sterling receives both a management fee and a performance fee for providing investment advisory services to the Private Investment Funds. Such fees differ for each Private Investment Fund, are negotiated with certain of the participating investors in each Private Investment Fund at the time of its organization and are generally not negotiable thereafter. Detailed information regarding the fees charged to each Private Investment Fund is provided in each Private Investment Fund's offering documents and governing documents.

Management Fees

Management fees charged to each Private Investment Fund are generally payable quarterly in advance, are non-refundable, and are pro-rated for any period that is less than a full calendar quarter.

The management fee charged to each Private Investment Fund is specified in the governing documents of such Private Investment Fund and is generally determined based upon a percentage of capital commitments to such Private Investment Fund during its investment period, and a percentage of actively invested capital after the end of its investment period. The Private Investment Funds will pay Sterling an annual management fee based on a percentage as described above (the current maximum percentage of the existing Private Investment Funds is 2.0%) commencing, generally, from the initial closing or the commencement date of a Private Investment Fund (whether or not an investor was admitted at an initial or subsequent closing) until all portfolio investments are distributed. The annual management fee is subject to reduction over time and to potential reductions due to waivers and offsets under certain circumstances. Each limited partner in a Private Investment Fund bears its pro rata portion of the management fee, subject to Sterling's right to reduce or waive fees as described below. Where the governing documents calculate management fees based on the amount of capital commitments, the amount of management fees generally will not be reduced based on reductions in investment value. As a general matter, management fees will be payable during term extensions unless otherwise agreed with investors.

The Private Investment Funds permit Sterling to elect to receive a portion of the management fees in the form of a credit to its capital account in the Private Investment Fund.

Performance Compensation

Each Private Investment Fund pays the general partner of such Private Investment Fund a "carried interest" equal to 20% of profits on distributions derived from the disposition of investments or securities, after accounting for expenses and a preferred return to limited partners of 8% per annum. The carried interest is paid to the general partner at the time of and out of the distribution of profits to limited partners. Carried interest that has been paid is subject to clawback under certain circumstances as set forth in each Private Investment Fund's governing documents.

It is expected that any future Private Investment Funds will have a similar fee structure.

General

While Sterling's fees are generally not negotiable, the firm reserves the right to waive its fees for certain investors. In particular, the management fee and the carried interest for certain limited partners in the Private Investment Funds who are employees of Sterling or family members of such

employees, generally will be waived or reduced at the discretion of Sterling.

Other Expenses

In addition to management fees and carried interest, each Private Investment Fund (and indirectly its limited partners) is required to pay all fees, costs, expenses, liabilities and obligations relating to the Private Investment Fund's (and its subsidiaries' and intermediate entities') activities, investments and business to the extent not paid or reimbursed by portfolio companies. Such fees and expenses are set forth in each Private Investment Fund's governing documents and vary among Private Investment Funds, but typically will include those associated with making or selling portfolio investments, legal and accounting fees, taxes, fund administration fees, commissions and brokerage fees, registration expenses, the cost of directors' and officers' liability insurance and other expenses such as litigation or broken deal expenses (as described further below). To the extent holding or intermediate entities include one or more special purpose acquisition companies ("SPACs"), the relevant Private Investment Fund(s) will bear the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders' equity or similar interests issued thereby that are not held directly or indirectly by the Private Investment Fund, and except where prohibited by the governing documents, such interests are permitted to be issued to Sterling and its personnel.

Expenses relating to proposed Private Investment Fund investments that are not ultimately consummated ("broken deal expenses") are generally allocated pro rata among the participating Private Investment Funds according to the amounts each such Private Investment Fund would have invested in the proposed investments, or by such other allocation method as Sterling believes, in good faith, would be more fair and equitable under the circumstances. Broken deal expenses are not generally allocated to any limited partner or third party co-investors unless otherwise negotiated with such co-investors.

Each Private Investment Fund (and indirectly its limited partners) is also responsible for the costs and expenses relating to the organization of such Private Investment Fund, including travel, printing, legal, filing and accounting fees and expenses, up to a certain amount, as described in the offering materials and/or governing documents of such Private Investment Fund. Any such organizational expenses paid by a Private Investment Fund in excess of the specified amount for each Private Investment Fund will be applied to reduce management fees payable by such Private Investment Fund. A Private Investment Fund is also required to pay any placement agent fees that are incurred in connection with the marketing and offering of interests in such Private Investment Fund, provided, that any such payments will be applied to reduce the management fee payable by the Private Investment Fund, as described under Item 14 – *Client Referrals and Other Compensation*. Each Private Investment Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Private Investment Fund's strategy, including in side letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant general partner has committed in making investments on behalf of the Private Investment Fund. Additionally, subject to the governing documents, a Private Investment Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Private Investment Fund invests.

Detailed information regarding all of the costs and expenses to be paid by each Private Investment Fund is contained in the relevant fund's offering materials and governing documents.

Other Compensation

Sterling expects to receive certain transaction fees, director's fees, consulting fees, monitoring fees, termination fees and other similar fees in connection with a potential investment or investment (collectively, "Advisory Fees") and is also generally authorized to receive "breakup" fees in connection with transactions which are not consummated. A percentage of the Advisory Fees Sterling receives will be applied to reduce the quarterly management fee payable by the applicable Private Investment Funds, and "breakup" fees will be used to pay or reimburse the applicable Private Investment Funds for costs and expenses incurred by such Private Investment Fund in connection with any transaction (whether or not consummated) for which such Private Investment Fund has not previously been reimbursed, in each case as detailed in the governing documents of the Private Investment Funds. In applying the management fee reduction for Advisory Fees, the portion of Advisory Fees received by Sterling that is attributable to any co-investors' interest in a portfolio company (including interests held by the Credit Funds and whether made directly in such portfolio company or through a co-investment vehicle) is not counted (*i.e.*, such portion will either be retained by Sterling or allocated to co-investors and not applied as a reduction to the relevant Private Investment Fund's management fees). For purposes of the foregoing sentence, certain management rollover interests in a portfolio company are not considered to be part of a co-investor's interest in such portfolio company, and accordingly are counted when applying the management fee reduction for Advisory Fees.

Depending on the timing of the payment of Advisory Fees to Sterling, limited partners in a Private Investment Fund will not receive the benefit from a reduction of the management fee to the extent such Private Investment Fund is no longer charging management fees at the time the Advisory Fees are paid. For certain Private Investment Funds, the governing documents of such Private Investment Fund provide limited partners with a right to elect to receive their proportionate share of any such Advisory Fees that were not applied to reduce management fees.

Sterling generally receives ongoing monitoring or advisory fees from portfolio companies either annually or quarterly in advance. If a portfolio company investment is realized during such a quarterly or annual period, Sterling is not obligated to refund the portfolio company for the period of time for which it will not provide services.

Detailed information regarding the types and amounts of Advisory Fees that offset the management fees otherwise payable by a Private Investment Fund, and the mechanics for such offset, is provided in the offering documents and/or governing documents of such Private Investment Fund.

Special Consultants

Additionally, as described in the governing documents of the Private Investment Funds, Sterling generally reserves the right to retain certain other companies and individuals ("Special Consultants") to provide services to, or in connection with one or more Private Investment Funds or certain current or prospective portfolio companies. Such Special Consultants generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies. Special Consultants receive compensation that generally includes, without limitation, cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits, participation or equity interest in a portfolio company or holding company or other incentive-based compensation determined according to one or more methods. Additionally, portfolio

companies from time to time will provide opportunities for Special Consultants to invest in such portfolio company and reimburse costs and expenses incurred by Special Consultants. Special Consultants are also expected to receive remuneration from Sterling and/or a Private Investment Fund or affiliates and/or be entitled to other forms of compensation, including equity grants in portfolio companies. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Private Investment Funds' investment, and the relevant Private Investment Fund typically will bear the costs of all Special Consultants compensation as well as fees, costs and expenses of structuring Special Consultant arrangements. Such investment opportunities, reimbursements and other compensation paid to a Special Consultant generally will not offset the Management Fee.

Item 6 – Performance Based Fees and Side-by-Side Management

As discussed under Item 5 - *Fees and Compensation* above, each Private Investment Fund pays a carried interest of up to 20% to the general partner of such Private Investment Fund. The Sterling general partners' receipt of performance fees create an incentive for Sterling and its affiliates to make more speculative investments than it would otherwise make in the absence of performance-based compensation. In order to minimize adverse consequences that might result from this risk, Sterling, through its affiliates, manages each Private Investment Fund in accordance with the investment strategies it has developed for such Private Investment Fund. Furthermore, the offering documents of a Private Investment Fund disclose material risks inherent in the investment strategies of a Private Investment Fund.

The relevant governing documents of each Private Investment Fund permit the general partner of the Private Investment Fund to offer limited partners or third parties co-investment opportunities. Such potential co-investors include investors in the Private Investment Funds, employees or related persons of Sterling, financing sources, portfolio company management, and others. Co-investors participate directly in a portfolio company or through a vehicle controlled by Sterling. Depending on the structure of a co-investment, Sterling will have discretion with respect to co-investment acquisitions or dispositions. The terms of any co-investment is negotiated by Sterling and the potential co-investor on a case-by-case basis in their respective sole and absolute discretion. Subject to the terms of a Private Investment Fund's governing documents, Sterling reserves the right, in its discretion, to (i) charge carried interest, management fees or other similar fees to co-investors and (ii) collect customary fees in connection with actual or contemplated investments that are the subject of such co-investment arrangements.

Item 7 – Types of Clients

Sterling provides investment advice solely to its Private Investment Fund clients, and references throughout this Brochure to Sterling's related duties to and practices on behalf of its clients and/or investors should be construed accordingly. Private Investment Funds include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds generally include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, partners or other personnel of Sterling and its affiliates, as well as executives of portfolio companies.

The Private Investment Funds generally have a minimum investment amount of \$5 million for third-party investors, and Private Investment Fund interests are offered and sold solely to investors who are qualified purchasers and accredited investors who are also qualified clients (or qualified knowledgeable Sterling personnel). Sterling generally is permitted to waive such minimum investment amount.

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

Investment Strategies and Methods of Analysis

Sterling is a private investment firm specializing in acquiring controlling equity interests and minority mezzanine and second lien loans in middle-market companies and improving them through a combination of strategic and operational initiatives.

Once Sterling has identified a potential investment opportunity for the Private Investment Funds, it will undertake a comprehensive due diligence process, consisting of the following components, as relevant:

- Preparation of a preliminary financial model and collecting and analyzing industry, company specific and management information;
- Thorough study of the target company's industry, market share, competitive strengths and weaknesses, and internal operations, utilizing industry professionals or consultants to supplement internal findings and opinions where appropriate.
- Assessment of the target's management team, and, if management is underqualified (or does not exist) initiation of a search for qualified candidates. In these circumstances, Sterling will confirm that it can provide the operating resources to temporarily assume management responsibilities until qualified personnel are hired.
- Evaluation of the internal operations of the business, including (i) understanding components of cost and customer and product line profitability; (ii) identifying opportunities to streamline manufacturing processes and improve capacity utilization; (iii) identifying opportunities to improve product mix and quality; and (iv) developing strategic plans for internal growth and growth through acquisitions.
- Confirmatory due diligence conducted by outside professionals on matters such as accounting, tax, legal, environmental, human resources, technical (if necessary), risk management and employee benefits.

Risk of Loss and Risks Associated with the Investment Strategies

An investment in any Private Investment Fund should be considered a speculative investment, and is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in such Private Investment Fund. No guarantee or representation is made that the Private Investment Fund will achieve its investment objective or that limited partners will receive a return of their capital. Interests in a Private Investment Fund will not be registered under the federal securities laws and their transfer will be limited under federal and state securities laws and under the terms of the governing documents of such Private Investment Fund. There will be no public or private market in which Private Investment Fund interests are sold. Consequently, each limited partner should view any investment in a Private Investment Fund as a long-term investment which it will not

be able to liquidate for an indefinite period of time. Investors in any Private Investment Fund should be prepared to bear the loss of their investment.

Sterling's investment strategies and methods of analysis involve numerous risks that an investor or prospective investor should consider before making an investment in any Private Investment Fund that employs such strategies and methods of analysis. Set forth below is a description of some of these material risks. The following list of material risks is not intended to be an exhaustive list of the risks relating to Sterling's investment strategies and methods of analysis, and the descriptions of such risks herein are not intended to be comprehensive. Investors and prospective investors in any Private Investment Fund should review the offering documents with respect to such Private Investment Fund for a detailed description of the risks associated with an investment in such Private Investment Fund.

Investments in the Private Investment Funds are subject to many material risks, including the following:

General Business and Management Risk

Investments in portfolio companies subject the Private Investment Funds to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly and adversely affect the portfolio company's performance. While in all cases Sterling will monitor the management of portfolio companies, the day-to-day management of the portfolio companies is the responsibility of such portfolio company's executives and officers.

Risk of Limited Number of Investments and Portfolio Valuation

Since each Private Investment Fund expects to make a limited number of investments and such investments generally will involve a high degree of risk, poor performance by even a single portfolio company could severely affect the total returns to investors.

Lack of Sufficient Investment Opportunities

The business of identifying, structuring and completing private equity and credit transactions is highly competitive. The Private Investment Funds will be competing with a significant number of private equity and credit funds, as well as institutional investors, for suitable investments. In addition, it is possible that a Private Investment Fund will be unable to identify enough attractive investments. As a result, there can be no assurance that the Private Investment Funds will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve their targeted rate of return or fully invest their respective committed capital.

Liquidity Issues

The Private Investment Funds will invest in certain instruments where there is likely to be no actively traded market. Moreover, many of the Private Investment Funds' investments will be held by relatively few other investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, the Private Investment Funds

may find it more difficult to sell such instruments when Sterling believes it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to the Private Investment Funds can be further limited. Finally, dispositions of investments sometimes are subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

Leverage

The Private Investments Funds are expected to make use of leverage by incurring or causing certain portfolio companies to incur debt to finance a portion of such Private Investment Fund's investments in such portfolio companies, including in respect of portfolio companies not rated by credit agencies. Leverage generally magnifies both the Private Investment Fund's opportunity for higher returns and its risk of loss from a particular investment, and the magnification of the risk of loss has the possibility to be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets (which are impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast. As a result, at times it will be difficult for the Private Investment Fund and/or portfolio companies to obtain or maintain the desired degree of leverage. The use of leverage by a portfolio company typically results in restrictive financial and operating covenants on such portfolio company, in addition to the burden of debt service, and in certain circumstances will impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Private Investment Fund's investments to any deterioration in such portfolio company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Private Investment Fund's investments in the leveraged portfolio companies in a market downturn. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, it is possible for the Private Investment Fund to suffer a partial or total loss of capital invested in such portfolio company, which would adversely affect the Private Investment Fund's returns.

A Private Investment Fund reserves the right to borrow money or guarantee indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations it is not expected that the Private Investment Fund would be compensated for providing such guaranty or exposure to such liability. Although use of such borrowing facilities enhances Sterling's ability to close transactions quickly, such activity also increases risk and raises the possibility that Sterling will need to call additional capital to pay off such debt. Any use of leverage by the Private Investment Fund generally will result in fees, interest expense and other costs to the Private Investment Fund that can exceed, or otherwise not be covered by, distributions made to the Private Investment Fund or appreciation of its investments.

Subscription Lines

A Private Investment Fund is authorized to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Private Investment Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, any limited partner claim against the Private Investment Fund would likely be subordinate to the Private Investment Fund's obligations to a subscription line's creditors. The general partner is authorized to use fund-level borrowing to pay management fees and to reimburse Sterling for expenses

incurred on behalf of the Private Investment Fund.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to the maintenance, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the governing documents, it often will be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Private Investment Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Private Investment Fund's reported net returns in certain methods of calculation.

A credit agreement generally contains other terms that restrict the activities of a Private Investment Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on Sterling's ability to consent to the transfer of a limited partner's interest in the Private Investment Fund or impose concentration or other limits on the Private Investment Fund's investments. In addition, as necessary in order to secure a subscription line, Sterling will request certain financial information and other documentation from limited partners to share with lenders. Sterling will have significant discretion in negotiating the terms of any subscription line and terms will not necessarily be the most favorable to one or more limited partners.

Valuation of Assets

There is not expected to be an actively traded market for most of the securities owned by the Private Investment Funds. When estimating fair value, Sterling will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstances of the respective investments. Valuations are subject to levels of review and final approval by the valuation committee comprised of certain senior Sterling Group personnel, including its Chief Compliance Officer. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values likely will differ from values that would have been determined had an active market existed for such securities and from the prices at which such securities ultimately can be sold. The exercise of discretion in valuation by Sterling gives rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

Material Non-Public Information

As a result of the operations of Sterling and its affiliates, Sterling and its personnel will come into possession of confidential or material, non-public information, including as a result of certain Sterling personnel serving on the boards of directors of portfolio companies. Therefore, Sterling and its affiliates from time to time will have access to material, non-public information relevant to an investment decision to be made by a Private Investment Fund. In such case, a Private Investment Fund will be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, would have been undertaken on account of applicable securities laws or Sterling's internal policies and practices. Due to these restrictions, the Private

Investment Fund occasionally will not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

Outbreaks of Infectious or Contagious Diseases

There have been a number of outbreaks of infectious disease in recent decades, including SARS, H1N1/09 flu, avian flu, ebola and, as of March 2020, there is an outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization has declared a “Public Health Emergency of International Concern.” The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain markets, including equity, debt and commodities markets. The global impact of the outbreak is rapidly evolving, and many governments have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, commodities, hospitality, tourism, entertainment and other industries. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, as well as the scale of such impacts, are increasingly uncertain and difficult to assess.

Any public health emergency, including COVID-19 or other existing or new infectious disease, or the threat thereof, could materially and adversely impact the value and performance of investments; Sterling’s ability to source, manage, value and divest investments; and a Private Investment Fund’s ability to achieve its investment objectives. In addition, the operations of Sterling and investments held by Private Investment Funds may be significantly impacted, or even temporarily or permanently halted, as a result of actual or potential government-imposed quarantine measures, mandatory, voluntary or precautionary restrictions on travel or meetings, and other factors related to a public health emergency, including the potential adverse impact on the finances, freedom of movement or health of any such entity’s personnel. Any of the foregoing events could result in significant losses. The extent of the impact of any public health emergency will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented (including any government-imposed quarantine measures and any voluntary and precautionary restrictions on travel or meetings and the effectiveness of vaccines and the implementation of vaccination programs), the impact of such public health emergency on overall supply and demand, goods and services, investment liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and markets, all of which are highly uncertain and cannot be predicted.

Investment Expenses and Broken Deal Expenses

Investments of the Private Investment Funds will require extensive due diligence, legal, and other costs prior to their consummation and generally will be subject to broken deal expenses if they are not consummated. A Private Investment Fund will pay any fees, costs, and expenses incurred in discovering, developing, negotiating, evaluating, acquiring and structuring any investment opportunities it pursues, whether or not such investments are ultimately consummated. Additionally, a Private Investment Fund likely will enter into agreements that involve payments, such as reverse

break-up fees, by such Private Investment Fund if it does not consummate the transaction. These expenses can be significant and material to a Private Investment Fund. A Private Investment Fund will incur, either directly or pursuant to its obligation to reimburse Sterling for any such expenses advanced by it, expenses—with the potential to be significant—in connection with proposed investments that are not consummated without the opportunity for gain or recoupment of such expenses. Where multiple Private Investment Funds invest in the same company at different times, the first Private Investment Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Private Investment Funds; similarly, to the extent a transaction does not proceed, the first Private Investment Fund to invest typically will bear the full amount of broken deal expenses relating to the transaction, regardless of whether other Private Investment Funds could or would have invested in the company in potential future transactions.

Co-Investments

Where appropriate, Sterling may, but is not obligated to, provide co-investment opportunities to the limited partners of the Private Investment Funds and/or other third parties. Such investments involve additional risks not present in investments where a co-investor is not involved, including, where the co-investor is a third party, the possibility that the third party co-investor has interests or objectives that are inconsistent with those of the Private Investment Funds or are be in a position to take (or block) action in a manner contrary to the Private Investment Funds' investment objectives. Sterling expects from time to time to elect to facilitate co-investments with respect to a particular investment within a certain period of time after such investment is consummated by a Private Investment Fund through subsequent sales or dispositions of portions of such investment to co-investors. If a Private Investment Fund elects to facilitate a co-investment in this manner, it will bear the risk that any or all of the excess portion of such investment will not be sold or will only be sold on unattractive terms and that, as a consequence, among other things, such fund will hold a larger than expected interest in such investment, or will realize lower than expected returns from such investment.

Service Providers

Service providers or affiliates of service providers (including lenders, brokers, accountants, administrators, bankers, consultants, attorneys, and investment banking firms) of the Private Investment Funds are expected to be in a position to provide certain services to employees of Sterling and Sterling itself with respect to non-fund related matters. Sterling reserves the right to recommend to a Private Investment Fund or a portfolio company that it contract for services with such service providers. The receipt of services with respect to non-fund related matters has the capacity to influence, or create the appearance of influencing, Sterling's decision whether to select such service provider for Sterling or the Private Investment Funds or whether to recommend such service provider to a portfolio company. In addition, if such service provider relies or depends on the referrals or direction of Sterling for work performed for a Private Investment Fund, such service provider will be inclined to provide better or more resources to the work of Sterling or Sterling personnel than to the work of such fund. Sterling addresses these conflicts of interest by using reasonable diligence to ascertain whether each service provider provides its service on a "best execution" basis, taking into account factors such as expertise, operational and regulatory controls, availability and quality of service and the competitiveness of compensation rates in comparison with other service providers satisfying Sterling's service provider selection criteria.

In addition, Sterling expects from time to time to enter into arrangements with service providers that

provide fee discounts for certain services. Generally, Sterling will not itself receive, or permit the general partner of a Private Investment Fund to receive, discounts with respect to services that are also provided to the Private Investment Funds or portfolio companies unless such funds or companies are charged similar rates. However, a portfolio company will not always enjoy such discounts to the extent it engages such service provider on its own behalf and on independent terms.

Finally, on occasion, employees of certain key service providers engaged by Sterling or the Private Investment Funds invest in the Private Investment Funds. Investments from these parties are subject to the same subscription process as other investors in the funds.

Enhanced Relationships with Certain Limited Partners

In some cases, investors also directly or indirectly (through an affiliate) provide financing, insurance, advisory or other services to Sterling, the Private Investment Funds or one or more of their respective portfolio companies. To the extent Sterling, any such fund or any such portfolio company is seeking a provider of such services, they have incentives to procure such services from an investor (or one of its affiliates) on a basis other than best execution, best price or other similar basis. Such investors sometimes will also be aligned with Sterling, such Private Investment Fund or one or more of their portfolio companies in a manner that gives rise to conflicts of interest to the extent such investors are represented on the respective Private Investment Fund's advisory board.

Nature of Mezzanine and Other Subordinated Investments

Mezzanine and other subordinated debt investments involve a high degree of risk with no certainty of any return of capital. Although mezzanine debt obligations are senior to common stock and other equity securities in the capital structure, they often will be subordinated to large amounts of senior debt and are often unsecured. The ability of the subordinated debt holders to influence a company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. For example, under terms of subordination agreements, senior creditors are typically able to block the acceleration of the mezzanine debt or other exercises by the subordinated creditors of their rights. Accordingly, the Credit Funds will not always be able to take the steps necessary to protect its investments in a timely manner or at all.

If a portfolio company becomes subject to insolvency proceedings in any jurisdiction, the rights of holders of mezzanine and subordinated debt generally will be adversely affected. Such proceedings and related laws and remedies can vary substantially from jurisdiction to jurisdiction, create the right of such portfolio company to avoid certain unfavorable contracts or obligations and result in significant delay and/or limitations on repayment of amounts owed to a Credit Fund. With respect to the Credit Funds' investments in the form of subordinated debt instruments, upon any distribution to the relevant borrower's creditors in a bankruptcy, liquidation or reorganization or similar proceeding, the holders of such borrower's senior and/or secured indebtedness (to the extent of the collateral securing such obligation) generally will be entitled to be paid in full before any payment is made on a Credit Fund's investment. In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to such a borrower, a Credit Fund will typically participate with all other holders of such borrower's indebtedness in the assets remaining after the borrower has paid all of its senior and/or secured indebtedness (to the extent of the collateral securing such obligation). There is no assurance that such borrower will have sufficient funds to pay all of its creditors, in which case a Credit Fund likely would receive nothing, or less, ratably, than the holders of senior and/or secured

indebtedness of such borrower or the holders of indebtedness that is not subordinated.

The Credit Funds are permitted to make equity investments in connection with its mezzanine investments. Certain mezzanine investments are convertible, by the terms thereof, into equity securities after a triggering event. These equity securities will generally be the most junior in what typically will be a complex capital structure, and thus subject to the greatest risk of loss. Depending on fluctuations of the equity markets and other factors, warrants and other equity securities can become worthless.

Credit Risks of Investments in Debt Instruments

Credit portfolios are subject to credit risk, which is the likelihood that a company will default in the payment of principal and/or interest on its obligations, among other covenants and requirements. Financial strength and solvency of a company are key factors influencing credit risk. Companies may face intense competition, changing business and economic conditions or other developments that may adversely affect their performance and increase credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of a Credit Fund's investment. In addition, companies may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If any of the above occurs, a Credit Fund's ability to make anticipated distributions to limited partners could be delayed or otherwise adversely affected (see "Non-Payment of Principal and Interest; Adequacy of Collateral" below)

Interest Rate Risk

Credit portfolios are subject to interest rate risks; changes in the prevailing market interest rates could negatively affect the value of the investments in a Credit Fund's portfolio. The ability of companies or businesses in which a Credit Fund may invest to refinance debt instruments or repay debt obligations (including making payments to a Credit Fund as a creditor with respect thereto) may depend on their ability to obtain financing, including by selling new securities or instruments in the high yield debt or bank financing markets, which at certain points over the last several years have been extraordinarily difficult to access at favorable rates. Volatility and instability in the securities market may also increase the risks inherent in a Credit Fund's investments. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate credit instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Additional factors that may affect market interest rates include inflation, slow or stagnant economic growth or recession, unemployment, international disorders and instability in domestic and foreign financial markets. A Credit Fund expects that it will periodically experience imbalances in its assets and liabilities as a result of changes in interest rates. In a changing interest rate environment, a Credit Fund may not be able to manage this risk effectively. If a Credit Fund is unable to manage interest rate risk effectively, a Credit Fund's performance could be adversely affected. While a Credit Fund may seek to do so, it is not required to hedge its interest rate risk.

Prepayment of Investments

While an investment may have a stated maturity, borrowers may prepay their loans prior to such maturity. Early prepayment, particularly by good credits, reduces a Credit Fund's opportunity to make long-term compounded returns. Later prepayment, particularly by weaker credits, can tie up a Credit Fund's capital in investments which may have a greater risk of default. Either way, the shortening or lengthening of the holding period may prevent a Credit Fund from realizing its projected returns. When credit market conditions become more attractive to issuers, the rate of prepayment of a Credit Fund's portfolio investments would be expected to increase as issuers refinance to take advantage of such improved conditions, which may negatively impact a Credit Fund. Additionally, a Credit Fund may be unable to reinvest any prepaid loan amounts into other similarly situated investment opportunities or at all.

Non-Payment of Principal and Interest; Adequacy of Collateral

Certain investments are subject to the risk of non-payment of scheduled interest or principal by the issuers with respect to such investments. Such non-payment would likely result in a reduction of income to the Private Investment Fund and a reduction in the value of the investments experiencing non-payment. Although the Credit Funds may make investments that Sterling believes are secured by specific collateral, the value of which typically exceeds the principal amount of the investment at the time of initial investment, there can be no assurance that the liquidation of any such collateral would satisfy the issuer's obligation in the event of payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of an issuer, the Credit Funds could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an investment. Under certain circumstances, collateral securing a Credit Fund investment may be released without the consent of the Credit Fund. Moreover, the Credit Fund's secured loans may be unperfected for a variety of reasons, including the failure to make required filings and, as a result, the Credit Funds may not have priority over other creditors as initially anticipated. First lien loans made by the Credit Funds may, in certain cases, provide a first priority lien over some, but not all, of the assets of the relevant company. The Credit Funds may also invest in second lien loans, high-yield securities, marketable and nonmarketable common and preferred equity securities and other unsecured investments, each of which involves a higher degree of risk than first lien secured loans. Furthermore, a Credit Fund's right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of other secured lenders with respect to some or all of the assets of a company. Certain investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In such cases, a company's ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the company, the occurrence of which is uncertain.

Management of Multiple Private Investment Funds

Various actual and potential conflicts will arise from Sterling's management of multiple Private Investment Funds. If any matter arises that Sterling determines in its good faith judgment constitutes an actual or potential conflict of interest, Sterling will take such actions as it deems necessary or appropriate to ameliorate such conflict. There can be no assurance that Sterling will identify or

resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to any particular Private Investment Fund. Certain of these conflicts are described herein.

Other Benefits from Management Activities

In connection with its services to the Private Investment Funds and their investments, Sterling, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Sterling's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Sterling and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Private Investment Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "Sterling Information"). In many cases, Sterling Information will include tools, procedures and resources developed by Sterling to organize or systematize Sterling Information for ongoing or future use. Although Sterling expects its Private Investment Funds and their portfolio companies generally to benefit from Sterling's possession of Sterling Information, it is possible that any benefits will be experienced solely by other or future Private Investment Funds or portfolio companies and not by the Private Investment Fund or portfolio company from which Sterling Information was originally received. Sterling Information will be the sole intellectual property of Sterling and solely for the use of Sterling. Sterling reserves the right to use, share, license, sell or monetize Sterling Information, without offset to management fees, and the relevant Private Investment Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Private Investment Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Private Investment Funds or their respective investors; no such rewards will offset management fees.

Allocation of Investment Opportunities

Sterling currently and expects to continue to sponsor and manage multiple Private Investment Funds. From time-to-time investment opportunities suitable for one Private Investment Fund will also be suitable for other Private Investment Fund. Conflicts of interest arise in determining which Private Investment Funds should participate in investment opportunities. Sterling has established policies and procedures for allocating investment opportunities among the Private Investment Funds. There can be no assurance that investment opportunities identified by Sterling, will be made available to any particular Private Investment Fund. Sterling ultimately will determine the allocation of investment opportunities among the Private Investment Funds in such manner as it determines, in its sole discretion, to be fair and equitable and consistent with the governing documents of the applicable Private Investment Funds and Sterling's investment allocation policies and procedures.

Sterling's allocation of investment opportunities among the Private Investment Funds will not always be proportional, and such allocations will be more advantageous to certain Private Investment Funds than to others. There can be no assurance that the allocation of any investment opportunity among the Private Investment Funds, or the terms on which such allocation is made, will be as favorable as

it would be if the conflicts of interest to which Sterling, is subject did not exist.

Allocation of Expenses

Sterling from time to time will incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of multiple Private Investment Funds. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment will be charged to the applicable portfolio company. To the extent such fees, costs and expenses are not charged to a portfolio company, whether because the investment is unconsummated or for another reason, the fees, costs, and expenses will be allocated in a manner Sterling's believes to be fair and equitable (factors relevant to Sterling's determination include, among others and as applicable, the investment strategies and other characteristics of the participating funds and the stage of the investment process at which progress ceased).

From time to time, Sterling will be required to decide whether and how to allocate costs and expenses among one or more Private Investment Funds, on the one hand, and Sterling. Sterling will make such judgments in accordance with the relevant governing documents, which will from time to time lead an allocation of such costs and expenses other than proportionate basis. To the extent the relevant governing agreements are silent on a certain expense, such judgments will be made by Sterling in its sole discretion.

Investing in Different Levels of the Capital Structure

The Sterling Equity Funds hold interests in portfolio companies that are of a different class or type than the class or type of interests primarily held by a Credit Fund. To the extent that a Sterling Equity Fund invests in equity securities of a portfolio company in which a Credit Fund holds debt instruments, Sterling will be subject to conflicts of interest in determining the terms of such investment and in managing the Sterling Equity Fund's and Credit Fund's interests in such portfolio company on a going-forward basis. Because of the different legal rights associated with equity and debt investments, Sterling will face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of, a Sterling Equity Fund versus a Credit Fund. For example, questions arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt investments should be refinanced or restructured. In troubled situations, certain decisions, including whether to enforce claims, whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring, raise conflicts of interest with respect to a Sterling Equity Fund and a Credit Fund, whose interests are likely to diverge in such situations. For example, in a workout or other distressed scenario the Sterling Equity Fund would likely be adverse to a Credit Fund and might recover all, part or none of its investment while a Credit Fund recovers more or less. Conflicts also arise between the Sterling Equity Funds and the Credit Funds in negotiating the price of the debt securities or interests, the characterization and structure of such debt securities or interests (secured or unsecured), the terms of inter-creditor agreements, the interest rate or stated dividend yield of such securities or interests, the nature of the covenants running in favor of lenders and the other terms and conditions of investment or in addressing subsequent amendments or waivers. There are also conflicts with respect to operational preferences for a portfolio company, as a Sterling Equity Fund likely will desire optimal flexibility to grow the portfolio company, while a Credit Fund likely will want to place tighter restrictions on the type and the amounts of permitted investments and acquisitions.

Sterling will attempt to resolve these and other conflicts in a manner it determines, in its sole discretion, to be fair and equitable. To minimize such conflicts of interest, the Credit Funds reserve the right, but are not obligated to, take a variety of actions, including investing in a minority of any debt class or tranche and/or in such conflict situation agreeing to vote its debt securities in accordance with the debt holders of the same class, or abstaining from voting or from taking certain actions not approved by the other holders of such class. While not required, Sterling reserves the right to seek the approval or recommendation of relevant Advisory Boards if a conflict of interest arises between a Sterling Equity Fund and a Credit Fund.

Item 9 – Disciplinary Information

Sterling and its management persons have not been involved in legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of Sterling or its personnel.

Item 10 – Other Financial Industry Activities and Affiliations

As discussed above, Sterling provides investment advice to the Private Investment Funds. Otherwise, Sterling and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

Sterling's employees and related persons serve as directors and officers of, and provide advice to, publicly traded companies and private companies. Receipt of material non-public information by Sterling's employees and related persons regarding these companies could preclude Sterling from effecting transactions in the securities of such companies.

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

Sterling employees are subject to a Code of Ethics (the "Code"). The Code prohibits personnel from engaging in personal investment activities which compete with or attempt to take advantage of planned portfolio transactions. Among the objectives of the Code is for Sterling to act in its clients' best interests. As such, Sterling employees are prohibited from using the influence of their position to obtain a personal trading advantage.

Subject to certain exceptions consistent with industry requirements (e.g., U.S. government securities, open-end investment companies, etc.), the Code requires employees to report securities transactions each quarter in accounts in which they have a "beneficial interest." Employees must also report any newly opened accounts on an ongoing basis. Additionally employees certify annually in writing regarding holdings and existing accounts as well as compliance with the terms of the Code. The Code also requires employees to receive pre-clearance before entering into purchases and sales (investments and redemptions) involving IPOs or Private Placements. A copy of the Code is available to clients and prospective clients upon request. Investors or prospective investors may obtain a copy of the Code by sending a written request to Sterling Group's Chief Compliance Officer at the address set forth on the cover page of this Brochure.

Sterling and/or its affiliates have an economic interest in the Private Investment Funds and these funds have different investment objectives or considerations. Decisions as to purchases and sales for each Private Investment Fund are made separately and independently in light of their

respective objectives and purposes and will differ, depending on the Private Investment Fund. As such, investment decisions made on behalf of one Private Investment Funds will not always be consistent with investment decisions made on behalf of another Private Investment Funds.

Sterling personnel generally are expected to directly or indirectly own an interest in one or more Private Investment Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as a Private Investment Fund. Co-invest opportunities generally are also expected be presented to third-party investors and other persons, and such co-investments may be effected through co-invest vehicles, directly in a particular portfolio company or through an intermediate entity in a portfolio company's structure. When and to the extent Sterling personnel and related persons make capital investments in or alongside a Private Investment Fund, Sterling is subject to conflicting interests in connection with these investments. Sterling's allocation of co-investment opportunities among the parties and in the manner discussed herein will not necessarily result in proportional allocations among such parties, and such allocations would be more or less advantageous to some such parties relative to others. Such co-investment opportunities generally will be allocated in the manner described under "Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss."

With respect to investments made by Sterling Group Partners III, L.P., it is possible for Sterling personnel to personally invest alongside such Private Investment Fund in certain investments. Such Sterling personnel must obtain the pre-approval of the Chief Compliance Officer before engaging in any transaction in such securities so that the Chief Compliance Officer can evaluate conflicts of interest or other issues resulting from the employee's proposed ownership or disposition. Sterling personnel are authorized to personally invest at the same time as an employee offering by the companies held by such Private Investment Fund. This creates a conflict of interest if Sterling personnel are aware of events that are or may be material to the portfolio company's financial performance that have occurred between the closing of the transaction and the equity offering through the stock participation plan since Sterling personnel would participate at the same closing price of the transaction as the Private Investment Fund.

Item 12 – Brokerage Practice

Sterling focuses on making investments in private securities, thus it does not ordinarily deal with a financial intermediary such as a broker-dealer in connection with the execution of transactions in public securities, and commissions are not ordinarily payable in connection with such investments. To the extent Sterling transacts in public securities for portions of the Private Investment Funds, it intends to select brokers based upon the broker's ability to provide best execution for the Private Investment Funds. Sterling is generally authorized to make the following determinations, subject to the Private Investment Funds' investment objectives and restrictions, without obtaining prior consent from the relevant Private Investment Fund or any of their investors: (i) which securities or other instruments to buy or sell; (ii) the total amount of securities or other instruments to buy or sell; (iii) the executing broker or dealer for any transaction; and (iv) the commission rates or commission equivalents charged for transactions.

In making its decisions regarding the allocation of brokerage transactions for Private Investment Funds, Sterling will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as

prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer or counter party; and (iv) the competitiveness of commission rates in comparison with other broker-dealers. Although Sterling generally seeks competitive commission rates and commission equivalents, including mark-ups, it will not necessarily pay the lowest commission or equivalent. Transactions sometimes involve specialized services on the part of a broker-dealer involved and thereby entail higher commissions and equivalents than would be the case for more routine services.

Brokers through which Sterling effects transactions sometimes provide Sterling with investment research and other products and services that are generally made available to all institutional investors doing business with such brokers. These bundled services are made available to Sterling on an unsolicited basis and without regard to the rates of commissions or spreads charged or paid by Sterling or the volume of business Sterling directs to such broker-dealers. Since these products and services are merely made available by brokers as part of a bundled business package to Sterling, it is Sterling's understanding that such brokers do not set discrete prices for such products and services. Accordingly, Sterling does not separately compensate such brokers for the provision of such services and does not believe that it "pays-up" for such brokers' services since the brokers do not break out the costs for such services.

From time to time, Sterling expects, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders generally would be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of Sterling is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

To the extent a trade error occurs, it will be resolved promptly. Any gain associated with any trade error shall be retained by the affected Private Investment Fund(s) and any loss to a Private Investment Fund resulting from a trade error shall be reimbursed to the relevant Private Investment Fund(s).

Item 13 – Review of Accounts

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Sterling closely monitors companies in which the Private Investment Funds invest and generally maintains an ongoing oversight position in such companies. Partners or other personnel of Sterling serve on a Sterling Equity Fund portfolio company's board of directors or otherwise act to influence management of companies held by the Sterling Equity Funds. In addition, the Sterling Equity Funds' Investment Committee, composed of the entire professional staff of Sterling, with certain senior Sterling personnel who are responsible for each Sterling Equity Fund having formal voting rights, monitors and reviews investments of the Sterling Equity Funds on a regular and recurring basis. The Credit Funds maintain a separate Transaction Evaluation Committee which includes three senior Sterling personnel and requires unanimous approvals for all investment decisions.

Sterling's Chief Compliance Officer is included on the Investment Committee and Transaction Evaluation Committee and periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

The Private Investment Funds will provide to its limited partners (i) annual audited financial statements prepared in accordance with generally accepted accounting principles consistently applied in the United States, (ii) quarterly unaudited financial statements and statement of such limited partner's capital account and changes thereto for such quarter, and (iii) annual tax information necessary for each limited partner's preparation of its tax return.

Item 14 – Client Referrals and Other Compensation

Compensation for Client Referrals

Sterling reserves the right to enter into written agreements with and compensate unaffiliated third parties for soliciting new investors to certain of the Private Investment Funds. Under such agreements, Sterling agrees to pay a placement agent a percentage of the amounts invested into a Private Investment Fund to the extent the investors were referred by the placement agent. Such placement fees are paid initially by the applicable Private Investment Fund, but management fees owed by such Private Investment Fund to Sterling are correspondingly reduced so that Sterling, and not the Private Investment Fund (or its investors), bears the cost of placement fees. The use of a placement agent is fully disclosed to investors referred by such placement agent.

Economic Benefits from Non-Clients

As discussed in Item 5 - *Fees and Compensation* above, Sterling will receive Advisory Fees in respect of services it provides to portfolio companies. The Advisory Fees are agreed upon with each portfolio company in a Management Services Agreement. In cases where a management team is not in place at the time the Management Services Agreement is executed, a Sterling employee will sign the agreement on behalf of both counterparties. Therefore, a conflict of interest exists in the Advisory Fee negotiation process since there is no involvement of an independent representative of the relevant portfolio company. In addition, Sterling is generally authorized to receive "breakup" fees in connection with proposed investments which are not consummated. A percentage of the Advisory Fees Sterling receives will be applied to reduce the quarterly management fee payable by the applicable Private Investment Funds, as detailed in the governing documents of the Private Investment Funds. If Sterling receives any breakup fees in connection with an unconsummated transaction, such breakup fees will be used to pay or reimburse the applicable Private Investment Fund for costs and expenses incurred by such Private Investment Fund in connection with any transaction (whether or not consummated) for which the Private Investment Fund has not previously been reimbursed. The portion of Advisory Fees allocable to co-investors is retained by Sterling in accordance with the relevant governing documents and not applied as a reduction of management fees.

Item 15 – Custody

Sterling and its affiliates have custody over the Private Investment Funds' funds and securities because they serve as the general partners of the Private Investment Funds. With the exception of uncertificated privately offered securities, all assets of the Private Investment Funds are held in

custody by unaffiliated broker/dealers or banks. Limited partners will not receive statements from the custodians. Instead the Private Investment Funds are subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Private Investment Fund's fiscal year end or earlier as required by the relevant governing documents of the Private Investment Funds.

Item 16 – Investment Discretion

Sterling's affiliates, through their positions as general partners, have discretionary authority to manage investments on behalf of the Private Investment Funds. As a general policy, Sterling and the general partners of the Private Investment Funds do not allow investors to place limitations on this authority. Pursuant to the terms of the Private Investment Funds' governing documents, however, Sterling's general partners have entered, and expect to enter, into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in the Private Investment Funds are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Sterling and the general partners assume this authority pursuant to the terms of the governing documents and powers of attorney executed by the limited partners of the Private Investment Funds.

Item 17 – Voting Client Securities

Sterling focuses on securities transactions of private companies and therefore generally the Private Investment Funds portfolio companies typically do not issue proxies. On occasion, Sterling will receive proxies in connection with its publicly traded portfolio companies, in which case it is Sterling's policy to exercise the proxy vote in the best interest of the Private Investment Funds, taking into consideration all relevant factors, including without limitation, acting in a manner that Sterling believes will (i) maximize the economic benefits to the Private Investment Funds and (ii) promote sound corporate governance by the issuer. On rare occasions, Sterling is required to exercise a vote for a privately-held portfolio company, in which case the same procedures apply.

Sterling has adopted a Proxy Policies and Procedures (the "Proxy Policy") to address how it will vote proxies, as applicable, for the Private Investment Funds' portfolio investments. The Proxy Policy seeks to ensure that Sterling votes proxies (or similar instruments) in the best interest of the Private Investment Funds, including where there are material conflicts of interest in voting proxies. Sterling generally believes its interests are aligned with those of the Private Investment Funds' investors through the Sterling's beneficial ownership interests in the Private Investment Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is a conflict of interest in voting proxies, the Proxy Policy provides for use of several alternatives to address the conflict, including by seeking the approval or concurrence of the relevant Private Investment Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the relevant Private Investment Fund's advisory board is authorized to approve Sterling's vote in a particular solicitation. Sterling does not consider service on portfolio company boards by Sterling personnel or Sterling's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Sterling

when voting proxies on behalf of the Private Investment Funds. A copy of the Proxy Policy is available to clients and prospective clients upon request. Investors or prospective investors may obtain a copy of the Proxy Policy by sending a written request to Sterling Group's Chief Compliance Officer at the address set forth on the cover page of this Brochure. In addition, information regarding how Sterling voted proxies for particular portfolio companies if available to investors in the relevant Private Investment Funds upon written request to Sterling Group's Chief Compliance Officer at the address set forth on the cover page of this Brochure.

Sterling is authorized to direct the Private Investment Funds' participation in class actions. The relevant deal team will determine whether Private Investment Funds will participate in a recovery achieved through class actions.

Item 18 – Financial Information

Sterling does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

Sterling has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.