

INVESTMENT ADVISER BROCHURE

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ITEM 1. COVER PAGE

Important Disclosure:

This brochure dated March 30, 2023, provides information about the qualifications and business practices of Sterling Investment Partners Advisers, LLC and its affiliated funds (“**Sterling Advisers I**”), Sterling Investment Advisers Management, LLC, an affiliated entity formed to act as the advisor to Sterling Investment Partners II, L.P. and its affiliated funds (“**Sterling Advisers II**”), Sterling Investment Partners Advisers III, LLC, an affiliated entity formed to act as the advisor to Sterling Investment Partners III, L.P. and its affiliated funds (“**Sterling Advisers III**”) and Sterling Investment Partners Advisers IV, L.L.C., an affiliated entity formed to act as the advisor to Sterling Investment Partners IV, L.P. and its affiliated funds (“**Sterling Advisers IV**” and, together with Sterling Advisers I, Sterling Advisers II and Sterling Advisers III, collectively, “**Sterling Advisers**” or the “**Firm**”). If you have any questions about the contents of this brochure, please contact us at 203.226.8711 or our Chief Compliance Officer at macey@sterlinglp.com. Sterling Advisers is registered as an investment adviser with the United States Securities and Exchange Commission (“**SEC**”) under the Investment Advisers Act of 1940 (the “**Advisers Act**”). Registration as an investment adviser does not imply that Sterling Advisers or its employees possess a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Sterling Advisers also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

Item 2 discusses only material changes made since an adviser's last Annual Updating Amendment to its brochure.

This brochure contains several changes from the last Firm brochure dated as of March 31, 2022, including, but not limited to updates to risk factors and conflicts. In addition, Sterling Advisers routinely makes updates throughout the brochure to improve and clarify the description of its business practices, compliance policies, and procedures, as well as to respond to evolving industry best practices.

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ITEM 4. ADVISORY BUSINESS

Sterling Advisers, an investment adviser registered with the SEC, is a Delaware limited liability company formed in December 1999.

Each of M. William Macey, Jr., Douglas L. Newhouse, and Charles Santoro (the “**Fund II Principals**”) is a principal owner of Sterling Advisers I and Sterling Advisers II. M. William Macey, Jr., Douglas L. Newhouse, Charles Santoro and Michael Barr are principal owners of Sterling Investment Partners Advisers III, LLC (“**Fund III Principals**”). M. William Macey, Jr., Douglas L. Newhouse, Charles Santoro, Michael Barr, Joseph Gault and James Soldano are principal owners of Sterling Investment Partners Advisers IV, L.L.C. (“**Fund IV Principals**”), and together with the Fund II Principals and Fund III Principals collectively the “**Principals**”).

Sterling Advisers provides investment advisory services to four private equity funds: Sterling Investment Partners II, L.P. (“**Fund II**”), Sterling Investment Partners III, L.P. (“**Fund III**”), Sterling Investment Partners IV, L.P. (“**Fund IV**” and together with Fund II and Fund III the “**Principal Funds**”), Sterling Investment Partners Side-by-Side II, L.P. (“**SBS Fund**”; the Principal Funds, and the SBS Fund each an “**Existing Fund**” and collectively the “**Existing Funds**” and together with any future private investment fund to which Sterling Advisers provides investment advisory services the “**Funds**”). The general partner of each Existing Fund is owned by the Principals.

Sterling Advisers II, Sterling Advisers III, and Sterling Advisers IV, as affiliates of Sterling Advisers I, are relying on the registration of Sterling Advisers I.

Each Fund is a private equity fund and invests in operating businesses through privately negotiated transactions. Sterling Advisers’ investment advisory services to the Funds consist of sourcing, evaluating and conducting due diligence with respect to investment opportunities, negotiating investments, managing and monitoring investments, working with management teams to build and improve portfolio companies, and achieving dispositions for such investments. The Funds invest primarily in non-public companies, although the Funds can invest in public companies subject to any limits set forth in each Fund’s Governing Documents (as defined below). In addition, the Funds could hold securities of a public company in the event that a portfolio company goes public or is acquired in a transaction in which the consideration received by the Funds includes securities of a public company. When investing in portfolio companies, the Principals and other professionals of Sterling Advisers generally serve on such portfolio companies’ respective boards of directors, generally until the Fund exits the investment. In addition, Sterling Advisers consults with the board of directors and management of the Funds’ portfolio companies on important business and financial matters, including but not limited to: (i) developing and implementing corporate strategy; (ii) budgeting future corporate investments; (iii) acquisitions and divestitures; and (iv) subsequent debt and equity financings. Fund IV held its final closing in January 2023. Prior thereto, Fund IV completed the acquisition of three platform portfolio investments. Fund III is fully invested although it remains able to call capital for additional investments in existing portfolio companies. As of December 31, 2021, Fund II and SBS Fund were invested in only one portfolio company and have ceased to make new investments. Subsequent to December 31, 2021, Fund II and SBS Fund sold their last remaining portfolio investment and are in the process of winding down.

Sterling Advisers provides its advisory services to the Funds in accordance with the investment objectives, investment guidelines and restrictions set forth in the relevant Fund’s confidential private placement memorandum, limited partnership agreement, investment management agreement and other formation and operating documents pertaining to the Fund (collectively, the “**Governing Documents**”). Sterling Advisers’ advisory services for each Fund are detailed in the Fund’s Governing Documents and are further

described below under “Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.” The general investment guidelines and restrictions applicable to any particular Fund are negotiated and fixed at the time that the particular Fund is formed, although there could be subsequent revisions with the consent of the Fund’s limited partners. In accordance with common industry practice, the general partner of a Fund has in certain instances entered into “side letters” or side agreements with certain investors in a Fund whereby the general partner (an affiliate of Sterling Advisers) grants individual investors specific rights, benefits, or privileges not set forth in the Governing Documents. See “Item 8. Methods of Analysis, Investment Strategies and Risk of Loss—Risk of Loss—Side Letters”. Investors in each Fund (known as “limited partners”) participate in the Fund’s overall investment program, but could be excused from a particular investment due to legal, regulatory or other applicable constraints.

As of December 31, 2022, Sterling Advisers manages client assets solely on a discretionary basis in the amount of approximately \$1,985,904,621, which assets consist of capital invested by the Existing Funds, at fair market value (as estimated by Sterling Advisers), and remaining capital commitments to the Existing Funds. All of the capital invested by the Existing Funds consists of investments in private companies, for which no public market values exist. For such investments, the valuation represents an estimate of the fair market value of unrealized investments in accordance with Fair Value Measurements and Disclosures (FASB ASC Topic 820). There can be no assurance that the ultimate realized value of an investment will equal its unrealized value. Sterling Advisers does not manage client assets on a non-discretionary basis.

No individualized investment advice is provided to any particular limited partner of any Fund.

ITEM 5. FEES AND COMPENSATION

Management Fees and Carried Interest

As the investment adviser or manager to a Fund, Sterling Advisers typically charges advisory fees as described in the relevant Fund's Governing Documents. The fees payable to Sterling Advisers can vary from fund to fund and could be different from the fees and compensation payable in respect of any prior or successor fund. Furthermore, as described in more detail in each Fund's Governing Documents, Sterling Advisers reserves the right to waive or reduce fees for certain investors, including employees and others as may be determined in Sterling Advisers' sole discretion. All investors should review the Governing Documents of the relevant Fund in conjunction with this brochure for more complete information on the fees and compensation payable with respect to that particular Fund.

Sterling Advisers generally has received from Funds II, and III, and receives from Fund IV, a management fee ("**Management Fee**") equal to 2.0% of the aggregate capital commitment during the initial investment period, and, during the period from the end of the initial investment period until the end of the term of the Fund, a Management Fee equal to 2.0% of invested capital for Fund II and in the case of Funds III and IV equal to 1.75% of invested capital minus, in each case (a) distributions constituting the cost basis return of capital, (b) unrealized portfolio investments that have been written off in their entirety, and (c) writedowns on portfolio investments that have been written-down by more than 50% of cost (the amounts in clauses (a), (b) and (c) collectively "**Distributions and Writedowns**"). With respect to Fund III and Fund IV, depending on the size of an investor's capital commitment, Management Fees that differ from the foregoing have been negotiated by certain investors.

The general partner of each Principal Fund, which is an affiliate of Sterling Advisers, receives performance based compensation, which is referred to as a "**Carried Interest**", of approximately 20% of calculated net proceeds and is payable only when and if certain threshold amounts are returned to limited partners in accordance with the applicable Fund's limited partnership agreement. If the general partner has received excess cumulative distributions, the Carried Interest distributed to the general partner is subject to a potential "clawback" at the end of the life of the Fund and, in the case of Funds III and IV, at the second anniversary of the expiration or termination of the investment period.

The Principals and employees of Sterling Advisers and their related entities do not pay the Management Fee or Carried Interest. Limited partners of the SBS Fund do not pay a Management Fee or Carried Interest. The SBS Fund was offered to a select group of individuals, including employees of Sterling Advisers and current and former executives of the Fund's portfolio companies, whose participation is generally expected to be beneficial to the Funds or their portfolio companies. In addition, certain limited partners of Fund IV do not pay a Management Fee or Carried Interest on a portion or all of their capital commitments. Such limited partners, and the amount of the commitment on which they do not pay of the Management Fee or Carried Interest are determined in Sterling Advisers' sole discretion. (Subject to certain limitations provided in the Governing Documents of Fund IV). Such limited partners generally include employees of Sterling Advisers and current and former executives of the Fund's portfolio companies, whose participation is generally expected to be beneficial to the Funds or their portfolio companies. For a discussion of conflicts of interest, please see "Item 6. Performance-Based Fees and Side-by-Side Management", "Item 8. Methods of Analysis, Investment Strategies and Risk of Loss—Conflicts of Interest" and "Item 11—Code of Ethics—Participation or Interest in Client Transactions" below.

Portfolio Company Fees

In addition to the Management Fee and the Carried Interest paid to the general partners, Sterling Advisers receives annual monitoring fees from portfolio companies, which such annual monitoring fees are increased during the first year of the investment and during periods in which portfolio company add-on acquisitions or portfolio company dispositions are being pursued, as well as certain advisory fees in connection with portfolio company senior debt financings, pursuant to advisory agreements with those companies.

With respect to Fund II, certain of the fees from portfolio companies, generally any fees received in connection with the acquisition, divestiture and monitoring of portfolio companies, are defined as “**Investment Related**” and offset Management Fees payable by Fund II, while other of these fees, generally any advisory fees related to financings and post initial investment acquisitions by portfolio companies, are not included in Investment Related and do not offset Management Fees payable by Fund II. With respect to Fund II as of December 31, 2014, there are no further Management Fees to offset and therefore all monitoring and advisory fees paid to Sterling Advisers with respect to the Funds’ investment in any portfolio company are retained by Sterling Advisers.

With respect to Fund III and Fund IV, 100% of all monitoring and advisory fees paid to Sterling Advisers by Fund III or Fund IV portfolio companies in excess of \$3.0 million in the aggregate annually per Fund will offset future Management Fees from Fund III or Fund IV, respectively; provided, however, that if there are no future Management Fees to offset, generally Sterling will receive 20%, and pay to the partners of Fund III or Fund IV 80%, of such annual fees from portfolio companies in excess of \$3.0 million; and provided further that any portion of such \$3 million amount not used in any fiscal year occurring prior to the 18 month anniversary of the final closing date of Fund III or Fund IV will be carried forward for application in succeeding fiscal years.

In addition, Sterling Advisers is generally reimbursed by portfolio companies for its out-of-pocket expenses incurred in connection with its activities on behalf of the portfolio company.

Timing of Payments; Termination

Management Fees are payable not more than six months in advance through capital calls made by each Principal Fund to its limited partners, although all or a portion of the Management Fee can be paid out of a limited partner’s share of the Principal Fund’s Current Income, Disposition Proceeds, income from Temporary Investments (as such terms are defined in the Fund’s Governing Documents) and any other cash otherwise available for distribution by the Fund.

Upon termination of the advisory agreement with a Fund, any prepaid unearned fees will be refunded (adjusted on a pro rata basis).

Other Fees and Expenses

All expenses attributable to the organization of the Funds and the sale of interests to the limited partners of each Fund (the “**Organizational Expenses**”) are allocated pro rata according to the capital commitments of the partners of each Fund. At a Fund’s initial closing date, the Fund reimburses the general partner for all organizational expenses incurred by the general partner or any of its affiliates (including Sterling Advisers) allocated to the Funds, up to a specified amount, with the general partner of such Fund bearing any Organizational Expenses in excess of such amount.

In addition to the Management Fee and Carried Interest payable to the general partner, each Fund bears all other costs and expenses of the Fund that are not reimbursed by portfolio companies, including, without limitation, legal, auditing, consulting, financing, accounting and custodian fees and expenses; its allocable share of directors' and officers' insurance covering Sterling Advisers' and its and the Funds' partners, officers and managers; out of pocket expenses incurred in connection with transactions not consummated; expenses of the members of a limited partner advisory committee composed of representatives of the Fund's limited partners; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any) and any taxes, fees or other governmental charges levied against the Fund. Expenses and liabilities incurred in connection with an investment opportunity or potential investment opportunity, including without limitation due diligence and indemnity expenses, are allocated among the Funds pro rata according to the amount invested by each Fund in such investment opportunity or, in the case of an unconsummated portfolio investment, pro rata according to the amount to be invested by each Fund in such opportunity. Sterling Advisers is responsible for certain of its overhead expenses, including salaries and employee benefits, rent, utilities and general office expenses.

The Funds incur other fees and expenses charged by brokers and other third parties, such as investment banking fees, underwriting fees, wire transfer fees, electronic fund fees, fund administration service provider fees, other fees and taxes on brokerage accounts and securities transactions, and costs otherwise authorized by the Fund's Governing Documents or approved by a majority in interest of the limited partners or the limited partner advisory committee. See "Item 12. Brokerage Practices" below for further discussion of the factors that Sterling Advisers considers in selecting or recommending broker-dealers for Fund transactions and determining the reasonableness of their compensation.

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

As described under “Item 5. Fees and Compensation” above, affiliates of Sterling Advisers that act as general partners of the Funds are entitled to receive a Carried Interest allocation on certain realized profits in the Funds. The SBS Fund is not charged Carried Interest. While this practice could present a conflict of interest, Sterling Advisers does not believe this arrangement poses a conflict of interest in practice because the SBS Fund co-invested alongside its respective Principal Fund on an approximate pro rata basis based on committed capital and the percentage of the Funds’ investment in each portfolio company represented by the SBS Fund was de minimis. Furthermore, as described above and in accordance with each Fund’s Governing Documents, Sterling Advisers reserves the right to waive or reduce fees for certain investors, including employees and others as may be determined in Sterling Advisers’ sole discretion.

The Principals, both current and former, as well as certain employees of Sterling Advisers receive the Carried Interest received by the general partners of the Funds.

Performance-based fees or Carried Interest allocation arrangements received by Sterling Advisers related persons create an incentive for Sterling Advisers to make more speculative portfolio investments on behalf of the Fund than it would otherwise make in the absence of such performance-based arrangement. Sterling Advisers, however, subjects each prospective investment to a comprehensive due diligence process and an approval procedure that includes approval by the relevant Principals, and each of the relevant Principals has a significant investment in the Funds.

In addition, if distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property, as determined by the general partner in accordance with procedures specified in the Fund’s limited partnership agreement. An independent appraisal generally will not be required and is not expected to be obtained.

ITEM 7. TYPES OF CLIENTS

Sterling Advisers provides investment advice to the Existing Funds and could, in the future, provide investment advice to other Funds (*i.e.*, investment partnerships or other investment entities formed under domestic or foreign laws and operated as private funds excepted from the definition of investment company under the Investment Company Act of 1940 (the “**Investment Company Act**”) for most purposes). The investors participating in the Funds typically 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 generally include, directly or indirectly, principals or other employees of Sterling Advisers and their affiliates. In general, Sterling Advisers requires that each limited partner in a Fund be an “accredited investor” as defined in Regulation D under the Securities Act of 1933 (the “**Securities Act**”) and, in most cases, a “qualified purchaser” or “knowledgeable employee”, as defined by the Investment Company Act and the rules thereunder.

Investors in the Funds are requested to refer to the Governing Documents of the applicable Fund for complete information on the minimum investment requirement for participation in that Fund. The stated minimum commitment for Fund II (other than the SBS Fund) was \$5 million, although the general partner of that Fund had the right to waive this minimum commitment for certain investors. The stated minimum commitment for Fund III was \$10 million, although the general partner of the Fund had discretion to waive, increase or reduce the minimum investment commitment required for Fund III. The stated minimum commitment for Fund IV is \$5 million, although the general partner of the Fund maintains discretion to waive or reduce the minimum investment commitment required for Fund IV. There is no stated minimum commitment to the SBS Fund.

Sterling Advisers does not currently manage individual investment accounts.

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

General

The Funds seek to achieve long-term capital appreciation by acquiring and building “middle market” companies that Sterling Advisers believes have strong, sustainable competitive advantages and significant opportunities for value creation. Sterling Advisers has adopted an environmental, social and governance (“ESG”) policy, and pursuant to this policy, Sterling Advisers conducts a review of material ESG factors of each prospective portfolio company for any Fund. The Funds’ investment strategy and methods of analysis, and the risks associated with investing in the Funds, including the risk of total loss of capital, are disclosed to investors in the private placement memorandum for their respective Fund. The private placement memorandum and other governing documents were provided to prospective investors at the time such investors were contemplating participating in the respective Fund, and investors should refer to the information in those documents, a portion of which is summarized below. There can be no assurance that Sterling Advisers will achieve the investment objectives of the Funds.

Investment Strategy and Methods of Analysis

Key aspects of Sterling Advisers’ investment strategy and process for identifying, analyzing, acquiring and building companies include:

- Focus on Middle Market Companies. Sterling Advisers defines a middle market company as one with revenues of \$50 million to \$500 million and EBITDA of \$15 million to \$50 million.
- Preferred Partner to Management, Preferred Buyer to Sellers. Sterling Advisers seeks to be the preferred partner to management teams based on its track record of building companies and rewarding successful performance. Similarly, Sterling Advisers seeks to be a preferred acquirer to sellers based on its history of closing transactions as expected and on a timely basis.
- Consistent Value Creation Process. Over its 28-year history, Sterling Advisers has developed a set of investment criteria that generally it applies to investment opportunities focusing on its target industries. These criteria include, but are not limited to:
 - Sustainable competitive advantages: Evidenced by factors such as market leadership, the delivery of differentiated products or services, significant barriers to entry, material ESG issues, prospects for value creation, and the ability to compete on a basis other than price.
 - Strong prospects for value creation: Organic growth through industry growth “tailwind”, market share gains or product line and geographic expansion, add-on acquisitions, actionable opportunities for operating improvements, scalable business model, and potential to disrupt traditional industries through technology.
 - Management strength: Nucleus of emotionally and financially committed managers who possess the vision and desire to move their companies to the next level.
 - Stable business models: Essential products or services that are needed by a diverse set of customers on a recurring basis.
 - Attractive financial characteristics: Strong free cash flow generation and healthy EBITDA margins.

- Sterling Advisers seeks to apply these criteria to investment decisions, but every investment will not necessarily meet all criteria. Sterling Advisers uses these criteria to identify opportunities that it believes have the potential to deliver attractive returns. Sterling Advisers' disciplined adherence to its investment criteria allows it to consistently and quickly assess opportunities. Key industries that Sterling Advisers has focused on include business services, industrial and consumer value-added distribution (including food retailing), niche manufacturing, and transportation and logistics.

Developing an investment thesis for each company. Based on thorough due diligence and dialogue with management, Sterling Advisers develops an investment thesis that represents its vision for the investment. The investment thesis is unique to each investment. A team of Sterling Advisers' investment professionals, typically consisting of at least two partners and one other professional, work on each investment opportunity Sterling Advisers determines to pursue. Based on due diligence and dialogue with management, this team leads the development and refinement of the investment thesis that represents the vision for the investment. Generally, the investment thesis is the overall strategic plan for growth and value creation that is discussed on an ongoing basis by all Sterling Advisers investment professionals, including at the Firm's regularly scheduled meetings. The decision to make an investment requires a super-majority vote of the partners.

In addition to confirming Sterling Advisers' investment thesis and opportunities for value creation, Sterling's due diligence process focuses on the company's market position and sustainable competitive advantages, and seeks to identify material risks facing the company. To support its due diligence efforts, Sterling Advisers supplements the expertise of its investment professionals with the expertise of its operating partners, industry advisors, and additional external resources, which include market research consultants, industry consultants, attorneys, accountants, insurance consultants and background check investigatory firms. The strong working relationship that Sterling Advisers has developed with its due diligence partners enables the Firm to efficiently and systematically conduct due diligence. The Firm's due diligence process typically includes assessment of a target's industry, competitive position, growth opportunities, and investment thesis, based in part on in-depth, blind interviews of a substantial number of customers, as well as evaluation of business model fundamentals and key operational drivers, analysis of quality of earnings and historical cash flows, and consideration of key risk factors. Please see Item 8 for more information regarding operating partners and members of the Advisory Council.

- *Executing the Investment Thesis.* The Sterling Advisers team that is responsible for the investment converts the investment thesis into an action plan, and continually works with management to implement the plan through a process designed to drive growth initiatives and operating improvements, while also seeking to reduce risk. Each plan is tailored to the opportunities and needs of the specific company. Examples of steps to grow companies and drive operating improvements include strategic and add-on acquisitions and mergers; domestic and international expansion; improved internal management information systems and customer facing technology, including mobile applications and websites; productivity and capacity improvements to facilities; and management team development and upgrades. Examples of steps seeking to reduce risk include the implementation of compliance programs that Sterling Advisers believes represent "best practices" and initiatives to diversify suppliers or customers. Typically, at least two of Sterling Advisers' investment professionals, and frequently one of its operating partners or industry advisors, serve on the board of directors of a portfolio company, and a Sterling Advisers partner usually serves in the role of Chairman. The Firm takes a "hands-

on” approach to managing and monitoring investments, continually providing guidance and strategic direction, adjusting the initial investment thesis and action plan as appropriate, and often coaching senior managers. Sterling Advisers supplements formal board meetings and regularly scheduled calls to discuss the action plan and financial performance with frequent, informal meetings and conversations with the managers and operating partners involved in each company. Each portfolio company is usually discussed at the Firm’s regularly scheduled meetings, with a view to extending “best practices” from each company across the Firm’s portfolio companies.

- *Managing to Exit.* Sterling Advisers continually manages its monetization strategy for each portfolio company to seek to determine the optimum timing and method of obtaining liquidity. The ultimate timing and method of divestiture will vary based on a number of factors, including the portfolio company’s historic and anticipated performance, progress in achieving Sterling Advisers’ investment thesis, industry trends, financial and M&A market conditions, the state of the general economy, near term versus potential future returns to investors, and other factors. The Sterling Advisers’ partners typically will contemplate a wide variety of alternatives to achieve liquidity, including outright sales to third parties, public and private equity offerings and recapitalizations. Sterling Advisers typically targets a holding period for portfolio companies of approximately five years, but portfolio companies could be held for shorter or longer periods.

Risk of Loss

The Funds are not suitable for all investors. An investment in the Funds involves a high degree of risk, with the possibility of partial or total loss of capital. Investors must have the financial ability to understand and willingness to accept the risks and lack of liquidity inherent in an investment in a Fund and be prepared to bear partial or total capital losses that might result from portfolio investments. The risks for each Fund include, but are not limited to, the following:

No Assurance of Investment Return. Sterling Advisers cannot provide assurance that it will be able to successfully source, complete and exit portfolio investments, that targeted returns for a Fund’s investment objective will be achieved, or that an investor will receive return of its capital. An investment in a Fund should only be considered by persons who can afford a loss of their entire investment. An investment in a Fund requires a long-term commitment, with no certainty that a Fund will realize its rate of return objectives or that capital loss will not occur. Past performance of investment entities managed by Sterling Advisers and its affiliates is not necessarily indicative of future results.

Operating and Financial Risks of Portfolio Companies. Companies in which a Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, an economic downturn or unexpected litigation or adverse regulatory proceedings. As a result, companies which Sterling Advisers expected to be stable could operate at a loss or have significant variations in operating results and would require substantial additional capital to support their operations or to maintain their competitive position, which might not be available on favorable terms or at all. This could result in a weak financial condition, financial distress or bankruptcy.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive portfolio investments is highly competitive and involves a high degree of uncertainty. Each Fund will be competing for portfolio investments with other private equity investors, as well as individuals, financial institutions, other institutional investors, and corporate buyers. New competitors constantly enter the market. A number of these competitors could have access to more resources and

personnel than Sterling Advisers, lower costs of capital than the Funds, and access to funding sources that are not available to the Funds. Funds could incur significant expenses identifying, investigating and attempting to acquire potential investments which are ultimately not consummated, including expenses relating to due diligence, transportation, extended competitive bidding processes, legal expenses and the fees of other third-party advisers. As a result, the Funds could not recover all of its costs, which would adversely affect returns. There can be no assurance the Funds will be able to identify and complete portfolio investments which satisfy its return objectives, or realize the values of such investments, or that it will be able to invest fully its committed capital.

Use of Leverage. The Funds' portfolio companies have a significant degree of leverage. Such portfolio investments are inherently more sensitive to decreases in revenues and increases in expenses and interest rates, as a result of which recessions, operating problems and other general business and economic risks could have a pronounced effect on the profitability or survival of such companies. Moreover, any rise in interest rates could significantly increase portfolio company interest expense, which could result in an inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the Funds could suffer a partial or total loss of capital invested in the portfolio company. In addition, there can be no guarantee that debt facilities will be available, or available at commercially attractive rates, throughout the term of the Funds' ownership of the portfolio company or when due for refinancing, and the portfolio company can be exposed to materially less favorable terms or rates upon a refinancing.

The Funds incur indebtedness and could enter into guarantees for any purpose related to the operation of the Funds, including, without limitation, to fund investments, cover partnership expenses, organizational expenses and Management Fees, and provide funds for distributions to partners.

Generally, the presence of leverage in the Funds' investments will magnify their volatility and could substantially increase the Funds' risk profile. In the event a specific investment is unable to generate sufficient cash flow to meet a principal or interest payment required to maintain the financing arrangement, the value of a Fund's equity position in that investment and other investments of the Fund could be significantly reduced or even eliminated. As described in more detail in the Funds' Governing Documents, there is no limitation on the amount of leverage that can be used with respect to any particular transaction. In using leverage at the portfolio companies, the Funds' investments could be subject to terms and conditions that include restrictive financial and operating covenants, which might impair the Funds' ability to finance or otherwise pursue the investment's future operations or otherwise satisfy additional capital needs.

To the extent there is not ample availability of financing for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders) the Funds' ability to consummate certain transactions could be impaired. Principal and interest payments on indebtedness will have to be made regardless of the sufficiency of cash flow from investments. There is no assurance that replacement financing will be available or that any replacement financing available will be on favorable terms.

The amount and terms of acquisition financing and Fund level financing available could affect the returns generated by a Fund and the ability to structure potential transactions. While Sterling Advisers will take the availability and terms of financing into consideration when identifying, assessing, and structuring potential investments, a decrease in the ability of a Fund to leverage the investments could adversely affect the returns generated by the Fund and could result in fewer investments being made, therefore reducing the diversification of the portfolio. The volatility of the global credit markets could make it more difficult to obtain favorable financing for investments. During periods of volatility, which often occur during

economic downturns, generally credit spreads widen, interest rates rise, and investor demand for high yield debt declines. These trends result in reduced willingness by investment banks and other lenders to finance new private equity investments and deterioration of available terms. The Funds' ability to generate attractive investment returns for its investors will be adversely affected to the extent the Funds are unable to obtain favorable financing. Moreover, to the extent that such marketplace events are not temporary, they could have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the economy, which could restrict the ability of the Funds to sell or liquidate investments at favorable times or for favorable prices or otherwise may have an adverse impact on the business and operations of the Funds.

The Funds' assets, including any investments made by the Funds and any capital held by the Funds, may be available to satisfy all liabilities and other obligations of the Fund. If a Fund or a portfolio company defaults on secured indebtedness, the lender could foreclose and the Fund could lose its entire investment in the security for such loan. If the Funds become subject to a liability, parties seeking to have the liability satisfied often will have recourse to the Funds' assets generally, would not be limited to any particular assets, such as the asset representing the investment giving rise to the liability, which can include the unfunded capital commitments. In addition, there can be no guarantee that the limited liability of entities by which the Funds acquire assets will be respected.

Tax-exempt investors should note that the use of borrowed funds by the Funds would create "unrelated business taxable income" and should refer to each Fund's Governing Documents for full disclosures of risks.

Line of Credit. Fund III and Fund IV, together with their general partners, are each a party to a loan and security agreement (the "**Fund Level Credit Facilities**") with an unrelated commercial bank to provide short-term liquidity to fund portfolio investments, follow on investments, Fund expenses and to bridge co-investments in portfolio companies that Sterling Advisers intends to obtain from third parties subsequent to the closing of the applicable investment. Advances under the Fund Level Credit Facilities are secured by all capital contributions (and the proceeds thereof), rights to call capital and other rights to payments from Fund III's or Fund IV's partners, as the case may be. Sterling Advisers expects the use of the Fund Level Credit Facilities to fund portfolio investments that will later be repaid by the applicable Fund through capital calls to enhance each Fund's net IRR, due to the delay in calling capital, but to reduce the total net amount returned to the Fund III's partners due to the costs, including interest expense, associated with each Fund Level Credit Facility and paid by the applicable Fund.

Risk of Limited Number of Investments. The Funds participate in a limited number of portfolio investments and, as a consequence, the aggregate return of a Fund could be substantially adversely affected by the unfavorable performance of any single investment.

Private Securities. The Funds invest in privately issued securities, generally of private companies ("Private Securities"). Private Securities have additional risk considerations than investments in comparable public investments. Whenever the Funds invest in companies that do not publicly report financial and other material information, it assumes a greater degree of investment risk and reliance upon Sterling Advisers' ability to obtain and evaluate applicable information concerning such companies' creditworthiness and other investment considerations. Many Private Securities have limited liquidity or are illiquid. Because there is often no readily available trading market for Private Securities, the Funds might not be able to readily dispose of such investments at prices that approximate those at which the Funds could sell them if they were more widely traded. Private Securities are also more difficult to value. Valuation of Private Securities often requires more research, and elements of judgment can play a greater role in the valuation of Private Securities than public securities because there is less reliable objective data available. Private

Securities that are debt securities generally are of below-investment grade quality, frequently are unrated and present many of the same risks as investing in below-investment grade public debt securities. Sterling Advisers also can make debt investments in companies in which it already has an equity interest.

Public Company Holdings. The Funds' investment portfolio can, from time to time, include securities issued by publicly held companies. Such investments have risks that differ in type or degree from those involved with Private Securities. Such risks include, without limitation, potentially greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including employees, directors or other personnel of Sterling Advisers and its affiliates, all of which can result in increased costs.

Financial Market Fluctuations, Economic Downturns, Geopolitical and Other Events. General fluctuations in prevailing acquisition multiples, public market equity valuations and valuation metrics could adversely affect the value of the portfolio investments held by a Fund. Instability in interest rates, including the Board of Governors of the U.S. Federal Reserve System's rapid increases in interest rates over the past year, could increase the risks inherent in a Fund's portfolio investments and negatively impact Sterling Advisers' ability to fulfill a Fund's investment objectives. In addition, recessions, social and political unrest or crises, geopolitical events (such as the Russian invasion of Ukraine) and other conditions, events and crises (such as natural disasters, terrorism, military conflicts or cybersecurity security attacks) could occur that have significant impacts on financial markets and could materially negatively impact a Fund, the financial and operational performance of its portfolio companies, the value of its portfolio investments and negatively impact Sterling Advisers' ability to fulfill a Fund's investment objectives.

Public Health Emergencies. Any public health emergency, including but not limited to any outbreak or re-outbreak or mutation of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could similarly have a significant adverse impact on a Fund and its investments and could adversely affect Sterling Advisers' ability to fulfill a Fund's investment objectives. The extent of the impact of any public health emergency on a Fund's investments and operational and financial performance 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, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, unemployment levels, consumer confidence and spending levels, and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency could materially and adversely impact the value and performance of a Fund's investments, Sterling Advisers' ability to source, manage and divest investments on behalf of a Fund, and the ability to achieve a Fund's investment objectives, all of which could result in significant losses to the limited partners. In addition, the operations of a Fund's portfolio companies, or Sterling Advisers, could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers.

Illiquid and Long-Term Investments. Although portfolio investments by a Fund occasionally will generate some current income, the return of capital and the realization of gains, if any, from a portfolio investment generally will occur only upon the partial or complete disposition of such portfolio investment. While a portfolio investment generally could be sold at any time (subject to applicable law and the terms of any agreements), it generally is not expected that this will occur for a number of years after the portfolio investment is made, and as a result there can be no assurance that a Fund will be able to dispose of portfolio

companies through sale, public offering or otherwise on favorable terms, and there is a risk that disposition of such investments could require a lengthy time period or could result in distributions in-kind to investors. The Funds could not be able to dispose of certain portfolio investments prior to the date a Fund will be dissolved, either by expiration of a Fund's term or otherwise, and in such circumstances there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the limited partners will occur.

Contingent Liabilities Upon Disposition. In connection with the disposition of a portfolio investment, the Funds could be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business, and would be responsible for the content of disclosure documents under applicable securities laws. As a result, the Funds could also be required to indemnify the purchasers of such portfolio investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements could result in the incurrence of contingent liabilities, which would be borne by a Fund. In that regard, limited partners could be required to return amounts distributed to them to fund Fund obligations, including indemnity obligations. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each limited partner that receives a distribution from a Fund in violation of such Act will, under certain circumstances, be obligated to recontribute such distribution to a Fund. In addition, the Funds can sell portfolio investments in public offerings. Such offerings can give rise to liability if the disclosure relating to such sales proves to be inaccurate or incomplete.

Indemnification. The Funds are required to indemnify Sterling Advisers, its general partner, their affiliates and their members, partners, officers, directors, shareholders and employees for liabilities incurred in connection with the affairs of the Funds. Such liabilities can be material and have an adverse effect on the returns to the limited partners. The indemnification obligation of a Fund would be payable from the assets of a Fund, including the unpaid capital commitments of the limited partners. If the assets of a Fund are insufficient, a Fund could recall distributions previously made to the limited partners, subject to certain limitations set forth in a Fund's partnership agreement. Sterling Advisers has purchased liability insurance to protect indemnified parties, the allocable cost of which is reimbursed by the Funds. Members of a Fund's limited partner advisory committee are also entitled to the benefit of certain indemnification and exculpation provisions, as set forth in a Fund's partnership agreement.

Absence of Recourse. The Funds' partnership agreements include exculpation, indemnification and other provisions that will limit the circumstances under which its general partner, Sterling Advisers and others can be held liable to a Fund. In addition, the Funds' partnership agreements contain provisions that, subject to applicable law, (i) reduce or eliminate the duties, including fiduciary and other duties, to which the general partner would otherwise be subject; (ii) waive duties or consent to conduct of the general partner that might not otherwise be permitted pursuant to such duties; and (iii) limit the remedies of limited partners with respect to breaches of such duties. None of the aforementioned limitations or waivers shall constitute a waiver or limitation of any rights which cannot be so limited or waived in accordance with applicable law. Additionally, certain service providers to the Funds, the general partners, Sterling Advisers, their respective affiliates and other persons, including, without limitation, the members of a Fund's limited partner advisory committee, the Principals and other investment professionals, and placement agents, finders and advisers, could be entitled to exculpation and indemnification. As a result, the limited partners could have a more limited right of action in certain cases than they would in the absence of such limitations.

Reliance on Portfolio Company Management. Each portfolio company's day-to-day operations are the responsibility of such company's management team. Although Sterling Advisers is responsible for monitoring the performance of each portfolio investment, there can be no assurance that the existing

management team, or any successor, will be able to operate the portfolio company to achieve a Fund's plans and projected investment returns.

Control Position Risk. The Funds primarily make investments that allow the Funds to acquire control or exercise influence over management and the strategic direction of portfolio investments, and the Funds typically designate a majority of the members of the board of directors of each portfolio company. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, employee benefits and other types of liability in which the limited liability characteristic of business operations generally could be ignored. The exercise of control over a portfolio investment could expose the assets of a Fund to claims by such portfolio companies, its shareholders and its creditors. While a Fund's general partner intends to manage a Fund in a manner that will minimize the exposure of these risks, the possibility of successful claims cannot be precluded.

Risk of Fraud in a Portfolio Company. Although Sterling Advisers performs significant due diligence with respect to each portfolio investment, the risk of fraud cannot be eliminated. In the event of fraud by any company in which a Fund invests, a Fund could suffer a partial or total loss of capital invested in that company. There can be no assurance that any such losses will be offset by gains (if any) realized on a Fund's other portfolio investments.

Cyber Security Breaches and Identity Theft. Sterling Advisers and its affiliates and its portfolio companies' information and technology systems are subject to a number of different threats or risks that could adversely affect the Funds and its investors. Although Sterling Advisers has implemented, and portfolio companies will likely implement, various measures to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and its investors, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Sterling Advisers, the Funds and/or a portfolio company could be materially adversely affected. For example, these systems are subject to damage or interruption from computer viruses, network failures, computer and telecommunication failures, security threats (including ongoing cyber security threats to and attacks on information technology infrastructure), infiltration by unauthorized persons and other security breaches, usage errors by their respective professionals, the increased threat arising from state sponsorship of cybersecurity attacks, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Third parties could also attempt to fraudulently induce employees, customers, third-party service providers or other users of the general partners' and the Firm's systems to disclose sensitive information, including non-public personal information related to investors (and their beneficial owners) and material non-public information in order to gain access to the general partners' or the Firm's data or that of the Funds' investors. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including nonpublic personal information related to investors (and their beneficial owners of investors) and material nonpublic information. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Sterling Advisers', its affiliates', the Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors), material non-public information and the intellectual property and trade secrets and other sensitive information of Sterling Advisers, its affiliates and/or its portfolio companies. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. Any such failure or unauthorized disclosure of data could harm Sterling Advisers', the Funds' and/or a portfolio company's reputation and require a significant investment to remedy the effects of any such failures, subject any such entity and their respective affiliates to legal

claims, increased costs, financial losses, reputational harm, adverse publicity, regulatory intervention, and otherwise affect their business and financial performance. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

The service providers of the Funds are subject to the same information security threats. If a service provider fails to adopt or adhere to adequate data security policies, or if the service provider's network is breached, information relating to the transactions of the Funds and personally identifiable information of the investors (and beneficial owners thereof) may be lost or improperly accessed, used, or disclosed.

Use of Projections. Sterling Advisers will generally establish the pricing of transactions and the capital structure of portfolio companies on the basis of financial, macroeconomic, and other applicable projections for such portfolio companies. Projected operating results will normally be based primarily on management judgments or third-party advice and reports. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There are material risks in relying on projections, including: (1) changes affecting the assumptions used to project performance; and (2) the potential for new variables (such as new governmental programs and legislative or regulatory changes) that can impact actual performance. All projections are only estimates of future results that are based upon, among other considerations, assumptions made at the time that the projections are developed, including assumptions regarding the performance of portfolio companies, the amount and terms of available financing and the manner and timing of dispositions, including possible asset recovery, all of which are subject to significant uncertainty. Assumptions or projections about demand, revenues generated by a portfolio company, growth, stability, costs, profit margins, capital expenditures, asset lives or other factors often, due to various risks and uncertainties including those described herein, differ materially from actual results. There can be no assurance that the projected results will be obtained. General economic, political, regulatory and market conditions, which are not predictable and might not have been anticipated, can have a material adverse impact and cause actual results to differ materially from such projections. Moreover, other experts might disagree regarding the feasibility of achieving projected returns. The Funds will make investments which could have different degrees of associated risk. The actual realized returns on unrealized investments often differ materially from the returns projected at the time of acquisition, which in each case, are not a guarantee or prediction of future results. Because Sterling Advisers considers projections in making decisions, deviation of actual results from the projected could have a material impact on performance.

Inflation. Inflation could affect the Funds' investments adversely in a number of ways. During periods of rising inflation, interest and dividend rates of any instruments a Fund or entities related to portfolio investments could increase, which would tend to reduce returns to investors in the Funds. Inflationary expectations or periods of rising inflation could also be accompanied by the rising prices of commodities which are critical to the operation of certain portfolio companies. During periods of high inflation, capital could flee to other asset classes, which could adversely affect the prices at which a Fund is able to sell its investments. Portfolio companies in certain industries have fixed income streams and, therefore, could be unable to pay higher dividends. The market value of such investments can decline in value in times of higher inflation rates. Some of the Funds' portfolio investments could have income linked to inflation through contractual rights or other means. However, as inflation tends to affect both income and expenses, any increase in income might not be sufficient to cover increases in expenses.

Business Continuity and Disaster Recovery. The Firm's, the Existing Funds' and their portfolio companies' business operations are vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), epidemics and pandemics, terrorist attacks or other circumstances resulting in property damage, network interruption and / or prolonged power outages. Although the Firm has implemented various measures to manage risks relating to these types of events,

there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, the Existing Funds could be adversely affected.

Non-U.S. Investments. Each Fund is permitted invest a portion of its capital commitments in portfolio companies with substantial operations outside the United States. Non-U.S. operations involve certain factors not typically associated with investing in companies primarily operating in the United States, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the portfolio company's non-U.S. operations are denominated; (ii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; (iv) the possible imposition of foreign taxes on income and gains recognized from such operations or distributions therefrom; and (v) differences in applicable legal systems, including the possibility that a Fund could experience difficulty in asserting legal claims or obtaining legal remedies in foreign jurisdictions. In addition, non-U.S. jurisdictions in which a Fund's portfolio companies choose to operate could have similar laws, regulations and market and business conditions to those described with respect to the U.S. herein and accordingly, similar potential risks would apply. There can be no assurance that adverse developments with respect to such risks will not adversely affect a Fund's portfolio companies operating outside the United States.

Additional Capital. A Fund's portfolio companies could require additional capital in the event of an economic downturn, changes in the competitive environment, unexpected litigation or adverse regulatory proceedings or otherwise. In addition, building portfolio companies through add-on or strategic acquisitions has often been a significant element of Sterling Advisers' investment thesis, which could require a Fund to invest additional capital. There can be no assurance that a Fund will have sufficient funds to make additional investments or the ability to do so, or that the portfolio company will be able to obtain such needed capital from third parties on favorable terms or at all. Any decision by a Fund not to make follow-on investments or its inability to make them, or the portfolio company's inability to obtain additional capital from third parties on favorable terms, could have a substantial negative impact on a portfolio company in need of such an investment. If additional capital is obtained from third parties, a Fund's interest in the portfolio company could be diluted or otherwise materially adversely affected.

No Market for Limited Partnership Interests/Transferability Restrictions. The limited partners interests (the "**Interests**") in a Fund have not been registered under the Securities Act or applicable securities laws of any state or non-U.S. jurisdiction. Therefore, the Interests cannot be resold unless subsequently registered under the Securities Act and other applicable laws or an exemption from such registration is available. There is no public market for the Interests and none is expected to develop; therefore it is often difficult to value the Interests. A limited partner will not be permitted to assign or otherwise transfer its Interests in whole or in part without the prior written consent of a Fund's general partner, which can be given or withheld in the general partner's sole discretion. Limited partners cannot withdraw capital from a Fund, except in certain limited circumstances. Consequently, limited partners could not be able to liquidate their investments prior to the end of a Fund's term. Limited partners must be prepared to bear the risks of owning Interests and contributing capital for an extended period of time.

Reinvestment. In general, capital returned to the partners of a Fund from the disposition of a portfolio investment within one year of making the portfolio investment can be retained and reinvested (or recalled for reinvestment) by a Fund's general partner or used (or recalled for use) by a Fund's general partner for any purpose permitted under a Fund's partnership agreement to fund portfolio investments of a Fund. Capital contributions for Management Fees, Fund expenses and Organizational Expenses can be recycled

out of distributions and, accordingly, due to such recycling a partner could, in certain circumstances, be required to fund an aggregate amount in excess of its capital commitment during the term of a Fund.

Material, Non Public Information. By reason of their responsibilities in connection with their business activities (such as serving as a director of a portfolio company), the Principals and other personnel of Sterling Advisers could (i) acquire confidential or material non-public information that they will not be able to use for the benefit of a Fund or (ii) be restricted from initiating transactions in certain securities. Accordingly, a Fund could not be able to initiate a transaction that it otherwise might have initiated and could not be able to sell securities of a publicly-traded portfolio investment that it otherwise might have sold.

Side Letters. The Principal Funds have entered into side letters or other writings with certain limited partners in connection with their subscription for interests, without the approval of any other limited partner, which has the effect of establishing rights under or altering or supplementing the terms of a Fund's Governing Documents. Such rights or terms in any such side letter or other similar agreement have included, without limitation: (i) discounted or other special terms or rights with respect to fees, carried interests or other economic arrangements (including discounts and terms applicable in exchange for closing by a specified deadline or other parameters) with respect to such limited partners; (ii) excuse or exclusion rights applicable to a particular portfolio investment or withdrawal rights from the Fund, including without limitation, as a result of a Limited Partner's specific policies or certain violations of federal, state or non-U.S. laws, rules or regulations, such as so-called "pay-to-play" rules with respect to public pension plan investors; (iii) the General Partner's agreement to cause the Fund to extend certain information rights or additional reporting (including customized reports) to such limited partner, including, without limitation, to accommodate special regulatory or other circumstances of such limited partner, the costs of which will be borne by the Fund; (iv) additional or modified reporting and notice obligations of the General Partner and the Fund; (v) waiver of certain confidentiality obligations; (vi) consent of the General Partner to certain transfers by such limited partner; (vii) restrictions on, or special rights of such limited partner with respect to the activities of the General Partner; (viii) rights or terms necessary in light of particular legal, regulatory or policy characteristics of a limited partner (including with respect to limitations on the potential ability of certain governmental plans to provide indemnification under applicable law); (ix) potential mandatory waivers of compensation as a result of certain violations of law with regard to public pension plan investors; (x) additional obligations and restrictions of the General Partner and the Fund with respect to the structuring of any portfolio investment in light of the legal, tax and regulatory considerations of particular limited partners; (xi) special or more favorable rights granted to anchor or strategic investors; (xii) discounted, waived or other special terms, priorities and rights with respect to co-investment allocation, participation, economic and other terms; (xiii) agreements to assist with the taking or defending of tax positions; (xiv) waivers, or modifications, to venue, submission to jurisdiction, choice of law, agreement to arbitration, conflicts waivers or other provisions of the Governing Documents; (xv) sovereign immunity or other provisions applicable to certain governmental, sovereign, or other similar types of investors (which could, for example, limit the ability to initiate or maintain legal proceedings against such investors in certain jurisdictions); (xvi) rights of the General Partner to waive any requirements of limited partners to execute acknowledgements or other documents in connection with any subscription line or other credit facility; (xvii) certain obligations or restrictions on the General Partner with respect to the exercise of its discretion on certain matters, including amendments, exercising default remedies and waiving confidentiality or terms; (xviii) obligations to disclose the names of any defaulting limited partners and the amount of any default; (xix) statements of expectation regarding the Fund's investment activity, including expected limits on exposure to specific types of assets and leverage; and (xx) agreements that modify the voting rights of certain limited partners, including creating non-voting or proportional voting interests. Any rights or terms so established in a side letter with a limited partner will govern solely with respect to such limited partner and will not require the approval of any other limited partner notwithstanding any other provision of a

Fund's partnership agreement. Absent agreement to the contrary or as required by law, Sterling is not required nor does it expect to disclose the terms of a side letter to any investor not party to such side letter nor to offer comparable terms to such investors.

Risks in Effecting Operating Improvements. The success of a Fund's investment strategy will often depend, in part, on the ability of a Fund to effect improvements in the operations of a portfolio company. Identifying and implementing operating improvements at portfolio companies entails substantial uncertainty. There can be no assurance that a Fund will be able to successfully effect such improvements.

Environmental, Social and Governance Matters. While environmental, social or governance ("ESG") is only one of the many factors the Firm will consider in making an investment, there is no guarantee that the Firm will successfully implement and make investments in companies that create positive ESG attributes while enhancing long-term investor value and achieving desired financial returns. To the extent that the Firm engages with companies on ESG-related practices and potential enhancements thereto, such engagements might not achieve the desired financial and social results, or the market or society might not view any such changes as desirable. Successful engagement efforts on the part of Sterling Advisers will depend on the Sterling Advisers' skill in properly identifying and analyzing material ESG and other factors and their impact-related value, and there can be no assurance that the strategy or techniques employed will be successful. Considering ESG qualities when evaluating an investment could result in the selection or exclusion of certain investments based on the Sterling Advisers' view of certain ESG-related and other factors, and carries the risk that a Fund managed with consideration of ESG-related factors could underperform similar funds that do not take ESG-related factors into account because the market might ultimately have a different view of a particular company's performance than that anticipated by the Firm.

Sterling Advisers' consideration of ESG factors when managing a Fund could affect the Fund's exposure to certain investments, sectors, regions, countries or types of investments, which could negatively impact the Fund's performance depending on whether such investments are in or out of favor. Applying impact investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Firm or any judgment exercised by the Firm will reflect the beliefs or values of any particular investor. In evaluating a company, Sterling Advisers is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause Sterling Advisers to incorrectly assess a company's ESG practices and/or related risks and opportunities. ESG-related practices differ by region, industry and issue and are evolving accordingly, and a portfolio company's ESG-related practices or Sterling Advisers' assessment of such practices can change over time.

Climate Change. The Funds may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions could be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. Physical effects of climate change have the potential to have a material effect on the business and operations of portfolio companies, which could have a material impact on a Fund's performance. Physical impacts of climate change can include such phenomena as increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the Funds may be vulnerable to the following: risks of property damage to the Funds' investments; indirect financial and operational impacts from disruptions to the operations of the Funds' investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the Funds' investments; increased insurance claims and liabilities; increase in energy costs impacting

operational returns; changes in the availability or quality of water, food or other natural resources on which the Funds' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

Custody Risk. As a registered investment adviser, Sterling Advisers is required to maintain certain Fund assets at a qualified custodian, as defined under the Advisers Act. Funds may incur a loss on cash and securities held in custody in the event of a custodian's or sub-custodian's insolvency, negligence, fraud, poor administration or inadequate recordkeeping. Custodial assets maintained at a bank do not typically become part of a failed bank's estate, however, Sterling Advisers' operations could be impacted by the bank's insolvency in certain circumstances. Establishing multiple custodial relationships could mitigate custodial risk in the event of a bank failure but such relationships may be difficult or impossible to establish.

Bank Deposits Risk. Deposits maintained at a Federal Deposit Insurance Corporation ("FDIC") insured bank are covered up to \$250,000 per depositor, per insured bank, for each account ownership category, in the event of a bank failure. Any deposits over \$250,000 in cash at a single bank may be lost in the event that the bank fails. Diversifying banking relationships could serve to minimize the potential uncertainty and destabilizing effect on Sterling Advisers' operations due to concern regarding the financial viability of a single banking institution but such relationships may be difficult or impossible to establish. In addition, valuation of portfolio companies may experience significant price declines, volatility and liquidity concerns as a result of short- and long-term financing to continue operations at normal levels.

Conflicts of Interest

There will be occasions when a Fund's general partner and its affiliates (including Sterling Advisers) encounter conflicts of interest in connection with a Fund. Each Fund's partnership agreement contains provisions that, subject to applicable law, reduce or modify the duties, including fiduciary and other duties, to a Fund and the limited partners to which a Fund's general partner and its affiliates (including Sterling Advisers) would otherwise be subject, provisions that waive or consent to conduct on the part of the general partner and its affiliates (including Sterling Advisers) that might not otherwise be permitted pursuant to such duties, and provisions that limit the remedies of limited partners with respect to breaches of such duties. None of the aforementioned limitations or waivers shall constitute a waiver or limitation of any rights which cannot be so limited or waived in accordance with applicable law. If any matter arises that the general partner determines in its good faith judgment constitutes an actual conflict of interest, the general partner could take such actions as might be necessary or appropriate, within the confines of a Fund's partnership agreement, to address the conflict (and upon taking such actions the general partner will be relieved of any responsibility for such conflict and be deemed to have satisfied its fiduciary duties with respect to such conflict). By acquiring an Interest in a Fund, each limited partner will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest. Sterling Advisers and its partners, members, directors, officers, and employees could in the future engage in further activities that result in additional conflicts of interest not addressed below. The following discussion describes certain conflicts of interest:

Carried Interest. The existence of the general partner's Carried Interest, which is based on a percentage of net realized profits, could create an incentive for Sterling Advisers and the general partner to make more speculative portfolio investments on behalf of a Fund than it would otherwise make in the absence of such performance-based arrangement. The method of calculating the general partners' Carried Interest can result

in conflicts of interest between the general partners and the investors with respect to the management and disposition of investments and the determination of the order, timing, and amount of distributions by the Funds. The general partner clawback creates other misalignments of interests between the general partner and investors, such as an incentive for the general partner to delay the dissolution and liquidation of the Funds if doing so would trigger a clawback obligation. In addition, if distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property, as determined by the general partner in accordance with procedures specified in a Fund's partnership agreement. An independent appraisal generally will not be required and is not expected to be obtained.

Allocation of Expenses. From time to time, Sterling Advisers, the Funds, and/or portfolio companies receive products or services from third parties, the costs and expenses of which are allocable (in whole or in part) between or among Sterling Advisers, the Funds, and/or the portfolio companies. Sterling Advisers allocates expenses among parties in the manner prescribed by the applicable Governing Documents for such Funds and the Firm's expense allocation policies and procedures, and in cases where costs and expenses are properly allocable between or among multiple parties, the allocation would be done in a manner that Sterling Advisers considers to be fair and equitable, taking into account factors such as the actual or estimated relative benefits to each applicable party of the expense-generating item (which typically would include consideration of the Funds' relative position size in an expense-generating investment). A conflict of interest could arise in Sterling Advisers' determination whether certain costs or expenses that are incurred in connection with the operation of the Funds meet the definition of partnership expenses for which the Funds are responsible, or whether such expenses should be borne by Sterling Advisers. The Funds will be reliant on the determinations of Sterling Advisers in this regard. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would be undertaken to correct such circumstance, which might include a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by Sterling Advisers to be the most appropriate corrective measure. There can be no assurance that allocation errors will not arise or that corrective measures will be possible in all circumstances.

Fees from Portfolio Companies. As described in "Item 5. Fees and Compensation", Sterling Advisers and its affiliates enter into management agreements with portfolio companies at the time of acquisition, which could be subsequently amended, pursuant to which Sterling Advisers and its affiliates receive certain cash advisory fees from portfolio companies. Sterling Advisers negotiates the terms of the management agreement with the management teams of the portfolio companies it is acquiring, lenders to such companies and/or significant co-investors, if any. Such management teams generally do not have, or do not exercise, negotiating leverage in the negotiation of the fees and other terms of such management agreements. While Sterling Advisers believes its fee arrangements are reasonable in relation to the services provided, and while the portfolio companies' lenders and any co-investors could impose limits on the fees charged and/or paid on a current basis, there can be no assurance that these fees are on an "arms-length" basis. As also described in "Item 5. Fees and Compensation," certain of such fees offset Management Fees. Except to the extent of such offsets, a Fund's net return on portfolio investments could be reduced by the amount by which payment of such fees, taking into account tax deductibility, increases a portfolio company's net debt at disposition. Any such reduction in net return would also reduce the Carried Interest payable to an affiliate of Sterling Advisers. Nevertheless, Sterling Advisers would have an incentive to charge such fees for a number of reasons, including because these fees generally are paid immediately, are not subject to "clawback" (unlike Carried Interest), and would be, together with Management Fees, the only return Sterling Advisers and its affiliates receive in the event that a Fund does not generate sufficient returns to pay Carried Interest.

Valuation of Unrealized Investments. The capital invested by the Funds generally consist of investments in private companies, for which no public market values exist. Accordingly, valuations rely heavily on management judgment and estimates of unobservable inputs. As a result, the fair market value of the capital invested by the Funds will represent an estimate of the fair market value of unrealized investments in accordance with Fair Value Measurements and Disclosures (FASB ASC Topic 820). These valuations are subject to review at year end by the Funds' auditors and the advisory committee. Sterling Advisers could have an incentive to establish a higher value for unrealized investments in order to show a stronger investment performance, particularly when it is engaged in raising a new private investment fund. In addition, Sterling Advisers has an incentive to establish higher valuations of portfolio investments in order to avoid a write-down that would reduce the amount of invested capital on which Management Fees are paid after the end of the Funds' commitment period. The carrying value of an investment will not necessarily reflect the price at which the investment is ultimately sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation methodologies used to value any investment will involve subjective judgments and projections and might not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which might not turn out to be correct. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond Sterling Advisers' control. There can be no assurance that the ultimate realized value of a portfolio investment will equal or exceed its unrealized value.

Allocation of Co-Investment Opportunities. From time to time certain investors that have indicated an interest in receiving co-investment opportunities and have co-investment capabilities are offered co-investment opportunities in portfolio investments of a Fund. This allocation of co-investment opportunities can present a conflict of interest as Sterling Advisers has an interest in offering such opportunities to investors as an incentive to invest in a Fund or a future private investment fund advised by Sterling Advisers or an affiliate. There are a variety of different relationships potential co-investors have with the Funds, the general partners, or the Firm, that can create potential conflicts of interest for the general partner in determining any co-investment strategy. Fee and expense arrangements for co-investors are often different from those of the Funds, and generally, co-investors are not charged either a management fee or carried interest with respect to their co-investments. The general partners in its sole discretion on a case-by-case basis, have the right to enter into preferential economic arrangements for the benefit of one or more co-investors, which could impact allocation decisions.

Additionally, the Funds and co-investors could have different investment objectives and limitations, such as return objectives and maximum hold periods. Sterling Advisers, as a result, could have conflicting incentives in making decisions with respect to such opportunities. Even if the Funds and any such parties invest in the same assets on similar terms, conflicts of interest could still arise as a result of differing investment profiles of the investors, among other items. Furthermore, it is possible the Funds' interests could be adversely affected by virtue of such co-investors' involvement and actions relating to its investment. Sterling Advisers has adopted an investment allocation policy to address conflicts of interest that could arise as a result of the allocation of co-investment opportunities. See "Item 12. Brokerage Practices" for information on how Sterling Advisers allocates co-investment opportunities.

Other Activities. The Principals and Sterling Advisers' other investment professionals anticipate devoting a majority of their business time to the Funds' investment program during the commitment period and thereafter intend to devote appropriate time to the business affairs of the Funds. However, the Principals and other investment professionals will participate in other activities, including fund raising and activities with respect to future private investment funds with respect to which they would receive management fees and carried interest. Sterling Advisers believes that the significant investment of the Principals in the Funds, as well as the Principals' interest in the Carried Interest with respect to the Funds, operate to align, to some extent, the interest of the Principals with the interest of the investors in the Funds. Nevertheless, such other

activities could adversely affect the time commitment to the Funds on the part of the Principals and Sterling's other professionals.

Additionally, the Principals and/or other employees of Sterling Advisers are subject to a variety of conflicts of interest relating to their responsibilities to the Funds and their respective investments, and their outside business activities as members of investment or advisory committees or boards of directors or advisers to corporations, foundations or other organizations (including certain companies in which the Funds have an interest) with or without compensation. In addition, any such person who so serves will devote a portion of their time in the future to their duties associated with such positions. The Principals are also investors in certain other investments and have the right, as described in the relevant Fund's Governing Documents, to make certain investments for their own benefit. The Principals will devote a portion of their time in the future to the management of such investments. Also, subject to the relevant Governing Documents and Sterling Advisers' policies and procedures, Sterling Advisers personnel could be permitted to invest in alternative investment funds, real estate funds, hedge funds and other investment vehicles, as well as securities of other companies, some of which could be competitors of the Funds. Investors will not receive any benefit from any such investments, and the financial incentives of Sterling Advisers personnel in such other investments could be material than their financial incentives in relation to the Fund.

Diverse Limited Partner Group. Some limited partners have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests of individual limited partners can relate to or arise from, among other things, the nature of portfolio investments made by a Fund, the structuring or the acquisition of portfolio investments and the timing of disposition of portfolio investments. As a consequence, conflicts of interest could arise in connection with the decisions made by a Fund's general partner, including with respect to the nature or structuring of portfolio investments that could be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring portfolio investments appropriate for a Fund, its general partner will consider the investment and tax objectives of a Fund and the partners as a whole, not the investment, tax or other objectives of any limited partner individually.

Certain limited partners will have representatives on a Fund's limited partner advisory committee. The limited partner advisory committee will have a role in certain matters regarding a Fund, including with respect to certain conflicts of interest, in each case as provided in a Fund's partnership agreement. A Fund's partnership agreement provides that to the fullest extent permitted by law, (i) none of the members of the limited partner advisory committee, nor the limited partners and/or investors in any parallel fund on behalf of whom such members act as representatives, if applicable, shall owe any duties (fiduciary or otherwise) to any other limited partner in respect of the activities of the limited partner advisory committee, other than the duty to act in good faith; and (ii) in taking or omitting to take any action, a member of the limited partner advisory committee is permitted to act solely in the interests of the limited partners and/or investors in the parallel funds, which it represents, if applicable, and the same shall not be deemed (in and of itself) to violate its duty of good faith. Furthermore, any member of the limited partner advisory committee could have various business and other relationships with Sterling Advisers and its partners, employees and affiliates. The presence of these other relationships could influence their decisions as members of such committee.

Related Party Transactions. From time to time, Sterling Advisers recommends to portfolio companies that they utilize the services of qualified persons who are relatives of the Principals where in Sterling Advisers' judgment there is a professional competency to perform services for the portfolio companies. Sterling Advisers' Code of Ethics provides that a Principal will recuse himself from any decision regarding the engagement of any of his family members by a portfolio company. Sterling Advisers believes that any

compensation payable to these persons is reasonable and comparable to compensation that would be paid to unrelated third parties; however, there can be no assurance that this is the case.

Operating Partners and Members of the Advisory Council. Sterling Advisers seeks to have, one or more operating partners, who are persons with operating experience that assist portfolio companies at the request of Sterling Advisers. Operating partners generally hold positions with and/or provide services to, and are compensated by, portfolio companies and generally participate in any equity incentive plans of the relevant portfolio company. The portfolio company would otherwise fill these positions and/or obtain these services from another individual or entity. Operating partners on occasion also consult with Sterling Advisers on Sterling Advisers related matters and are generally compensated separately by Sterling for those services. Because of these activities for Sterling Advisers, operating partners are typically subject to the Sterling Advisers' Code of Ethics (which is described in Item 11). However, operating partners are not employees of Sterling Advisers or the Funds.

Members of the Advisory Council are persons with operating experience that assist portfolio companies at the recommendation of Sterling Advisers. Members of the Advisory Council generally hold positions with and/or provide services to, and are compensated by, portfolio companies, and could participate in any equity incentive plans of the relevant portfolio company. Sterling Advisers believes the portfolio company would otherwise generally obtain these services from another individual or entity. Advisory Council members are not compensated by Sterling Advisers and are not subject to Sterling Advisers' Code of Ethics.

Certain Service Providers. Certain entities in the business of providing debt financing, financial advisory, accounting, administration, banking, brokerage, legal, consulting or other relevant services to companies ("Service Providers") have, from time to time, invested in a Sterling Advisers Fund, provided goods or services to Sterling Advisers, a Fund or a portfolio company, acted as a member of a Fund's advisory committee or sourced investment opportunities or co-investors or counterparties for a Fund, or have an affiliate that has done so, and Sterling Advisers expects that Service Providers (or their affiliates) could do so in the future. Additionally, a Service Provider or its affiliates could have business, personal, political, financial or other relationships with Sterling Advisers, a Fund, a portfolio company or their respective personnel, or personnel of Sterling could have similar interests in a Service Provider. To the extent that a Service Provider charges different rates or has different arrangements for services provided to Sterling Advisers or its affiliates, as compared to services provided to the Funds and their portfolio companies, Sterling Advisers or its affiliates could receive more favorable rates or arrangements than of the Funds or such portfolio companies.

Although the costs of a Service Provider are generally borne, directly or indirectly, by the Funds, Sterling Advisers has an incentive to select, or to encourage a portfolio company to select, a particular Service Provider based on these relationships or interests rather than a different Service Provider that could potentially provide more economical or effective services. Notwithstanding the foregoing, Sterling Advisers seeks to select or recommend Service Providers based on its assessment of which Service Provider relationship would be consistent with the best interests of the portfolio company and Sterling Advisers' judgment as to whether a Service Provider can provide effective services at an appropriate cost. Sterling Advisers has adopted a portfolio company debt financing policy as well as a reportable relationship policy to identify and address potential conflicts of interest that arise when Sterling Advisers selects or recommends Service Providers. See Item 12 for a discussion of how Sterling Advisers selects brokers as a Service Provider to execute sales of publicly-traded securities in the event a Fund holds and seeks to liquidate such securities.

Other Conflicts. Other present and future activities of Sterling Advisers, the Funds, the Fund's investments, other Sterling clients and their investments, and their respective affiliates and related parties will from time

to time give rise to additional conflicts of interest relating to the Funds and their investment activities. Sterling Advisers generally attempts to resolve conflicts in a fair and equitable manner, but conflicts will not necessarily be resolved in favor of the Funds' interests. In addition, pursuant to the applicable Governing Documents, an advisory committee will be established and authorized to give consent on behalf of the Funds with respect to certain matters. If the advisory committee consents to a particular matter and the general partners and its affiliates acts in a manner consistent with, or pursuant to the standards and procedures approved by, the advisory committee, or otherwise as provided in the Governing Documents, then the general partners and its affiliates will not have any liability to the Funds or the investors for such actions taken in good faith by them.

The foregoing information regarding the risks and conflicts of interest relating to an investment of the Funds provides general information based on the Funds' investment strategies. For specific information regarding the risks and conflicts of interest of investing in a particular Fund, investors should refer to each Fund's Governing Documents.

ITEM 9. DISCIPLINARY INFORMATION

Item 9 is not applicable to the Firm, as the Firm does not have any information that is responsive to this Item.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Fund II Principals are managing members of the general partner of Fund II and the SBS Fund. Messrs. Macey, Newhouse and Santoro are managing members of the general partner of Fund III. Messrs. Macey, and Santoro are managing members of the general partner of Fund IV. Certain Principals and related persons of Sterling Advisers spend a substantial portion of their business time on one or more of the Funds as required pursuant to the terms of such Fund's Governing Documents. Investors should refer to the Governing Documents of the relevant Fund for complete information on the requisite time commitments of Sterling Advisers' related persons to the Funds. More information can also be found in the discussion of "Allocation of Co-Investment Opportunities" and "Other Activities" Item 8 of this brochure.

Each of the Funds for which Sterling Advisers or its related persons serve as investment manager has entered into and expects in the future enter into agreements, or "side letters," with prospective or existing investors whereby such investors, including in some cases investors that are affiliated with Sterling Advisers or its related persons, are subject to terms and conditions that are more advantageous than those set forth in the Governing Documents for the particular Fund and which apply to other investors in the Fund. For example, a side letter could provide for (i) discounted fees, carried interests or other economic arrangements (including discounts and terms applicable in exchange for closing by a specified deadline or other parameters); (ii) excuse or exclusion rights applicable to a particular portfolio investment or withdrawal rights from the Fund; (iii) certain information rights or additional reporting; (iv) waiver of certain confidentiality obligations; (v) consent to certain transfers; (vi) rights or terms necessary in light of particular legal, regulatory or policy characteristics of a limited partner; (vii) special or more favorable rights granted to anchor or strategic investors; (viii) discounted, waived or other special terms, priorities and rights with respect to co-investment allocation, participation, economic and other terms; and (ix) waivers, or modifications, to venue, submission to jurisdiction, choice of law, agreement to arbitration, conflicts waivers or other provisions of the Governing Documents. The determination of whether to enter into a side letter is solely at the discretion of Sterling Advisers and could, among other things, be based on the size of the investor's investment in a Fund or affiliated investment entity, an agreement by an investor to maintain such investment in a Fund for a significant period of time, or other similar commitment by an investor to a Fund. Absent an agreement to the contrary or as required by applicable law, Sterling Advisers is not obligated to inform other investors of the terms of any side letter or offer equally favorable terms to such other investors.

ITEM 11. CODE OF ETHICS

Sterling Advisers adheres to a strict Code of Ethics (the “**Code**”) that sets forth standards of conduct that are expected of Sterling Advisers’ Principals and employees and seeks to address conflicts that could arise from, among other things, personal trading and outside business activities. The Code subjects each employee to appropriate restrictions on activities and securities trading, and provides information on certain prohibited transactions, Sterling Advisers’ internal review and compliance procedures, including quarterly and annual reporting requirements, and rules of business conduct, all intended to detect and prevent or mitigate conflicts of interest. The Code also includes policies and procedures designed to prevent the misuse of material non-public information in Sterling Advisers’ possession. Compliance with the Code and applicable securities laws is a basic condition of employment with Sterling Advisers and each employee is obligated to individually read and retain a copy of the Code as well as certify that he or she has read and understands the Code. Sterling Advisers reviews compliance with the Code on an ongoing basis, and employees can be subject to disciplinary actions as severe as dismissal for certain infractions. Any exceptions from the policies and procedures set forth in the Code can be granted by the Chief Compliance Officer where permitted by law and considered by the Chief Compliance Officer not to be inconsistent with the interests of Sterling Advisers or the Funds.

Sterling Advisers and its affiliated persons on occasion come into possession of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, Sterling Advisers and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, including the Funds. Accordingly, should Sterling Advisers or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, they would be prohibited from using such information on behalf of the Funds or disclosing it to the Funds’ limited partners, and they will have no responsibility or liability for failing to use or disclose such information. Similar restrictions could be applicable as a result of Sterling Advisers’ personnel serving as directors of public companies and might restrict disposition of such companies’ securities by the Funds.

All employees are required to submit an initial, and thereafter annual, holdings report as well as quarterly transaction reports or equivalent brokerage statements, detailing securities (as defined in the Code) held, purchased or sold during the relevant period. In addition, all employees must pre-clear securities trades in an initial public offering or a private placement, to ensure that conflicts of interest, if any, are adequately identified and addressed in a timely manner, and in securities maintained on Sterling Advisers’ restricted list, which consists of securities of public companies that Sterling Advisers has determined its employees should not be trading, generally because Sterling Advisers could be in possession of material non-public information relating to such company.

The requirements of the Code to report and pre-clear trades do not apply to (i) purchases or sales in any discretionary managed account over which an employee has no direct or indirect influence or control, or ability to direct any investment decision, (ii) purchases that are part of any automatic dividend reinvestment plan or direct investment program, (iii) purchases effected upon the exercise of rights issued by an issuer pro-rata to all holders of a class of securities to the extent such rights were acquired from such issuer, and sales of such rights, and (iv) purchases and sales of open-end mutual funds, money market funds, direct obligations of the U.S. federal government, municipal securities, bank certificates of deposits, bankers acceptances, commercial paper and repurchase agreements.

The Code includes, among other things, requirements that all employees:

- Conform their business conduct to applicable state and federal laws and regulations;

- Obtain pre-approval before making certain political contributions, including but not limited to contributions to certain state or local political candidates, public officials or political action committees;
- Report and obtain approval of gifts or entertainment given or received that exceeds \$500 in value per person to or from a person that is conducting or is expected to conduct business with Sterling Advisers or the Funds within a one year period, other than attendance and meals at networking events, seminars and conferences attended in the ordinary course of business;
- Obtain pre-approval of any outside business activities that involve a time commitment that could reasonably be expected to have an adverse effect on the employee's work at Sterling Advisers or conflict with the limited partnership agreement of any Fund or provide for material compensation to the employee;
- Obtain pre-approval before (i) serving as an officer, partner, director or employee of another company or business, (ii) as a member of the board of directors or trustees of any business organization, or (iii) on a creditors' committee, other than, in each case in the course of his or her employment with Sterling Advisers;
- Disclose other outside business activities, including civic or charitable organizations (including serving on their boards); provided that serving a civic or charitable organization in a role that involves the assessment or monitoring of investments in Reportable Securities (as defined under the Code) such as on an investment committee or endowment board requires prior approval, unless these activities are limited to: (i) service on an investment committee that invests only in mutual funds or index funds (whether debt or equity) and publicly traded investment grade or government bonds; or (ii) selection or monitoring of the performance of an independent adviser who independently makes investment decisions, unless the adviser would consider the Funds as a potential investment; and
- Disclose certain reportable relationships (as defined in the Code) that present or could present potential or actual conflicts of interests.

The Code prohibits employees from, among other things:

- Making political contributions on behalf of or in the name of Sterling Advisers;
- Rebating or paying any part of the compensation received from Sterling Advisers as an employee to any person, firm, or corporation, directly or indirectly, in a manner that creates or appears to create a conflict of interest; and
- Accepting, directly or indirectly from any person, corporation, or association, other than Sterling Advisers, compensation of any nature as a bonus, commission, fee or other material consideration from any portfolio company of the Funds (except for written contractual arrangements with portfolio companies that are made with the approval of the Principals).

Sterling Advisers has also adopted a compliance program, which includes, among other things, a record retention policy, a policy regarding communication with the media, a cyber-security policy, an information security program intended to protect the confidentiality of the information retained by Sterling Advisers and other policies designed to ensure compliance with applicable laws and regulations.

Investors can request a copy of the Code by writing to Sterling Investment Partners Advisers, LLC, Suite 300, 285 Riverside Avenue, Westport, CT, 06880, Attn: Chief Compliance Officer.

Participation or Interest in Client Transactions

As managing members of the general partners of each of the Funds and investors in the Funds, Sterling Advisers' related persons have indirect beneficial interests in the securities owned by the Funds and will share in any profits and losses generated by the Funds' investments. Sterling Advisers' related persons are not permitted to have direct ownership in any portfolio investment prior to the Fund that acquired the portfolio investment no longer holding the portfolio investment, except that such persons are permitted to (i) receive options or other equity grants for service as a director where all non-executive directors are issued options or equity and (ii) purchase securities in such portfolio investment in open market transactions. Persons serving as operating partners on behalf of Sterling Advisers generally purchase securities of portfolio companies to which provided assistance with the prior approval of the Principals and participate in such companies' management incentive equity programs. Members of the Advisory Council can also purchase securities of portfolio companies to which they provide assistance with the prior approval of the Principals and participate in the companies' management incentive equity programs. While Sterling Advisers endeavors at all times to act in the best interests of the Funds, investors in the Funds should be aware that Sterling Advisers' affiliates' receipt of Carried Interest from the Funds creates a conflict of interest with respect to such transactions. See "Item 6. Performance-Based Fees and Side-By-Side Management".

ITEM 12. BROKERAGE PRACTICES

Sterling Advisers focuses on investing in private companies, and generally purchases and sells a Fund's interests in such companies through privately-negotiated transactions in which the services of a broker-dealer could, but will not necessarily, be retained. However, in the event that a Fund portfolio company goes public, is acquired in a transaction in which the consideration includes publicly traded securities, or a public trading market otherwise exists, Sterling Advisers can choose to distribute publicly-traded securities to investors in the Fund or sell such securities through a broker-dealer or otherwise. Although Sterling Advisers does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If Sterling Advisers sells publicly-traded securities for the Funds, Sterling Advisers, will seek best execution of the transaction and, in selecting a broker to execute such sale, considers a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reliability, integrity and reputation of the firm being considered; and (iv) responsiveness. In addition, the Funds are permitted to distribute publicly-traded securities that are freely tradeable to their limited partners; if that happens, each limited partner, and not Sterling Advisers, would choose whether to dispose of such securities and, if so, the broker dealer(s) that limited partner selects to execute a sale.

Sterling Advisers has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular Fund transaction or to select any broker on the basis of its purported or "posted" commission rate but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expenses incurred in effecting transactions on behalf of the Funds. Although Sterling Advisers generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Some transactions involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Although Sterling Advisers receives economic research, market strategy research, industry research and company research from brokerage firms, such research has not, and Sterling Advisers does not expect that such research in the future will be, a basis for selecting a broker-dealer to execute trades in public securities on behalf of one or more Funds.

To the extent that Sterling Advisers engages in significant public securities transactions, Sterling Advisers could place orders with broker dealers to purchase or sell the same securities or instruments for several Funds simultaneously. Such orders can be combined or "batched" to provide improved execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund is favored over any other Fund over time. Specifically, when an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained, and bear the average expenses paid, on all such purchases or sales made during such trading day. When an aggregated order is partially filled, the securities purchased or sold (and the costs) will normally be allocated on a pro rata basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Fund. Due to the nature of the Funds' investment activities, Sterling Advisers currently does not engage in public securities transactions, and therefore Sterling Advisers does not aggregate orders for the Funds.

Sterling Advisers also from time to time assists the Funds' portfolio companies in choosing investment banking firms to assist in the sale of the portfolio company or its debt or equity securities. In advising the portfolio company, Sterling Advisers uses reasonable diligence and considers the full range and quality of a broker's services, including the broker's knowledge of and experience in the industry in which the

portfolio company participates, the broker's knowledge and relationship with prospective buyers, and Sterling Adviser's assessment of the broker's skills and experience in assisting in managing the process and negotiating with prospective buyers.

As described in "Item 6. Performance-Based Fees and Side-By-Side Management," investments in portfolio companies were allocated between Fund II and SBS Fund based on the aggregate capital commitments of each Fund. The Governing Documents for each of Fund III and Fund IV provide that if prior to the earlier of the end of the Fund's investment period or the Fund being fully invested (as defined in such Governing Documents), Sterling Advisers or an affiliate has organized a new private investment Fund, such new Fund shall only invest in any new investment opportunity with the Fund (and any associated side-by-side funds) on the same terms and conditions as the Fund, with investment amounts allocated between the Fund (and any associated side-by-side funds) and the new Fund in a manner that the general partner of the Fund believes to be fair and reasonable, subject to limited exceptions.

Sterling Advisers often allows limited partners of the Funds, lenders to portfolio companies and, on occasion, others, such as Sterling Advisers' operating partners and members of the Advisory Council, to co-invest in portfolio companies on the same economic terms as the Funds. Co-investment by limited partners of the Funds generally occurs when the size of the aggregate investment in the portfolio company (including potential add-on investment) exceeds the amount that Sterling Advisers considers appropriate for the Funds (which is generally in the range of 10% of committed capital). Sterling generally allocates such co-investment opportunities in accordance with its written investment allocation policy. Some of the factors taken into consideration under the investment allocation policy include, but are not limited to, the investment parameters of the Funds and potential co-investors, the co-investor's commitment to provide other capital (debt or equity) to the transaction, past/existing relationships and relevant experience with the potential co-investor(s), the co-investor's expertise/experience in the industries and/or markets in which the portfolio company operates or intends to operate and/or other potential benefits to the portfolio company or transaction process. If, after taking into account the factors detailed in the investment allocation policy, there are multiple limited partners interested in co-investing, Sterling Advisers generally attempts to allocate such co-investment based on the size of the interested limited partners' commitments to the Fund investing in the transaction, taking into account any minimum size for such co-investments expressed by the limited partners. The Governing Documents generally provide discretion to Sterling Advisers in allocating co-investments. Lenders often request the ability to make a modest co-investment in connection with their providing loans for the acquisition of a portfolio company by the Funds. Sterling Advisers believes allowing such co-investment is in the best interest of the Funds as it more closely aligns the interests of the lender and the Funds with respect to the portfolio company. Regarding co-investment in a transaction by others, such as operating partners and members of the Advisory Council, such co-investment is generally based on Sterling Advisers' view that the co-investor could provide useful expertise or services to the portfolio company, or otherwise could be advantageous to the portfolio company. See "Item 8. Methods of Analysis, Investment Strategies and Risk of Loss—Conflicts of Interest."

Due to the nature of the investments the Funds make, Sterling Advisers does not enter into soft dollar arrangements.

ITEM 13. REVIEW OF ACCOUNTS

Sterling Advisers manages the portfolio investments of the Funds. Sterling Advisers does not manage individual advisory accounts or hold itself out as providing financial planning or similarly termed services. Sterling Advisers employs professionals dedicated to monitoring and reviewing the Funds' investment portfolio on a regular basis. Because the investments made by the Funds are generally private, illiquid and long-term in nature, the review process is not directed toward a short-term decision to dispose of securities. Sterling Advisers' professionals, including the relevant Principals, generally hold regular weekly meetings at which the Funds' portfolio investments are reviewed, including performance, material developments and other significant matters that could reasonably have a material effect on a portfolio investment. Generally, at least two of Sterling Advisers' investment professionals, including at least one Principal, serve as members of the board of directors of each portfolio company. In addition, the Principals and other professionals employed by Sterling Advisers assigned to each portfolio company supplement formal board meetings with frequent, informal conversations and/or regularly scheduled calls with the managers and operating partners and members of the Advisory Council involved in the company to discuss the financial performance, operations and action plan for the company.

Investors in the Funds receive annual audited financial statements of their Fund and quarterly unaudited financial statements of their Fund, together with a brief discussion of each portfolio company and its operations during the period. In addition, investors in the Funds are invited to the Funds' annual investor meeting, during which senior managers of most portfolio companies make presentations to the investors.

Outside tax, accounting and legal professionals are engaged on an as-needed basis to assist with year-end financial and tax reporting and other complex administrative issues. The Funds are subject to annual audits by a nationally-recognized Public Company Accounting Oversight Board (PCAOB)-registered independent auditor.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

No person other than the Funds provides any compensation or material economic benefit (including sales awards or prizes) to Sterling Advisers for providing investment advice or other advisory services to Sterling Advisers' clients. Sterling Advisers' employees are required to report gifts and/or entertainment activities having a value in excess of \$500 to or from any supplier of goods or services to Sterling Advisers or the Funds.

Currently, Sterling Advisers entered into agreements with placement agents in connection with the marketing of Fund IV. Sterling Advisers or its affiliates expect to enter into similar agreements or arrangements in connection with the marketing of future private investment funds. Placement agent fees are borne by investors in the Funds, but reduce the Management Fee paid by the investors. Details of how the costs of any such placement agent arrangement are borne are set forth in a written agreement with the placement agent and disclosed to the investors through inclusion in the Governing Documents of the relevant Fund and in the private placement memorandum pursuant to which Interests in the Fund were offered. Investors should be aware that the receipt of compensation by a placement agent or third party solicitor could create a conflict of interest, and affect the judgment of the placement agent or solicitor, when making a recommendation for an investment in the Funds advised by Sterling Advisers.

As described under "Item 5. Fees and Compensation" above, Sterling Advisers receives certain fees from portfolio companies.

ITEM 15. CUSTODY

Each Fund is a pooled investment vehicle, and custody of such Fund's assets is maintained in compliance with applicable rules and regulations set forth in the Advisers Act. Where required, cash and securities are maintained at a financial institution meeting the definition of qualified custodian under the Advisers Act. Most Fund investments are in uncertificated form. In addition, the financial statements of each Fund are audited by a nationally-recognized, Public Company Accounting Oversight Board (PCAOB)-registered independent auditor and the Governing Documents of each Fund require the financial statements to be distributed to investors within 120 days of the applicable fiscal year-end of the respective Fund. Investors who fail to receive financial statements timely, or who have questions about them, should contact Michael Barr at 203-226-8711 or barr@sterlinglp.com.

ITEM 16. INVESTMENT DISCRETION

Subject to the investment objectives, policies and restrictions of each Fund as set forth in the Governing Documents of such Fund, Sterling Advisers has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Fund, including the selection of, and commissions paid to, broker-dealers. Pursuant to the terms of the Principal Funds' Governing Documents, however, the Funds can enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in the Fund are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Except as otherwise agreed or as required by applicable law, Sterling Advisers is not obligated to inform any other investor of the terms of any such side letter or to offer equivalent terms to other investors.

ITEM 17. VOTING CLIENT SECURITIES

Each Fund is a pooled investment vehicle and the general partner of such Fund votes the securities held by the Fund on all matters coming before the holders of such securities. The general partner votes the securities in a manner that serves the best interests of the Fund, as determined by the general partner in its discretion, taking into account relevant factors, including but not limited to (i) the impact on the value of the securities; (ii) the anticipated costs and benefits associated with the proposal; (iii) the effect on liquidity; and (iv) current industry and business practices. As the Funds are generally the majority owners of the Funds' portfolio companies and generally have the right to nominate a majority of the board of directors (principally employees of Sterling Advisers), matters are generally not put to a vote of the stockholders of a portfolio company unless required by law or Sterling Advisers has determined that a vote is in the best interests of the portfolio company and the Funds.

In accordance with SEC requirements, Sterling Advisers has adopted Proxy Voting Policies and Procedures (the "**Policy**") to address how the general partner of each Fund will vote proxies, as applicable, for the Fund's portfolio investments. The Policy seeks to ensure that the general partner votes proxies (or similar instruments) in the best interest of the Fund, including when there could be material conflicts of interest in voting proxies. Sterling Advisers believes that the interests of the general partner are generally aligned with the Fund's investors through the Principals' beneficial ownership interests in the Fund and therefore will not seek investor approval or direction when voting proxies. In the event, however, there is or could be a conflict of interest between the general partner or its affiliates and the Funds in voting proxies, the Policy provides the general partner with several alternatives to address the conflict, including by seeking the approval or concurrence of the Fund's limited partner advisory committee on the proposed proxy vote or through other alternatives set forth in the Policy. Additionally, the limited partner advisory committee could be asked to approve the Fund's vote in a particular solicitation. Sterling Advisers does not consider service on portfolio company boards by its personnel or Principals or the 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 Policy sets forth certain specific proxy voting guidelines the Fund's general partner follows when voting proxies on behalf of the Fund.

A copy of the Policy or information regarding how the Fund's general partner voted proxies for particular portfolio companies whose securities are publicly traded will be provided to clients or prospective clients at no charge upon request to the Chief Compliance Officer at (203) 226-8711.

ITEM 18. FINANCIAL INFORMATION

Sterling Advisers does not require prepayment of Management Fees six months or more in advance. Sterling Advisers is not aware of having any financial condition that is reasonably likely to impair its ability to meet contractual requirements to the Funds. Sterling Advisers has never filed for bankruptcy protection.