

The Sterling Group, L.P.

Part 2A of Form ADV The Brochure

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of The Sterling Group, L.P. If you have any questions about the contents of this Brochure, please contact us at 713-877-8257. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

The Sterling Group, L.P. is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

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

Item 2 – Material Changes

The Sterling Group, L.P. filed its most recent Form ADV Part 2 on March 30, 2022. This annual amendment updates the description of the business practices of The Sterling Group, L.P.

The Sterling Group, L.P. routinely makes changes throughout its Brochure in an effort to improve and clarify the description of its and its affiliates’ business practices and compliance policies and procedures or in response to evolving industry and firm practices.

Recipients of this Brochure are encouraged to read the Brochure in its entirety.

Item 3 – Table of Contents

Item 2 – Material Changes	2
Item 3 – Table of Contents.....	2
Item 4 – Advisory Business	2
Item 5 – Fees and Compensation	4
Item 6 – Performance Based Fees and Side-by-Side Management	8
Item 7 – Types of Clients.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9 – Disciplinary Information	27
Item 10 – Other Financial Industry Activities and Affiliations	27
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	28
Item 12 – Brokerage Practice.....	29
Item 13 – Review of Accounts.....	30
Item 14 – Client Referrals and Other Compensation	30
Item 15 – Custody	31
Item 16 – Investment Discretion.....	31
Item 17 – Voting Client Securities.....	32
Item 18 – Financial Information	32

Item 4 – Advisory Business

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

Sterling Group’s affiliated entities serve as the general partners of Sterling Group Partners IV, L.P., Sterling Group Partners V, L.P. and Sterling Group Foundation Fund, L.P. (together with any parallel investment vehicles and alternative investment vehicles, the “Sterling Equity

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

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

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

As of December 31, 2022, Sterling managed approximately \$6,003,504,245 in client assets on a discretionary basis.

Item 5 – Fees and Compensation

Management Fees and Performance Compensation

Sterling receives both a management fee and a performance fee for providing investment advisory services to the Private Investment Funds. Such fees differ for each Private Investment Fund, are negotiated with certain of the participating investors in each Private Investment Fund at the time of its organization and are generally not negotiable thereafter. Additionally, to the extent permitted by the governing documents, certain general partners have the right to permit investors, affiliated with the general partner or otherwise, to invest through the relevant general partner or other vehicles that do not bear management fees and/or performance fees. In general, the management fee reductions described below apply only with respect to the commitments of fee-paying investors. Detailed information regarding the fees charged to each Private Investment Fund is provided in each Private Investment Fund's offering documents and governing documents, which set forth the precise amount and calculation of the management fees and the full list of terms under which a management fee will be reduced, offset or otherwise be limited. Investors should expect to bear the full specified management fee in the relevant governing documents until reduced in the circumstances and on the date(s) specified therein.

Management Fees

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

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

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

Performance Compensation

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

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

General

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

Other Expenses

In addition to management fees and carried interest, each Private Investment Fund (and indirectly its limited partners) is required to pay all fees, costs, expenses, liabilities and obligations relating to the Private Investment Fund’s (and its subsidiaries’ and intermediate entities’) activities, investments and business to the extent not paid or reimbursed by portfolio companies. Such fees and expenses are set forth in each Private Investment Fund’s governing documents and vary among Private Investment Funds, but typically will include those associated with making or selling portfolio investments, legal and accounting fees, taxes, fund administration fees, commissions and brokerage fees, registration expenses, the cost of directors’ and officers’ liability insurance and other expenses such as litigation or broken deal expenses (as described further below).

To the extent holding or intermediate entities include one or more special purpose acquisition companies (“SPACs”), the relevant Private Investment Fund(s) will bear the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders’ equity or similar interests issued thereby that are not held directly or indirectly by the Private Investment Fund, and except where prohibited by the governing documents, such interests are permitted to be issued to Sterling and its personnel.

Expenses relating to proposed Private Investment Fund investments that are not ultimately consummated (“broken deal expenses”) and other expenses relating to the diligence or evaluation of a prospective investment are generally allocated pro rata among the participating Private Investment Funds according to the amounts each such Private Investment Fund would have invested in the proposed investments, or by such other allocation method as Sterling believes, in good faith, would be more fair and equitable under the circumstances. Broken deal expenses are not generally allocated to any limited partner or third party co-investors unless otherwise negotiated with such co-investors. In addition, in certain instances, a Private Investment Fund will bear expenses in respect of an existing or prospective portfolio company that will not be borne by other owners or investors if Sterling has determined such arrangement to be in the best interest of such Private Investment Fund (e.g., a Private Investment Fund engages or pays for a consultant for services in respect of a portfolio

company without reimbursements by other owners of the portfolio company).

Each Private Investment Fund (and indirectly its limited partners) is also responsible for the costs and expenses relating to the organization of such Private Investment Fund, including travel (which may include business or first class airfare as well as, in certain cases, use of private aircraft at a cost not in excess of the cost of first class commercial airfare), printing, legal, filing and accounting fees and expenses, up to a certain amount, as described in the offering materials and/or governing documents of such Private Investment Fund. Any such organizational expenses paid by a Private Investment Fund in excess of the specified amount for each Private Investment Fund will be applied to reduce management fees payable by such Private Investment Fund. A Private Investment Fund is also required to pay any placement agent fees that are incurred in connection with the marketing and offering of interests in such Private Investment Fund, provided, that any such payments will be applied to reduce the management fee payable by the Private Investment Fund, as described under Item 14 – *Client Referrals and Other Compensation*. Each Private Investment Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Private Investment Fund’s strategy, including in side letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant general partner has committed in making investments on behalf of the Private Investment Fund. Additionally, subject to the governing documents, a Private Investment Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Private Investment Fund invests. For the avoidance of doubt, Sterling also will not offset compensation received from outside sources, such as residual employee board seats at entities that are no longer Private Investment Fund portfolio companies. The relative percentage of the expenses described herein that are borne by various stakeholders (including the relevant Private Investment Fund, any co-investors, portfolio company management and other persons) is expected to depend upon the level at which such expenses are charged or incurred.

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

Other Compensation

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

such portfolio company, and accordingly are counted when applying the management fee reduction for Advisory Fees.

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

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

Sterling reserves the right to agree with Special Consultants, joint venture or similar partners, service providers, portfolio company management or other persons that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more investments will be paid in the form of a profits interest granted in the relevant investments or related intermediate entities. While such an arrangement could be more favorable to the relevant Private Investment Fund if the investment does not increase in value, in the event of appreciation in the relevant investment any such profits interest generally would have a dilutive impact on the Private Investment Fund's investment, as well as the potential to result in economic gains to the recipient greater than the original amount of compensation.

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

Special Consultants

Additionally, as described in the governing documents of the Private Investment Funds, Sterling generally reserves the right to retain certain other companies and individuals ("Special Consultants") to provide services to, or in connection with one or more Private Investment Funds or certain current or prospective portfolio companies. Such Special Consultants generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies. Special Consultants receive compensation that generally includes, without limitation, cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits, participation or equity interest in a portfolio company or holding company or other incentive-based compensation determined according to one or more methods. Additionally, portfolio companies from time to time will provide opportunities for Special Consultants to invest in such portfolio company and reimburse costs and expenses incurred by Special Consultants. Special Consultants are also expected to receive remuneration from Sterling and/or a Private Investment Fund or affiliates and/or be entitled to other forms of compensation, including equity grants in portfolio companies. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Private Investment Funds' investment, and has the potential to result in economic effects greater than the original amount of compensation, and the relevant Private Investment Fund typically will bear the costs of all Special

Consultants compensation as well as fees, costs and expenses of structuring Special Consultant arrangements. Special Consultants are expected from time to time to include former employees of Sterling or certain portfolio companies, and in some circumstances former Special Consultants are expected to become Sterling employees or employees of portfolio companies. Consequently, the determination of whether individuals are Special Consultants is expected to vary and/or be revisited from time to time, which poses potential conflicts of interest where certain changes in status or categorization would reduce costs that Sterling otherwise would be required to bear. Such investment opportunities, reimbursements and other compensation paid to a Special Consultant generally will not offset the management fee. Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or written work product generated by the Special Consultant.

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

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

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

Item 7 – Types of Clients

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

directly or indirectly, partners or other personnel of Sterling and its affiliates, as well as executives of portfolio companies.

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

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

Investment Strategies and Methods of Analysis

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

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

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

Risk of Loss and Risks Associated with the Investment Strategies

An investment in any Private Investment Fund should be considered a speculative investment, and is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in such Private Investment Fund. No guarantee or representation is made that the Private Investment Fund will achieve its investment objective or that limited partners will receive a return of their capital. Interests in a Private Investment Fund will not be registered under the federal securities laws and their transfer will be limited under federal and state securities laws and under the

terms of the governing documents of such Private Investment Fund. There will be no public or private market in which Private Investment Fund interests are sold. Consequently, each limited partner should view any investment in a Private Investment Fund as a long-term investment which it will not be able to liquidate for an indefinite period of time. Investors in any Private Investment Fund should be prepared to bear the loss of their investment.

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

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

General Business and Management Risk

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

Small- and Mid-Cap Company Investments

The Private Investment Funds generally invest in middle-market and lower middle-market companies. While often presenting greater opportunities for growth, these investments also entail larger risks than are customarily associated with investments in large companies. Small- and medium-sized companies often have more limited markets and financial resources and frequently depend on a smaller management group. As a result, such companies are more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may depend on additional financing, which may not be available on acceptable terms when required. Further, there may be a more limited market for the sale of interests in smaller companies, if any, which would make sales and other dispositions of such investments more difficult. In addition, the relative illiquidity of private equity investments generally and the somewhat greater illiquidity of private investments in small- and medium-sized companies could make it difficult for a Private Investment Fund to react quickly to negative market developments.

Risk of Limited Number of Investments and Portfolio Valuation

Since each Private Investment Fund expects to make a limited number of investments and such

investments generally will involve a high degree of risk, poor performance by even a single portfolio company could severely affect the total returns to investors.

Lack of Sufficient Investment Opportunities

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

Liquidity Issues

The Private Investment Funds will invest in certain instruments where there is likely to be no actively traded market. Moreover, many of the Private Investment Funds' investments will be held by relatively few other investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, the Private Investment Funds may find it more difficult to sell such instruments when Sterling believes it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to the Private Investment Funds can be further limited. Finally, dispositions of investments sometimes are subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

Leverage

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

meet its debt service, it is possible for the Private Investment Fund to suffer a partial or total loss of capital invested in such portfolio company, which would adversely affect the Private Investment Fund's returns.

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

Subscription Lines

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

In addition, Fund-level borrowing will result in additional partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Private Investment Fund's limited partners and the terms of the governing documents, it often will be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Private Investment Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Private Investment Fund's reported net returns in certain methods of calculation. In certain circumstances the use of Fund-level borrowing can increase the base of a Private Investment Fund's management fee calculation, such as during periods where management fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Private Investment Fund's investment period, and cause or defer a related change in the basis of the relevant Private Investment Fund's management fee calculation under the governing documents.

A credit agreement or borrowing facility generally contains other terms that restrict the activities of a Private Investment Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on Sterling's ability to consent to the transfer of a limited partner's interest in the Private Investment Fund or impose

concentration or other limits on the Private Investment Fund's investments, and/or financial or other covenants, that could affect the implementation of the Private Investment Fund's investment strategy. In addition, as necessary in order to secure a subscription line, Sterling will request certain financial information and other documentation from limited partners to share with lenders. Sterling will have significant discretion in negotiating the terms of any subscription line and terms will not necessarily be the most favorable to one or more limited partners.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Private Investment Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant general partner, as reduced by the interest incurred by the relevant Private Investment Fund. Subject to any limitations in the governing documents, this scenario potentially incentivizes the relevant general partner to permanently fund the acquisition and ongoing capital needs of a Private Investment Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

Valuation of Assets

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

Material Non-Public Information

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

Public Health Emergencies; COVID-19

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have and are resulting in market disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Private Investment Funds.

In an effort to contain such health emergencies, national, regional and local governments, as well as private businesses and other organizations, have taken or have the potential to take restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. Any such measures have the potential to significantly diminish economic production and activity of all kinds and contribute to volatility in financial markets, demand across categories of consumers and businesses, as well as in the credit and capital markets. Restrictive measures, whether on an initial or re-imposed basis, also have the potential to cause labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, increases in unemployment levels, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of any such health emergency — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Private Investment Funds. The extent of the impact on the Private Investment Funds’ and their portfolio companies’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Private Investment Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Private Investment Funds intend to pursue, all of which could adversely affect the Private Investment Funds’ ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Private Investment Funds, their portfolio companies and Sterling may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity’s personnel. These measures may also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

Russia-Ukraine Conflict

The ongoing military conflict between Russia and Ukraine which has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Private Investment Funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to the Private Investment Funds. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of a Private Investment Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any Private Investment Fund intends to pursue, all of which could adversely affect the Private Investment Fund's ability to fulfill its investment objectives.

Financial Institution Risk; Distress Events

An investment in a Private Investment Fund is subject to the risk that one or more of the Private Investment Fund's banks, brokers, hedging counterparties, lenders to or other custodians of some or all of the Private Investment Fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by various factors, including eroding market sentiment, significant withdrawals (e.g., a bank run in which depositors collectively withdraw their balances within a short period of time), fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Sterling, the Private Investment Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, or the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance (including the Private Investment Funds' funds and securities maintained with qualified custodians pursuant to Rule 206(4)-2 under the Advisers Act (the "Custody Rule")) are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Sterling to manage the Private Investment Funds and their investments, and on the ability of Sterling, any Private Investment Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Although Sterling seeks to do

business with Financial Institutions it believes are creditworthy and capable of fulfilling their respective obligations to the Private Investment Funds, Sterling is under no obligation to use a minimum number of Financial Institutions with respect to any Private Investment Fund or to maintain account balances at or below the relevant insured amounts. Furthermore, such balances maintained by Sterling and the Private Investment Funds are generally expected to fluctuate, including with respect to the Private Investment Funds in connection with capital calls to limited partners and dispositions of investments, and certain balances from time to time will substantially exceed applicable deposit insurance.

Investment Expenses and Broken Deal Expenses

Investments of the Private Investment Funds will require extensive due diligence, legal, and other costs prior to their consummation and generally will be subject to broken deal expenses if they are not consummated. A Private Investment Fund will pay any fees, costs, and expenses incurred in discovering, developing, negotiating, evaluating, acquiring and structuring any investment opportunities it pursues, whether or not such investments are ultimately consummated. Additionally, a Private Investment Fund likely will enter into agreements that involve payments, such as reverse break-up fees, by such Private Investment Fund if it does not consummate the transaction. These expenses can be significant and material to a Private Investment Fund. A Private Investment Fund will incur, either directly or pursuant to its obligation to reimburse Sterling for any such expenses advanced by it, expenses—with the potential to be significant—in connection with proposed investments that are not consummated without the opportunity for gain or recoupment of such expenses. Where multiple Private Investment Funds invest in the same company at different times, the first Private Investment Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Private Investment Funds; similarly, to the extent a transaction does not proceed, the first Private Investment Fund to invest typically will bear the full amount of broken deal expenses relating to the transaction, regardless of whether other Private Investment Funds could or would have invested in the company in potential future transactions.

Co-Investments

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

allocated to the relevant Private Investment Fund.

Need for Follow-On Investments

Following its initial investment in a portfolio company, a Private Investment Fund may determine to provide additional funds or otherwise increase its investment in such portfolio company (whether for opportunistic reasons, to fund the needs of the portfolio company, as an equity cure under applicable debt documents or for other reasons). In addition, some of the Private Investment Fund's portfolio companies may require multiple rounds of additional financing. There can be no assurance that the Private Investment Fund will make any follow-on investments or that it will have sufficient funds to make all or any of such investments. Any determination by the Private Investment Fund not to make a follow-on investment or its inability to make a follow-on investment may have a substantial negative effect on a portfolio company in need of such follow-on investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such determination or inability may result in a lost opportunity for the Private Investment Fund to increase its participation in a successful portfolio company or the dilution of its ownership in a portfolio company to the extent that a third party invests in such portfolio company. In the event that any co-investor who participated in the initial investment in a portfolio company does not participate in a follow-on investment in such portfolio company, such co-investor's pro rata portion of such follow-on investment may be allocated to the Private Investment Fund instead. As a result, the Private Investment Fund may increase its concentration with respect to such portfolio company, which likely would result in the Private Investment Fund being less diversified.

Service Providers

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

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

circumstances where Sterling commits or has committed to seek “market” or “arms-length” rates or terms, Sterling will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. Sterling reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is “arms-length.” Consequently, Sterling undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate, comparable or relate specifically to the assets, services, geographies or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, Sterling reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest.

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

Enhanced Relationships with Certain Limited Partners

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

Side Letters

Sterling and/or its affiliates reserve the right to enter into side letters with certain investors in a Private Investment Fund providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of Sterling’s compensation), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Private Investment Fund’s advisory board, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, investment pacing restrictions, as well as economic procedural and other terms.

Sterling is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners (e.g., based on commitment amount to a Private Investment Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to Sterling, its affiliates and personnel or the Private Investment Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to Sterling, its affiliates and personnel, or the Private Investment Funds). Further, side letters may also relate to strategic relationships under which an investor agrees to make commitments to multiple Private Investment Funds. Except where required by governing documents, other investors will not receive copies of side letters or related provisions, and as a general matter, the other investors have no recourse against a Private Investment Fund, Sterling, the relevant general partner or any of their

affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters. Side letters subject Sterling to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Private Investment Fund's advisory board results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments. Although Sterling believes it to be unlikely, excuse rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Private Investment Fund have the potential to create significant variations in limited partner investment returns, or to influence or affect the investment strategy and pursuit of investment opportunities by the general partner on behalf of the relevant Private Investment Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the governing documents; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Private Investment Fund. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Private Investment Fund.

Nature of Mezzanine and Other Subordinated Investments

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

If a portfolio company becomes subject to insolvency proceedings in any jurisdiction, the rights of holders of mezzanine and subordinated debt generally will be adversely affected. Such proceedings and related laws and remedies can vary substantially from jurisdiction to jurisdiction, create the right of such portfolio company to avoid certain unfavorable contracts or obligations and result in significant delay and/or limitations on repayment of amounts owed to a Credit Fund. With respect to the Credit Funds' investments in the form of subordinated debt instruments, upon any distribution to the relevant borrower's creditors in a bankruptcy, liquidation or reorganization or similar proceeding, the holders of such borrower's senior and/or secured indebtedness (to the extent of the collateral securing such obligation) generally will be entitled to be paid in full before any payment is made on a Credit Fund's investment. In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to such a borrower, a Credit Fund will typically participate with all other holders of such borrower's indebtedness in the assets remaining after the borrower has paid all of its senior

and/or secured indebtedness (to the extent of the collateral securing such obligation). There is no assurance that such borrower will have sufficient funds to pay all of its creditors, in which case a Credit Fund likely would receive nothing, or less, ratably, than the holders of senior and/or secured indebtedness of such borrower or the holders of indebtedness that is not subordinated.

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

Credit Risks of Investments in Debt Instruments

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

Interest Rate Risk

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

unable to manage interest rate risk effectively, a Credit Fund's performance could be adversely affected. While a Credit Fund may seek to do so, it is not required to hedge its interest rate risk.

Prepayment of Investments

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

Non-Payment of Principal and Interest; Adequacy of Collateral

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

Management of Multiple Private Investment Funds

Various actual and potential conflicts will arise from Sterling's management of multiple Private Investment Funds. If any matter arises that Sterling determines in its good faith judgment constitutes an actual or potential conflict of interest, Sterling will take such actions as it deems necessary or

appropriate to ameliorate such conflict. There can be no assurance that Sterling will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to any particular Private Investment Fund. Certain of these conflicts are described herein.

Other Benefits from Management Activities

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

Allocation of Investment Opportunities

Sterling currently and expects to continue to sponsor and manage multiple Private Investment Funds. From time-to-time investment opportunities suitable for one Private Investment Fund will also be suitable for other Private Investment Fund. Conflicts of interest arise in determining which Private Investment Funds should participate in investment opportunities. Sterling has established policies and procedures for allocating investment opportunities among the Private Investment Funds. There can be no assurance that investment opportunities identified by Sterling, will be made available to any particular Private Investment Fund. Sterling ultimately will determine the allocation of investment opportunities among the Private Investment Funds in such manner as it determines, in its sole discretion, to be fair and equitable and consistent with the governing documents of the applicable Private Investment Funds and Sterling's investment allocation policies and procedures. Further, Sterling reserves the right to consider each relevant Private Investment Fund's strategy as a component of its allocation of investment expenses, and as a general matter will not allocate expenses associated with one Private Investment Fund's equity investment to a different Private Investment Fund's credit investment, or vice versa, even if the two investments are in the same portfolio

company.

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

Allocation of Expenses

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

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

Investing in Different Levels of the Capital Structure

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

in favor of lenders and the other terms and conditions of investment or in addressing subsequent amendments or waivers. There are also conflicts with respect to operational preferences for a portfolio company, as a Sterling Equity Fund likely will desire optimal flexibility to grow the portfolio company, while a Credit Fund likely will want to place tighter restrictions on the type and the amounts of permitted investments and acquisitions.

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

Environmental, Social and Governance ("ESG") Matters

Sterling seeks to integrate certain ESG factors into its investment process, subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. There is no guarantee that Sterling will be able successfully implement any ESG initiatives or to make investments in companies that create a positive ESG impact while achieving its investment strategy. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Sterling, or any judgment exercised by Sterling, will reflect the beliefs or values of any particular investor. There are also significant differences in interpretations of what positive ESG characteristics mean by region, industry and topic. Sterling's interpretations and decisions are expected to differ from others' views and could also evolve over time. In addition, in evaluating an investment, Sterling expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause Sterling to incorrectly assess a company's ESG practices and/or related risks and opportunities. Sterling does not intend to independently verify all ESG information reported by investments or third parties. Further, considering ESG qualities when evaluating an investment could result in the selection or exclusion of certain investments based on Sterling's view of certain ESG-related and other factors and could cause the relevant Private Investment Funds not to make an investment that they would have made or to make a management decision with respect to an investment differently than they would have made in the absence of the ESG initiatives, which could negatively impact Sterling's performance. For avoidance of doubt, however, Sterling does not expect to subordinate a Private Investment Fund's investment returns or increase a Private Investment Fund's investment risks as a result of (or in connection with) the consideration of any ESG factors.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Sterling's adoption and adherence to any such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. Sterling's ESG initiatives could become subject to additional regulation in the future, and Sterling cannot guarantee that its current approach will meet future regulatory requirements.

Impact of Government Regulation and Reform

The SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of Sterling and the Private Investment Funds. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact Sterling and its affiliates, a Private Investment Fund and/or its investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to the Private Investment Funds.

Insurance

The relevant liability standards under insurance coverage procured by Sterling are expected to vary by carrier, and such standards are expected to vary from time to time depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages from time to time are expected to vary from relevant liability and/or indemnity standards in the Private Investment Funds' governing documents. Investors generally will be responsible for insurance premiums, as set forth in the relevant Private Investment Funds' governing documents, regardless of whether the liability and/or indemnity standards in Sterling's insurance coverage are higher or lower than that set forth in the governing documents.

Privacy and Data Protection Law Compliance Risk

The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, "Privacy Laws") could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of Sterling, the general partners, the Private Investment Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Private Investment Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for Sterling, the general partners, the Private Investment Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Certain jurisdictions, including U.S. states, have proposed, adopted or are considering similar Privacy Laws, which if enacted could impose significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include Sterling, the general partners, the Private Investment Funds and/or their portfolio companies.

U.S. Taxation of Carried Interest

U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Private Investment Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Private Investment Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Private Investment Fund, its general partner, or Sterling who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant general partner and its affiliates to incentivize, attract and retain individuals to perform services for a Private Investment Fund. This creates potential incentives for Sterling to cause a Private Investment Fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

LIBOR and other Benchmark Rates

To the extent that a Private Investment Fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on the London Interbank Offered Rate ("LIBOR") or other benchmark or reference rates (each, a "Benchmark Rate"), the Private Investment Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants are working to facilitate the transition of existing instruments and contracts away from LIBOR to new Benchmark Rates, and any such transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the Private Investment Funds and their portfolio companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

Secondaries and other GP-Led Transactions

There continues to be a significant market in the private fund sector for secondary sales, GP-led transactions, continuation funds, successor fund investments and other transactions for the disposition of investments. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase a portion of one or more investments that will continue to be managed by Sterling following the transaction. Such transactions are undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where Sterling believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Private Investment Funds sponsored by Sterling and its affiliates). However, certain of such transactions are expected to require a limited partner to invest additional capital in the existing Private Investment Fund and/or other investment vehicles, a greater exposure to one or more particular portfolio company, and/or a delay in the full liquidation of its investment. In other circumstances, even

limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant general partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a Private Investment Fund or limited partner and those of Sterling or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where Sterling or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction, their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Private Investment Fund, Sterling, the relevant general partner and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. Further, the relevant general partner is expected to be incentivized to make investments in portfolio companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Private Investment Fund, and in such circumstances Sterling reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant advisory board prior to the closing of the transaction, there can be no assurance that Sterling will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Private Investment Fund or any individual limited partner or group of limited partners. However, Sterling reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant governing documents.

Other Private Vehicles

Sterling's principals, employees and Special Consultants may invest in other private investment vehicles (including single investor-co-investments) managed by other advisers. In some cases, Sterling, its affiliates or the Funds may purchase portfolio companies that are owned by such other investment vehicles, which may indirectly benefit any such principals, employees or Special Consultants.

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

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

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

From time to time, portfolio companies of the Private Investment Funds have been and in the future may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Private Investment Funds that, although Sterling determines to be consistent with the requirements of such Private Investment Funds' governing documents, may not have otherwise been entered into but for the affiliation with Sterling. In such cases there could be conflicts of interest between the Private Investment Funds or portfolio companies and Sterling will seek to resolve such conflicts as it deems appropriate. In other cases, Sterling may not be aware or involved in such transactions between portfolio companies.

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

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

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

Sterling and/or its affiliates have an economic interest in the Private Investment Funds and these funds have different investment objectives or considerations. Decisions as to purchases and sales for each Private Investment Fund are made separately and independently in light of their respective objectives and purposes and will differ, depending on the Private Investment Fund. As such, investment decisions made on behalf of one Private Investment Funds will not always be consistent with investment decisions made on behalf of another Private Investment Funds.

Sterling personnel generally are expected to directly or indirectly own an interest in one or more Private Investment Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as a Private Investment Fund. Co-invest opportunities generally are also expected be presented to third-party investors and other persons, and such co-investments may be effected through co-invest vehicles, directly in a particular portfolio company or through an intermediate entity in a portfolio company's structure. When and to the extent Sterling personnel and related persons make capital investments in

or alongside a Private Investment Fund, Sterling is subject to conflicting interests in connection with these investments. Sterling's allocation of co-investment opportunities among the parties and in the manner discussed herein will not necessarily result in proportional allocations among such parties, and such allocations would be more or less advantageous to some such parties relative to others. Such co-investment opportunities generally will be allocated in the manner described under "Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss."

Item 12 – Brokerage Practice

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

In making its decisions regarding the allocation of brokerage transactions for Private Investment Funds, Sterling will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer or counter party; and (iv) the competitiveness of commission rates in comparison with other broker-dealers. Although Sterling generally seeks competitive commission rates and commission equivalents, including mark-ups, it will not necessarily pay the lowest commission or equivalent. Transactions sometimes involve specialized services on the part of a broker-dealer involved and thereby entail higher commissions and equivalents than would be the case for more routine services.

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

From time to time, Sterling expects, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders generally would be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating

Private Investment Fund of Sterling is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

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

Item 13 – Review of Accounts

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

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

The Private Investment Funds will provide to its limited partners (i) annual audited financial statements prepared in accordance with generally accepted accounting principles consistently applied in the United States, (ii) quarterly unaudited financial statements and statement of such limited partner's capital account and changes thereto for such quarter, and (iii) annual tax information necessary for each limited partner's preparation of its tax return. In addition to the information provided to all investors, Sterling may provide certain investors with additional information or more frequent reports that other investors may not receive.

Item 14 – Client Referrals and Other Compensation

Compensation for Client Referrals

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

placement agent is fully disclosed to investors referred by such placement agent.

Economic Benefits from Non-Clients

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

Item 15 – Custody

Sterling and its affiliates are deemed to have custody (within the meaning of the Custody Rule) over the Private Investment Funds’ funds and securities because they serve as the general partners of the Private Investment Funds. With the exception of uncertificated privately offered securities, all funds and securities of the Private Investment Funds are held in custody by unaffiliated broker/dealers or banks. Limited partners will not receive statements from the custodians. Instead the Private Investment Funds are subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Private Investment Fund’s fiscal year end or earlier as required by the relevant governing documents of the Private Investment Funds.

Item 16 – Investment Discretion

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

Item 17 – Voting Client Securities

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

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

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

Item 18 – Financial Information

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

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