

# American Securities LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of American Securities LLC. If you have any questions about the contents of this brochure, please contact us at 1-212-476-8000. 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. Registration with the SEC as an investment adviser does not imply any certain level of skill or training.

Additional information about American Securities LLC is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Since the filing of the most recent version of this brochure with the SEC by American Securities LLC (“American Securities” or the “Company”) in March 2022, no material changes have been made.

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## Item 4 – Advisory Business

American Securities, a New York limited liability company, serves as an investment manager to related private investment vehicles (the “ASP Funds”) organized primarily to make private equity and related investments in businesses in the United States and Canada. The Company seeks to generate long-term capital appreciation for the ASP Funds currently by making investments generally between \$250 million and \$700 million in companies with EBITDA generally between \$75 and \$250 million. As of December 31, 2022, the ASP Funds had \$22,334,422,179 in aggregate capital commitments and assets managed on a discretionary basis by American Securities.<sup>1</sup>

The predecessor of the Company was founded as a family office in 1947 by William Rosenwald to invest his share of the Sears, Roebuck & Co. fortune. In 1994, Charles D. Klein and Michael G. Fisch formalized the Company’s private equity investment activities and opened them to outside investors. David L. Horing joined Messrs. Klein and Fisch in early 1995. The principal owner of the Company is Mr. Fisch, either directly or through affiliates.

Investment advice is provided directly to each ASP Fund and not individually to the limited partners or investors in the ASP Funds. The Company has discretion to commit ASP Funds to invest in a range of investment instruments consistent with the respective investment programs of each ASP Fund. American Securities provides investment advice regarding private equity and related securities. The Company also provides certain management consulting and advisory services, including the evaluation, structuring, and negotiation of potential investments, the direction and oversight of the ASP Funds’ portfolio companies (each a “Portfolio Company”) following an acquisition. The terms by which American Securities provides investment advice to the ASP Funds are described in each ASP Fund’s governing documents, which may include a confidential offering memorandum, an investment management agreement, and a limited partnership agreement, among other things.

The American Securities has an Advisory Board and an Executive Council, both formed in 2010. The Advisory Board advises the Company on general organizational and strategy matters primarily in order to maintain and enhance the perception, performance and operations of American Securities. The American Securities Executive Council helps American Securities identify and meet attractive acquisition candidates, develop industry and management insights and, when appropriate, assist American Securities in overseeing the Portfolio Companies through potential board of director or consulting roles.

American Securities does not manage any assets on a non-discretionary basis or participate in any wrap fee programs.

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<sup>1</sup> Such amount has been calculated using the same methodology for computing “regulatory assets under management” required for Item 5.F in Part 1A of this Form ADV and includes the current market value of the ASP Funds’ assets and the amount of any uncalled commitments.

## **Item 5 – Fees and Compensation**

### **Management Fees and Carried Interest:**

As described in each ASP Fund’s confidential offering materials, American Securities receives a management fee and, as described more thoroughly in Item 6, certain general partner entities affiliated with American Securities receive performance-based fees (also known as “carried interest”). Annual management fees typically equal a specified percentage of aggregate capital commitments during a commitment period, and a lower percentage of invested capital after the commitment period for the remaining life of the ASP Fund. Management fees are generally collected semi-annually, partially in arrears but mostly in advance. The governing documents for the ASP Funds do not provide for any refunds for management fees paid in advance. American Securities deducts management fees from the account of each ASP Fund.

The management fee and carried interest distributions may be waived or reduced at the discretion of American Securities or its affiliates. As described in each ASP Fund’s governing documents, the general partner of each ASP Fund, which is an affiliate of American Securities, may admit certain investors who receive terms that are more favorable than those offered to other investors. More favorable terms offered to such investors may include, among other things, reduced or eliminated carried interest, and/or management fees. Please see Item 7 for more information regarding the vehicles through which these investors subscribe to the ASP Funds.

### **Additional Fees and Expenses:**

In addition to management fees and carried interest distributions, investors bear indirectly the expenses charged to each ASP Fund. Those expenses vary, but typically include legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of partnership financial statements, tax returns (including K-1s)), expenses for preparing and making regulatory filings (including Form PF), expenses and costs of maintaining each ASP Fund’s books and preparing any reports (including any expenses or costs associated with any software or online data portal used in connection therewith), expenses of any limited partner advisory board and annual meetings of the investors (at which some non-investors may be in attendance and whose expenses associated with attendance at the annual meeting are paid by the Company) and meetings of one or more investors, expenses and costs, including interest on and fees and expenses arising out of borrowings, guarantees or other credit arrangements made by an ASP Fund, insurance and other expenses associated with the identifying, evaluating, acquisition, holding, monitoring and disposition of its investments (including underwriting commissions and discounts, research expenses, travel expenses, investment banking, legal, consulting, and other professional fees), all third-party expenses in connection with transactions not consummated (i.e., broken deal expenses) and extraordinary expenses (such as indemnification expenses and advances and litigation expenses), as determined by the general partners of the applicable ASP Fund in its discretion, subject to the terms of such Funds’ respective confidential offering memorandum and limited partnership agreement. Expenses of the Advisory Board and the Executive Council may be charged to the ASP Funds or, the Company may, instead, pay such expenses. The

organizational expenses of each ASP Fund (including legal, accounting, filing, capital raising, travel and accommodation expenses, printing expenses and other similar costs) are generally paid by such ASP Fund. Expenses, commissions, and fees of placement agents or finders are borne by American Securities or its related entities, as further described in the governing documents of the respective ASP Fund.

In some cases, expenses might be attributable to more than one ASP Fund, or to American Securities or an affiliate and one or more ASP Funds. In such cases, American Securities and its affiliates will apply an expense allocation methodology that is believed to be fair to affected ASP Funds and consistent with the ASP Funds' confidential offering materials and limited partnership agreements. American Securities and its affiliates may experience a conflict of interest when determining and applying an allocation methodology.

American Securities may utilize the American Securities' Resources Group to diligence potential Portfolio Companies pre-closing, and assist post-closing. The Resources Group is comprised primarily of employees of American Securities, some of whom receive carried interest, that have expertise in areas such as operations, information technology, strategy and growth, human capital, sourcing, purchasing, data science, and pricing, including a Shanghai office with distinctive capabilities in Asia-Pacific growth, competitive strategy and operations. ASP Funds, either directly or through Portfolio Companies, reimburses American Securities for cash compensation and other expenses attributable to the Resources Group's work regarding current or prospective portfolio investments. In some instances, expenses incurred in connection with services provided by American Securities for the benefit of a Portfolio Company will be charged to that company. In other instances, such expenses will be charged directly to the relevant ASP Fund(s) as permitted under the ASP Fund documents. In the latter scenario, where American Securities is not the sole owner of a Portfolio Company, non-ASP Fund investors in that company will indirectly benefit from those services without incurring any expense.

American Securities also utilizes its Talent Acquisitions Services group ("TAS") that helps facilitate and manage searches for executives or employees for Portfolio Companies. TAS executes its objectives through facilitation of direct relationships between Portfolio Companies and third-party search firms, through contracted capacity with TAS-dedicated external search consultants, and through TAS-dedicated employees of American Securities. TAS will often facilitate a direct relationship between an external recruiting firm and a Portfolio Company, where the Portfolio Company pays the third party firm directly (typically on preferential terms) for a particular talent search. Time spent on talent searches by Resources Group employees may be borne by an ASP Fund as described above and outlined in the ASP Funds' offering materials.

Each ASP Fund is responsible for its respective expenses for research and/or due diligence expenses including digital information sources (i.e., licenses and user fees for electronic research software, subscription fees, and business development, travel and entertainment expenses incurred while visiting or managing prospective or existing underlying Portfolio Companies). ASP Funds also reimburse the Company for certain licensing and user fees for accounting, pricing, trading, and investor communication software or programs utilized by the Company's employees or affiliated persons.

The ASP Funds will reimburse American Securities, the investment manager of each ASP Fund, and its affiliates for travel expenses, including air travel (which may be first or business class), car services, meals and hotels (which may include luxury class accommodations), incurred in connection with holding, developing, identifying, evaluating, negotiating, making, structuring, acquiring, monitoring,

selling and otherwise disposing of the Portfolio Companies and otherwise in connection with the business of such ASP Fund. Private air travel may be used when deemed most effective, for example, when going from one remote location to another when visiting a number of plant sites relating to one or more proposed or existing investments. Such travel may be reimbursed by such ASP Fund at applicable first-class airfare rates.

American Securities receives investment transaction, management consulting, origination or other fees and expense reimbursements from Portfolio Companies. In addition, certain of its employees receive compensation and expense reimbursement in exchange for their services as directors of Portfolio Companies. See Item 14 for more information regarding conflicts relating to such fees and reimbursement.

Investors admitted to an ASP Fund after an initial closing may be required to pay fees, expenses and interest retroactively as described in each ASP Fund's confidential offering materials.

See Item 12 for more information regarding the payment of brokerage fees.

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

In addition to the management fees described in Item 5, certain general partner entities affiliated with American Securities receive a performance-based carried interest. Carried interest generally equals a specified percentage of realized fund profits net of all expenses and is subject to preferred return and catch-up provisions described in each ASP Fund's confidential offering materials. Carried interest fees from the ASP Funds may create an incentive for American Securities or an affiliate to make more speculative decisions regarding the purchase, management or sale of an ASP Fund's assets. American Securities seeks to mitigate this potential conflict of interest by more closely aligning the economic interests of the Company and its senior employees with those ASP Funds investors through investments in the ASP Funds by the Company's employees and through "clawback" provisions in the partnership agreements governing the ASP Funds. As described in the confidential offering materials and the partnership agreements governing the ASP Funds, carried interest will be paid to the general partner entities of the ASP Funds when making distributions to investors to which a performance-based allocation relates.

All performance compensation will be charged in accordance with Section 205 of the Investment Advisers Act of 1940, as amended, and Rule 205-3 thereunder.

To the extent set forth in the limited partnership agreements governing each ASP Fund, American Securities may establish one or more co-investment vehicles to invest alongside an ASP Fund in one or more investments. Co-investment vehicles generally purchase and sell investment opportunities at substantially the same time and same terms as the applicable ASP Fund that is invested in such opportunity. American Securities does not consider co-investment vehicles to be clients; American Securities has not historically charged management fees or carried interest relating to such vehicles. For more information on conflicts of interest relating to co-investment vehicles and American Securities' management of these conflicts of interest, please see Items 11 and 12.

## **Item 7 – Types of Clients**

The Company provides investment advice to private investment vehicles, which are structured as US limited partnerships or limited liability companies, all of which are pooled investment vehicles that are exempt from the requirement to register as an investment company under Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940.

In order to facilitate investment by foreign and certain other investors, the general partner of an ASP Fund may create one or more parallel investment entities (“Parallel Investment Vehicles”). Such Parallel Investment Vehicles will invest and divest side-by-side with the respective parallel partnership vehicle at the same time and on the same general terms, will share in each portfolio investment pro rata in proportion to their commitments and similarly will share any related investment expenses. Such vehicles are generally structured with the intention of achieving an alignment of interests that American Securities believes is in the best interest of the ASP Funds. American Securities’ Chief Compliance Officer monitors any such investment structures for potential conflicts of interest. Material conflicts of interest may be disclosed to the applicable ASP Fund’s limited partner advisory board or to all limited partners depending on the nature and severity of the conflict. Employees, executives of Portfolio Companies and other affiliated persons may invest in Parallel Investment Vehicles. For more information on American Securities’ oversight of employee investments in Parallel Investment Vehicles, please see Item 11.

Subject to the discretion of American Securities to accept less, the minimum investment threshold for an investment in the ASP Funds (as set forth in the related offering materials) is \$5 million for a natural person and \$10-15 million for an institution or other entity.

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

The Company’s investment activities include (i) conceiving and creating new market opportunities, (ii) providing capital to meet the needs of growing businesses, (iii) investing in later-stage buyouts and special situations and (iv) other investments as consistent with the objectives of any particular vehicle.

The Company seeks to leverage its deal flow, and operational focus, as well as the continuity and experience of its Managing Directors, other employees and affiliated entities. These sources of deal flow fall into four main categories: (i) investment, industry and restructuring relationships, (ii) proprietary relationships of American Securities and its related entities, (iii) proprietary research conducted by members of the Company and (iv) external research. Investment professionals within the Company and its related entities have close relationships with investment banking firms, advisory firms, debt capital providers, law firms, and other industry participants, all of which are potential sources of deal flow.

Acquiring an interest in an ASP Fund involves a number of risks. An investment in an ASP Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for qualified and sophisticated investors who fully understand and/or are capable of bearing the risk. No guarantee or representation is made that an ASP Fund will achieve its investment objective or that investors will receive a return of their capital.



All investing involves a risk of loss and the investment strategy offered by American Securities could lose money over short, or even long, periods. The description contained below is a brief overview of different risks related to the private equity investments made by ASP Funds.

**Reliance on Key Personnel.** Each of the ASP Funds has certain key man provisions, which are set forth in the governing documents related to such ASP Fund. If Mr. Fisch, Mr. Horing or other Managing Directors ceased to be actively involved in the business of the Company or ceased to be managing members of the general partner, whether by death, disability, resignation, withdrawal or removal, then the effect on the management of the ASP Funds could be adverse.

**General Business and Management Risk.** Investments in Portfolio Companies subject the ASP 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 adversely affect the Portfolio Company's performance.

**Lack of Liquidity.** The ASP Funds invest in instruments where there is likely to be no actively traded market. Moreover, many of the ASP Funds' investments may 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 an issuer or of an asset, an ASP Fund will find it more difficult to sell such instruments when American Securities 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 ASP Funds may be limited. Finally, dispositions of investments may be 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.

There is no public market for the interests in any ASP Fund, and one is not expected to develop. Investors in the ASP Funds will not be permitted to sell, transfer, assign, pledge or otherwise dispose of their interest in the ASP Funds without the prior written consent of the general partner of such ASP Fund, which may be given or withheld in such general partner's sole and absolute discretion. In addition, limited partners are not permitted to disclose certain confidential information to prospective transferors and therefore their ability to transfer their interests in such ASP Fund may be limited. limited partners must be prepared to bear the risks of owning interests in such ASP Fund for an extended period of time. Generally, when a limited partner seeks to transfer its interest in the ASP Fund, the general partner of such ASP Fund will only permit a transfer to existing limited partners of the ASP Funds.

**Highly Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty, especially with respect to timing. The availability of investment opportunities will be subject to market conditions, the prevailing regulatory conditions or the political climate in industries and regions in which the ASP Funds may invest, and other factors outside the control of the ASP Funds. The ASP Funds face competition from numerous competitors in all fields of activity. The ASP Funds will be competing for investments with a variety of other investment vehicles, as well as individuals, financial institutions and other institutional investors. There can be no assurance that the ASP Funds will be able

to locate and complete investments that satisfy their investment objectives or permit the full investment of all available capital.

**Leverage.** The ASP Funds' investments are expected to include Portfolio Companies whose capital structures may have significant leverage. While investments in leveraged companies offer the opportunity for equity appreciation, such investments also involve a high degree of risk. Although the Company will seek to use leverage in a manner it believes is appropriate under the circumstances, the leveraged capital structure of such Portfolio Companies will increase the exposure of the Portfolio Companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the Portfolio Company or its industry. Moreover, rising interest rates may have a more pronounced effect on the profitability or survival of such companies. In the event that such a Portfolio Company is unable to generate sufficient cash flow to meet principal and/or interest payments on its indebtedness, the value of the applicable ASP Fund's investment in such Portfolio Company could be significantly reduced or even eliminated.

**Valuation of Assets.** Most of the securities owned by the ASP Funds are not publicly traded and are required to be fair valued. When estimating fair value, the general partner of each ASP Fund will apply a methodology based on generally accepted accounting practices. To the extent there is any public market for the securities held by an ASP Fund, such freely tradable securities are typically valued at the stated public prices and may be subject to more abrupt and erratic market price movements than those of larger, more established companies.

**Geopolitical Risks.** An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular portfolio investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on the ASP Funds' returns. No assurance can be given as to the effect of these events on the value of or markets for portfolio investments.

**Cyber Security Breaches and Identity Theft.** American Securities' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages, and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time, or cease to function properly, Adviser may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Adviser's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm American Securities' reputation, submit it to legal claims and otherwise affect its business and financial performance.

Prospective investors in any ASP Fund should review the confidential offering documents and other governing documents of any such fund for a more extensive discussion of risks and potential conflicts of interest before making any commitment. This brochure and such documents are not intended to

serve as and are not an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of the ASP Funds.

## **Item 9 – Disciplinary Information**

American Securities and its employees have not been involved in any legal or disciplinary events in the past 10 years that the Company believes would be material to a client's or prospective client's evaluation of the Company or its personnel.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Broker-Dealer Registration:**

American Securities and its employees are not registered, nor do they have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. American Securities and its employees are also not registered, nor do they have any application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

### **Investment Funds/General Partners/Investment Advisers:**

American Securities currently serves as the investment adviser to the following private funds:

- American Securities Partners V, L.P.
- American Securities Partners V(B), L.P.
- American Securities Partners V(C), L.P.
- American Securities Partners VI, L.P.
- American Securities Partners VI(B), L.P.
- American Securities Partners VI(C), L.P.
- American Securities Partners VI(D), L.P.
- American Securities Partners VII, L.P.
- American Securities Partners VII(B), L.P.
- American Securities Partners VII(C), L.P.

- American Securities Partners VIII, L.P.
- American Securities Partners VIII(B), L.P.

American Securities is under common control with each of the general partners to the private funds listed above. These general partners include:

- American Securities Associates V, LLC
- American Securities Associates VI, LLC
- American Securities Associates VII, LLC
- American Securities Associates VIII, LLC

The affiliations between American Securities, the private funds for which it provides investment advice, and the general partners to the private funds are disclosed in the ASP Funds' confidential offering materials. American Securities believes that the structure of these entities reflects common industry practice and is appropriate.

#### **Affiliations with Ascribe Management LLC, Ascribe Capital LLC and Birch Grove Capital LP:**

Certain American Securities personnel are involved in the investment committees, management and operations of Ascribe Management LLC ("Ascribe Management"), a registered private fund adviser that specializes in attractive risk-adjusted investments in securities of companies that are distressed or undergoing operational, financial, or other stress, and in securities trading at a discount to intrinsic value, and its successor, Ascribe Capital LLC ("Ascribe Capital"). Ascribe Management and Ascribe Capital (collectively, "Ascribe") were wholly-owned affiliates of American Securities until June 30, 2021, when American Securities engaged in a business combination ("ASBG Transaction") with Birch Grove Capital LP ("Birch Grove", and together with Ascribe, the "Related Firms"). Upon the consummation of the ASBG Transaction, the Related Firms came under common control indirectly between American Securities and Birch Grove. Further information regarding the ownership of the Related Firms is provided in Schedules A and B of the Related Firms' respective Form ADV, Part 1A filings. Certain of American Securities personnel are also involved in the investment committee, management, and operations of Birch Grove, which is also a registered private fund adviser.

The funds managed by Ascribe typically seek to invest in a broad range of stressed and distressed securities, securities trading at stressed or distressed valuations and securities of companies which are distressed or undergoing operational, financial or other stress, which offer an attractive risk-adjusted rate of return. Birch Grove utilizes a flexible, opportunistic investment strategy to identify (i) assets that are substantially undervalued or overvalued and (ii) situations that are likely to be significantly affected by specific events or trends. As there are no information walls between American Securities and the Related Firms, situations may occur where an ASP Fund could be disadvantaged because of activities conducted by the Related Firms. American Securities or the Related Firms may come into possession of material non-public information about companies in their evaluation of potential investment opportunities. From time to time, American Securities may decline to perform due diligence

on an investment opportunity because its resulting possession of material non-public information about a company may limit the ability of funds managed by one of the Related Firms to buy or sell a security or otherwise to participate in a related investment opportunity. Conversely, American Securities may pursue the investment opportunity subjecting the Related Firms to such trading limitations. To the extent that American Securities and one of the Related Firms both believe that an investment in a common issuer is suitable for their respective funds, an ASP Fund might invest alongside a fund advised by a Related Firm, which may be at the same or different prices with purchases and dispositions at different times. Such investments and the allocation thereof will be reviewed by American Securities' Chief Compliance Officer and General Counsel for fairness to the affected ASP Fund.

The fact that American Securities personnel devote portions of their time and professional energies to the activities of the Related Advisers may pose a conflict of interest. However, the documents of each ASP Fund disclose these risks and provide the limited partners with certain rights if certain principals of American Securities fail to devote the amount of time specified in the relevant governing documents, partially mitigating this risk.

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

### **Code of Ethics:**

American Securities' employees are subject to a Code of Ethics (the "Code") in accordance with Rule 204A-1 under the Investment Advisers Act of 1940. The Code is available by contacting American Securities' Chief Compliance Officer, Jeremy B. Maco, at (212) 476-8000.

The Code reflects the fiduciary duty owed by American Securities to its clients and sets out standards of business and personal conduct for each employee. Guidelines and reporting requirements for personal trading in the Code are intended to mitigate and monitor potential conflicts of interest. A related Insider Trading policy prohibits employees from trading in securities personally or on behalf of an ASP Fund while in possession of material non-public information in violation of applicable securities laws.

### **Personal Trading:**

To mitigate possible conflicts of interest arising from personal trading and others that may arise, American Securities has established policies requiring all of its employees ("Access Persons") to obtain pre-clearance before investing in certain reportable securities such as stocks, bonds, private placements, co-investments (described below under "Participation or Interest in Client Transactions") and investments in Parallel Investment Vehicles. In addition, American Securities monitors for conflicts of interest on a periodic basis and its policies prohibit any Access Person from buying or selling securities for his own accounts at or about the same time that it or one of its Related Firms buys or sells securities for client accounts if it feels that there is a possibility that the personal trade would benefit from the Company's or a Related Firm's investment activities.

All employees are required to certify annually that they have complied with the Code and to make annual reports regarding their personal securities account holdings and quarterly reports regarding their personal securities trading activity.

#### **Gifts and Entertainment:**

American Securities has policies in place governing the types and value of gifts and forms of entertainment that employees may accept from, or give to, broker-dealers, vendors, and current or prospective limited partners of the ASP Funds or funds managed by Related Firms. Generally, all giving and receipt of non-personal gifts and entertainment in excess of \$250 are reported to the Chief Compliance Officer. Certain gifts and entertainment, however, are exempt from this reporting requirement, such as entertainment where the host is present at the event in question, and gifts that are customarily given to or received by various business relationships around the holidays at the end of the calendar year. As a general matter, employees are prohibited from receiving extravagant gifts or entertainment through American Securities' business relationships.

#### **Participation or Interest in Client Transactions:**

American Securities does not anticipate purchase or sale transactions between any ASP Fund and American Securities or its officers and employees or officers and employees of any of the Related Firms. Any such transaction, in the event it was to occur, would be in accordance with Section 206(3) of the Investment Advisers Act and the rules promulgated thereunder.

American Securities itself, and certain employees and officers of American Securities and the Related Firms invest in the ASP Funds, either through the general partners of the ASP Funds and/or as limited partners of Parallel Investment Vehicles that may not bear carried interest, management fees, or certain other expenses (i.e., broken deal expenses). From time to time, either the Company or certain employees and officers thereof may acquire, directly or indirectly, (with the consent of the general partner) secondary interests in an ASP Fund from unaffiliated limited partners. Please see Item 6 for more information about American Securities' side-by-side management of client accounts and Item 12 for more information about its allocation policy and any related conflicts of interest.

## **Item 12 – Brokerage Practices**

#### **Best Execution, Broker Selection and Soft Dollars:**

The Company focuses on making investments in private securities, thus it does not regularly execute trades in market traded securities with any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable in connection with such investments in private securities. Nonetheless, the ASP Funds may invest assets in market traded securities, including debt instruments, for which there may be a broker-dealer or counterparty involved in the transaction to effecting a trade. There are no restrictions on the Company's authority to determine, without obtaining specific client

consent, the brokers or dealers used for this purpose. Accordingly, to the limited extent the ASP Funds engage in transactions other than investments in a Portfolio Company, the Company or its related entities has the authority to determine the financial intermediaries to be used in connection with such transactions and to negotiate the amount of commission or other compensation to be paid to such intermediaries in connection with such transactions. If the Company determines to engage a broker, it will select the broker considering the range and quality of its brokerage services, its execution capability, commission rate, financial responsibility and responsiveness, and the value of research provided, if any.

The Company does not participate in any soft dollar arrangements. However, the Company, in the ordinary course of its business, receives from brokers and dealers research available to other institutional investors. Research services received from brokers and dealers are supplemental to the Company's own research efforts. To the best of American Securities' knowledge, these services are generally made available to other private equity firms doing business with such broker-dealers. The Company does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services.

Counterparties involved with ASP Fund transactions could also be involved in the offering of ASP Funds. The sale of those fund interests may result in commissions or fees as placement agents or finders.

Investment banks providing advice relating to transactions for a Portfolio Company of one ASP Fund may provide advice relating to a transaction for a Portfolio Company of another ASP Fund. This may pose a conflict of interest for American Securities in its management of investments for different ASP Funds. American Securities believes that its use of such advisors and the fees charged for their services are consistent with market practice and that the ASP Funds benefit on a transaction-by-transaction basis from their services.

American Securities may pay for referral or lead databases that provide information about accredited investors who are interested in private fund investments similar to the ones advised by American Securities. Such databases may be obtained from financial institutions that provide services to the ASP Funds.

In order to minimize execution costs and obtain best execution for all clients, American Securities may aggregate orders for multiple ASP Funds and/or related Parallel Investment Vehicles. Orders will only be aggregated if they are believed to be in the best interests of each participating entity.

#### **Allocation and Aggregation Policies:**

The Company has adopted an allocation policy that applies to investment opportunities which have limited capacity. This policy directs the Company to allocate investment opportunities among our clients fairly. Typically only one of the ASP Funds is actively making new investments at any given time. If only one such fund is actively investing then new investments will be allocated exclusively to that fund. To the extent that more than one fund is actively investing within its commitment period, allocations of investment opportunities will be allocated taking into account, among other factors, the timing of when investment opportunities had significantly progressed, and each participating fund's available capital. Each fund participating in an investment opportunity will participate on the same terms and share proportionately in transaction fees and costs based on capital invested in a particular situation. In some circumstances, follow-on investments may be made in connection with one or more

such fund's existing holdings. Follow-on investments will generally be allocated to those funds that made the associated initial investment, pro-rata, based on capital investment by each such fund in the initial investment. However, other factors may require a different allocation, such as, the minimum block size and the available capital of each fund.

Employees of American Securities and the Related Firms, limited partners of the ASP Funds, management of Portfolio Companies and third parties (including third parties who the Company believes will be of strategic benefit to the ASP Funds and their Portfolio Companies) may, from time to time, invest directly or through co-investment vehicles described more thoroughly in Item 6. Typically, co-investment vehicles are appropriate when American Securities determines that the amount of an investment opportunity exceeds the amount that it considers appropriate for the participating ASP Funds. American Securities does not consider these co-investment vehicles to be clients. Nevertheless, American Securities will perform management, advisory and other services for the Portfolio Companies in which these co-investment vehicles invest alongside the ASP Funds, generally at no cost to such vehicles except expenses.

The ASP VII and ASP VIII limited partnership agreements permit the ASP VII and ASP VIII partnerships to borrow money for the purpose of covering partnership expenses and/or paying management fees. The ASP VII and ASP VIII limited partnership agreements also permit principals, advisors, the general partner, and their respective affiliates to co-invest alongside the ASP VII and ASP VIII partnerships, respectively, as part of a permitted 5% co-investment "basket." These limited partnership agreements further provide that any such co-investment by ASP VII or ASP VIII principals, advisors, the general partner, and their respective affiliates must be part of an annual election made by the general partner of ASP VII or ASP VIII, as applicable, prior to January 1 of the applicable year. Such election must be for a fixed percentage or fixed dollar amount to be invested in each ASP VII or ASP VIII portfolio investment to be made during the applicable fiscal year.

As disclosed in the confidential offering materials governing the ASP Funds, American Securities and its affiliates may (but are under no obligation to) provide co-investment opportunities to limited partners of the ASP Funds. Nevertheless, decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of American Securities and its affiliates and may be offered to some and not other investors in the ASP Funds. Prior to offering any available co-investment opportunity to the limited partners of the ASP Funds, American Securities generally expects to offer co-investment opportunities to individuals whom it believes will add value to an ASP Fund's or a Portfolio Company's activities, including management of the applicable Portfolio Company, introducers, lenders and other service providers (including consultants), persons serving as outside directors and other persons with industry, geographic or other relevant expertise applicable to a Portfolio Company. To the extent that after taking account of the foregoing, there are remaining available co-investment opportunities, such opportunities will generally be offered to one or more limited partners of an ASP Fund. American Securities may permit one or more investors to participate in a co-investment vehicle if American Securities determines that such investment would benefit the consummation of the participating ASP Funds' investment (including where an investor can invest or commit to invest a significant amount of capital in a short period of time) and the Company's operation and oversight of the investment. As a result, limited partners may receive co-investment allocations that are different from their proportionate investments in the ASP Funds. Because third party co-investors may provide American Securities, its affiliates and its clients with capital and/or potential investment opportunities, this may be deemed to be a conflict of interest. American Securities believes



that these relationships are in the best interests of the ASP Funds and the Portfolio Companies and are consistent with market practice.

Under certain circumstances, deviations from the allocation procedures may be in the best interest of any of the ASP Funds or an individual Portfolio Company. Any such deviations will be approved by the Chief Executive Officer and the Chief Compliance Officer.

#### **Cross Transactions:**

American Securities has never effected cross transactions between the ASP Funds or between the ASP Funds and any funds managed by the Related Firms. They may, however, be effected in rare instances. In the event that such cross transactions are effected, the terms of such transaction will be comparable to what could be obtained through an arm's length transaction with an unaffiliated third party and if required the limited partner board(s) for the respective ASP Funds shall approve such transactions in accordance with the partnership agreements governing the ASP Funds.

## **Item 13 – Review of Accounts**

#### **Review of Accounts:**

American Securities' investment professionals monitor Portfolio Company investments on an ongoing basis through, inter alia: regular communication with management, participation in Portfolio Company board meetings, periodic strategic planning sessions, industry trade shows and informal conversations and meetings. Portfolio Company investments are generally private, illiquid and long-term in nature and accordingly American Securities' review thereof is not directed toward a short-term decision to dispose of an investment. Each investment under American Securities' management is assigned to a lead Managing Director who has primary responsibility for ongoing monitoring and management of the investment. Focused reviews, which may include input from numerous investment professionals, may be triggered by Portfolio Company-specific performance metrics, economic developments, changes in staffing, and changes in the competitive environment, among other things.

#### **Reporting:**

On a quarterly basis, the Company, on behalf of the ASP Funds, distributes a letter to all investors that includes a description of each ASP Fund's Portfolio Companies, unaudited quarterly financial statements and capital account information. On an annual basis, investors are sent their respective ASP Fund's audited financial statements. Limited partners also receive annual tax information reported on Schedule K-1.

## **Item 14 – Client Referrals and Other Compensation**

American Securities and its affiliates do not directly or indirectly compensate any person who is not a supervised person of the Company for client referrals. However, American Securities has in the past and may in the future enter into placement agent or solicitation agreements pursuant to which it or the

ASP Fund will compensate third-party intermediaries for investor referrals. Such compensation may take the form of a retainer and/or a percentage of introduced capital.

American Securities or its affiliates earn monitoring fees and other compensation from certain Portfolio Companies, purchasers, sellers and other parties to transactions involving Portfolio Company securities as compensation for services, including advice on structuring, negotiating and arranging financing for transactions in which ASP Funds participate. American Securities or its affiliates sometimes earn fees in connection with unconsummated transactions. American Securities or its employees sometimes receive compensation for serving on Portfolio Companies' boards of directors. The receipt of fees and other compensation described above may pose a conflict of interest between the Company and its clients. This conflict is mitigated by the fact that such fees and reimbursements are generally described to clients in each ASP Fund's confidential offering materials and specifically disclosed to investors semi-annually. All or portions of such fees and expenses allocable to the equity interests held by the ASP Funds generally offset management fees otherwise payable by the ASP Funds.

## **Item 15 – Custody**

American Securities has custody, as defined in Rule 206(4)-2 under the Investment Advisers Act (the "Custody Rule"), of the assets of the ASP Funds as a result of the service of certain of American Securities' affiliates as general partners of the ASP Funds. In order to comply with SEC requirements and ensure that the ASP Funds' assets are appropriately protected, American Securities and its affiliates have arranged for annual audits of the ASP Funds' financial statements. The limited partnership agreement of each ASP Fund states that these audits are to be distributed to investors by American Securities within 120 days of each ASP Fund's fiscal year-end. American Securities and its affiliates also have arranged for all of the ASP Funds' cash and any certificated securities to be maintained with qualified custodians when so required under the Custody Rule.

## **Item 16 – Investment Discretion**

American Securities serves as the ASP Funds' investment adviser with discretionary authority to implement investment decisions for each ASP Fund. This authority is described in advisory agreements with each ASP Fund, as well as the ASP Funds' other governing documents. The Company will recommend investments that are believed to be consistent with the mandates described in the ASP Funds' governing documents, but otherwise has broad authority to select investments on a discretionary basis.

## **Item 17 – Voting Client Securities**

American Securities or its representatives may have the opportunity to vote on a variety of corporate actions on behalf of the ASP Funds. The Company has adopted written policies and procedures in an effort to ensure that any such voting opportunity is exercised with diligence, care, and loyalty. For corporate actions that do not pose a conflict of interest, the CEO and Managing Director with primary responsibility for overseeing the asset in question will determine how American Securities should direct the ASP Funds to vote. For corporate actions that pose an actual or apparent conflict of interest, the Chief Compliance Officer, in consultation with the CEO, will determine if another Managing Director is able to make an independent determination, and if not, the matter will be presented to the applicable

ASP Fund's limited partner advisory board in accordance with the applicable ASP Fund's governing documents. Investors cannot direct the way in which the Company will vote on behalf of the ASP Funds.

Current and prospective investors in the ASP Funds may request a copy of American Securities' written policies and procedures governing the voting of corporate actions. Current investors may also request information about the way in which American Securities voted in connection with assets held by their respective ASP Funds.

The ASP Funds sometimes approve one or more American Securities employees to act as representatives on the board of directors of its Portfolio Companies. In situations where American Securities votes the proxy for a Portfolio Company in which an employee or employees serve on the board of directors, American Securities has determined that this does not inherently present a conflict of interest as the employee is on the board of directors as a representative of the ASP Fund. American Securities believes that the ASP Funds' and the representative's role are aligned with respect to voting opportunities. These employees may receive compensation and expense reimbursement in exchange for these board services. See Item 14 for more information regarding conflicts relating to such fees and reimbursement that American Securities believes mitigates any resulting potential conflicts.

## **Item 18 – Financial Information**

American Securities has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to manage or meet its contractual commitments to the ASP Funds.