



**Investment Advisor Brochure
Part 2A of Form ADV**

Transom Capital Group, LLC

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This brochure provides information about the qualifications and business practices of Transom Capital Group, LLC. If you have any questions about the contents of this brochure, please contact us at: (424) 832-7299, or by email at: ndastic@transomcap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Transom Capital Group, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

March 31, 2023

Item 2: Material Changes

Annual Update

Transom Capital Group, LLC (“Transom”) is providing this information as part of our annual updating amendment which last occurred in March 2022.

Material Changes Since the Last Update

There have been no material changes to Transom’s business since our last filing in March 2022. However, we still encourage everyone to read this Form ADV, Part 2A in its entirety.

Full Brochure Availability

This Brochure is also available upon request by contacting Nathan Dastic at (424) 832-7299, or by emailing ndastic@transomcap.com

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Item 4: Advisory Business

Transom Capital Group, LLC (“Transom” or the “Advisor”) was formed in 2008. Transom has more than 14 years of experience in sourcing, underwriting and managing private investments in the United States. The Advisor is the wholly-owned subsidiary of Transom Capital Management, L.P., a Delaware limited partnership (“TCM”). The general partner of TCM is Transom Capital Holdings, LLC, a Delaware limited liability company (“TCH”). The owners of TCM and TCH are Kenneth B. Firtel and Russell W. Roenick (collectively, the “Managing Partners”) acting through their family trusts. The Advisor provides investment advisory services to private pooled investment funds (collectively, together with any future private investment fund to which Transom or its affiliates provide investment advisory services, the “Funds”, and each a “Fund”). As of the date hereof, the Funds include:

- Transom Capital Fund II, LP and Transom Capital Fund II (Parallel), LP (collectively, “Fund II”)
- Transom Capital Fund III, LP (“Fund III”)
- Transom Capital Fund IV, LP (“Fund IV”)

Transom also manages the following private pooled co-investment funds (collectively, the “Co-Investment Funds” and together with the Funds, the “Clients”) to allow certain Limited Partners and other persons to invest in certain portfolio investments made by the Funds:

- Transom Bravo Holdings, LLC (“Bravo Holdings”)
- Transom One Holdings, LLC (“One Holdings”)
- Transom Semitorr Holdings, LLC (“Semitorr”)
- Transom Angeleno Critigen, LLC (“Critigen”)

The general partner of each Fund or Co-Investment Fund (collectively, the “General Partners”, and each a “General Partner”) are considered to be affiliates of the Advisor for the purpose of this Brochure and each is controlled by one or more of the Managing Partners. As of the date hereof, the General Partners include:

- Transom Capital GP II, LLC
- Transom One GP, LLC
- Transom Capital GP III, LLC
- Transom Capital GP IV, LLC

The Clients are focused on control buyouts with small- and middle-market companies that demonstrate the opportunity for operational improvement through the implementation of Transom’s proprietary and scalable ARMORTM value creation process. The ARMORTM value creation process is designed to assist Transom in the acquisition of companies that are off the radar of traditional buyout firms; specifically, Transom invests in companies that are characterized as “undermanaged”, ranging from slightly underperforming to heavily distressed, and companies that are subject to a special situation sale dynamic.

Transom formulates the Clients’ investment objectives and facilitates the acquisition, management, monitoring and disposition of the Clients’ investments. The Advisor provides investment advice directly to the Clients and not individually to the Clients’ limited partners or other equity owners

(the “Limited Partners”, and each, a “Limited Partner”). Transom does not consider the Limited Partners’ individual investment objectives when managing the Clients. Transom manages the assets of the Clients in accordance with the terms of the Clients’ private placement memoranda (if any) and individual limited partnership agreements or any other governing documents applicable to the Clients (collectively, the “Governing Fund Documents”). The terms governing each Fund are generally established at the time of the formation of such Client and may only be amended, modified or waived in accordance with its Governing Fund Documents. Limited Partners typically do not participate in the investment decisions made by the Clients and may only make withdrawals from the Funds under very limited circumstances as permitted by the Governing Fund Documents.

The General Partners may also create alternative investment vehicles (each an “AIV”) to facilitate capital contributions by a Client or Limited Partners in potential investments. Any investment expenses or indemnification or repayment obligations related to such investment are borne by the applicable Client and the AIV in proportion to the capital committed by each to the investment. The General Partners may also create investment vehicles (each, a “Feeder Fund”) to permit third party investors to invest in the Funds, any Parallel Fund or AIV.

The General Partners may, in their sole and absolute discretion, offer to one or more persons, including any Limited Partner, the opportunity to co-invest alongside the Funds in certain investments. Co-investment opportunities may be made available through Co-Investment Funds or as direct investments by the co-investors in the applicable investment opportunity. The General Partners will allocate available investment opportunities among the Clients and other co-investors in a fair and equitable manner, as determined by the General Partners in their sole discretion, subject to any requirements in the applicable Governing Fund Documents.

Limited partnership (or other equity) interests in the Clients are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Clients are not registered under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, equity interests in the Clients are offered and sold exclusively to Limited Partners satisfying the applicable eligibility and suitability requirements for private placement transactions within the United States.

The fair value of each investment held by a Client is typically estimated by Transom on a quarterly basis, or on such other periodic basis as may be required under the applicable Fund Governing Documents. As of December 31, 2022, Transom managed \$961,470,771 on a discretionary basis. Transom does not manage assets on behalf of any Clients on a non-discretionary basis.

Item 5: Fees and Compensation

Transom provides investment advisory services to the Clients pursuant to investment advisory agreements. The investment advisory agreements, together with the Governing Fund Documents, set forth the specific Transom entity which receives management or similar fees in connection with the investment advisory services provided by the Advisor to the Clients. The Governing Fund Documents describe fees, compensation and expenses in greater detail.

Management Fees

Transom currently receives annual management fees (the “Management Fees”) from the Funds, which are paid quarterly. During the investment period, the Funds pay the Advisor a Management

Fee in respect of each Limited Partner (other than the General Partners) equal to a percentage multiplied by the commitment of such Limited Partner, as calculated as of the payment date of such Management Fee. Following the investment period, the annual Management Fee payable in respect of each Limited Partner (other than the General Partners) will equal a percentage multiplied by the aggregate amount of capital invested by such Limited Partner in respect of investments that have not been sold or otherwise disposed of less aggregate net unrealized losses from such investments, as calculated as of the payment date of such Management Fee. Typically, the percentage used to calculate Management Fees is 2.00% but may vary under applicable Governing Fund Documents. The General Partners may, in their sole discretion, reduce or waive the Management Fee payable in respect of any Limited Partner, which reduction will inure solely to the benefit of such Limited Partner. The Co-Investment Funds are typically not charged Management Fees.

Fee Income/Management Fee Offsets

The General Partners, the Advisor and their affiliates from time to time receive transaction fees, advisory fees, break-up fees and other similar fees (collectively, "Transaction Fees"), as well as monitoring fees and other similar fees (collectively, "Monitoring Fees"), from portfolio companies and prospective investments. Transom and its investment professionals may also receive directors' fees paid by portfolio companies in connection with a Client's investments ("Director Fees", together with Transaction Fees and Monitoring Fees, "Net Offset Fees").

Depending on the specific terms of each Fund's Governing Fund Documents, the amount of fee income available to offset Management Fees for such Fund is based upon such Fund's allocable share of such fees based on its respective ownership (or proposed ownership) of the actual or proposed investment that generated such fee income. Generally, the Management Fees payable by a Fund in respect of a Limited Partner will be offset by such Limited Partner's *pro rata* share (based on the Limited Partners' relative commitments) of the sum of (i) a percentage of the Fund's allocable share of any Net Offset Fees, (ii) 100% of all placement fees paid or reimbursed by the Fund and (iii) 100% of any organizational expenses paid or reimbursed by the Fund in excess of a pre-determined cap (as specified in each Fund's Governing Fund Documents), in the case of each of clauses (i) through (iii), to the extent not previously applied to reduce the Management Fee. The percentage of Net Offset Fees that will offset the Management Fee for each Fund will vary from 50% to 100% based on each Fund's Governing Fund Documents. The foregoing Management Fee offset is typically not applicable to Co-Investment Funds.

The Advisor and/or its affiliates have discretion over whether to charge Transaction Fees, Monitoring Fees or other similar fees or to require other compensation from a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation may give rise to conflicts of interest between the Funds, on the one hand, and the Advisor and/or its affiliates on the other hand.

TCOT Fees and Expenses

Personnel may be employed or retained by Transom or its affiliates as part of its operations team to primarily provide sales, marketing, technology, human resources, business development, acquisition/integration/rationalization and/or other operations services, operational due diligence, or similar services to the Clients or any current or prospective portfolio company (such personnel, "TCOT"). To the extent permitted by their respective Governing Fund Documents, the Clients and their respective portfolio companies are expected to compensate Transom or its affiliates and their

respective employees for such services provided by TCOT and are also expected to reimburse Transom or its affiliates and their respective employees for third party out-of-pocket expenses incurred in providing such services (such compensation and reimbursements, collectively, “**TCOT Fees and Expenses**”). In addition to such compensation and reimbursements, TCOT Fees and Expenses may include without limitation, incentive equity or stock awards in a portfolio company or other incentive-based compensation, which may be determined according to one or more methods, including the value of the time of the applicable TCOT personnel, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such portfolio company. Any TCOT Fees and Expenses will not be considered Transaction Fees, Monitoring Fees or Director Fees, and will not offset the Management Fee payable to Transom.

To the extent TCOT Fees and Expenses are calculated based on (in whole or in part) a reimbursement of costs, such costs may include, without limitation (i) associated personnel costs such as salaries, benefits, payroll taxes, insurance, consulting fees, holiday and vacation time and all other associated compensation and personnel costs for the TCOT members performing such services, (ii) Transom and its affiliates associated overhead, including, without limitation, all occupancy costs such as rent, utilities, HVAC, water, cleaning and all other occupancy and administrative expenses incurred in connection with the services provided by TCOT, (iii) the cost of accounting, software and other systems used to record and allocate the time and expenses associated with the services provided by TCOT, (iv) travel and associated expenses, and (v) all out of pocket costs incurred by Transom or its affiliates and their respective employees connection with the services provided by TCOT.

To the extent that services provided by TCOT are (i) related to a proposed investment or transaction on behalf of a Client or its portfolio company, (ii) rendered primarily for the benefit of a portfolio company such as when a Transom employee serves as an operating executive or consultant to such portfolio company, (iii) limited to the provision of material assistance to the management of one or more of the portfolio companies or (iv) limited to the provision of material assistance to a Client in connection with the surveillance and monitoring of one or more investments, the TCOT Fees and Expenses associated with the services provided by TCOT are generally borne by such Client(s) or portfolio company (or, in the case of an investment that is not consummated, by the Clients that would have been allocated the proposed investment or transaction, where applicable).

TCOT members performing services may also serve as directors and/or officers of portfolio companies of one or more of the Clients. Accordingly, such employees may have a conflict where their fiduciary duty to the portfolio company conflicts with their fiduciary duty to one or more of the Clients.

All determinations with respect to allocations of work and related reimbursements, the methodologies for such allocations, and the TCOT Fees and Expenses for such work will be made by Transom and its affiliates in their sole discretion. Such methodologies can include, but are not limited to (i) requiring personnel to periodically record or allocate their historical time with respect to the applicable Client or its portfolio companies, (ii) Transom or its affiliates approximating the proportion of certain individuals’ time spent on particular Clients or their respective portfolio companies, (iii) the assessment of an overall dollar amount (based on a fixed fee or percentage of assets under management) that Transom believes represents a fair recoupment of expenses and a market rate for services or (iv) any other methodology determined by Transom to be appropriate under the circumstances (i.e., rates that fall within a range that Transom has determined is reflective of rates in the applicable market and certain similar markets, though not necessarily equal to or lower

than the mediate rate of comparable firms). Transom and its affiliates will seek to allocate work done by personnel and related reimbursements appropriately; but such allocation often includes the exercise of judgment and there is no assurance that such allocation methodology discussed above will allocate work done by personnel and related reimbursements fairly. Any methodology (including the choice and execution thereof) involves inherent conflicts and may even result in the incurrence of greater expenses by a particular Client (directly or indirectly as an investor in a portfolio company) than would be the case if such services were provided by third parties. Limited Partners will not have the opportunity to review these TCOT Fees and Expenses or the basis on which they are charged, and there is no guarantee that rates charged by Transom or its affiliates and their respective employees for any services provided by TCOT will be equal to or lower than the rate of comparable firms offering those same services.

Many investment opportunities and transactions will inherently create a potential for the TCOT to earn TCOT Fees and Expenses. The possibility of earning such TCOT Fees and Expenses will give rise to potential or actual conflicts of interest by incentivizing the General Partners and/or Transom to seek to refer, allocate or recommend an investment or transaction to the Clients or their portfolio companies. Furthermore, the involvement of the TCOT as a provider of services in connection with the operations of the Clients or a portfolio company will give rise to the possibility of the General Partner causing the Client or a portfolio company to agree to terms with Transom or its affiliates that are less favorable to the Client or such portfolio company than might have been obtained from another third party, which would adversely impact the Client and its Limited Partners.

In addition, the Clients or its portfolio companies may pay Transom and its affiliates to perform TCOT services that, directly or indirectly, benefit Transom, its affiliates and/or portfolio companies of other Clients. Consequently, Transom, its affiliates and/or portfolio companies of other Clients may receive services without being charged or at below market rates.

To the extent required by a Client's Governing Fund Documents, the General Partner of such Client will disclose the amount of TCOT Fees and Expenses received by Transom and its affiliates to the Client's L.P. Advisory Committee or its Limited Partners on a periodic basis (typically on an annual basis).

Since TCOT Fees and Expenses will not be considered Transaction Fees, Monitoring Fees or Director Fees, and will not otherwise offset the Management Fee payable to Transom, the right to receive TCOT Fees and Expenses creates an incentive for Transom to charge more for TCOT Fees and Expenses than would be the case if the services provided by TCOT were performed by unaffiliated third parties. There is no guarantee that any investor in a portfolio company benefitting from the services provided by TCOT will bear the related TCOT Fees and Expenses.

Carried Interest

The General Partners generally are entitled to receive carried interest from each Fund equal to a specified percentage of all realized and distributed profits, subject to a specified preferred return with a related General Partner catch-up provision, as more fully described in each Funds' Governing Fund Documents. Typically, the percentage of profits shared with a General Partner as carried interest is 20%. The Funds' Governing Fund Documents may also include standard industry clawback provisions to prevent instances in which a General Partner would receive excess distributions of carried interest. Generally, each General Partner may waive or reduce the amount of carried interest borne by any Limited Partner.

Organizational Expenses

Subject to an organizational expense limit that may be set forth in the applicable Governing Fund Documents, the Clients generally bear all costs and expenses relating to the organization of the Clients, their General Partners (or similar managing authority), and the offer and sale of interests therein. Any organizational expenses borne by a Fund in excess of any limit that may be set forth in such Fund's Governing Fund Documents will offset the Management Fee as described above.

Operational Expenses

As more particularly set forth in each Client's Governing Documents, each Client will bear all fees, costs, expenses, liabilities and obligations relating to such Client and/or its activities, business, portfolio companies or actual or potential investments, including with respect to any entity formed to effect the acquisition or holding of an investment, which may include some or all of the following fees, costs and expenses:

- (1) the Management Fee;
- (2) all out-of-pocket fees, costs and expenses, if any, incurred in developing, sourcing, bidding on, evaluating, negotiating, structuring, obtaining regulatory approvals for, purchasing, trading, settling, monitoring, maintaining custody of, holding and disposing of actual investments (including TCOT Fees and Expenses, travel and related expenses) and costs of related information management and trading systems, including without limitation any financing, legal, accounting, advisory and consulting expenses in connection therewith (to the extent not subject to any reimbursement of such costs and expenses by entities in which the Clients invest or other third parties);
- (3) subject to the terms of the Governing Fund Documents, expenses of the L.P. Advisory Committee;
- (4) principal, interest, fees and other amounts arising out of all borrowings, guarantees and other indebtedness incurred by the Clients;
- (5) the costs and expenses of any lenders, investment banks and other financing sources;
- (6) any out-of-pocket fees, costs and expenses, if any, incurred in connection with any Client's legal, tax and regulatory compliance with U.S. federal, state, local, non-U.S. or other law or regulation (including, without limitation, regulatory filings of Transom and its affiliates relating to any Client and its activities, including reporting on and compliance with Form PF, any Foreign Account Reporting Regimes and any comparable legislation or regulations published by any relevant jurisdiction);
- (7) the costs and expenses associated with disclosures, filings and notifications prepared in accordance with and the organization or maintenance of any entity used in connection with compliance with the Alternative Investment Manager Directive and similar regulations in applicable jurisdictions;
- (8) insurance premiums for policies covering any indemnified party;
- (9) taxes, fees and due diligence and other expenses associated with the acquisition, holding and disposition of investments;

(10) fees, costs and expenses of any administrators, custodians, depositaries, attorneys, accountants, tax advisers, consultants, brokers, agents, valuation experts, senior advisors, operating partners and other advisers and professionals (including audit and certification fees and the costs of preparing, printing and distributing reports to Limited Partners and costs of related information management systems) (whether maintained by Transom or elsewhere);

(11) the Clients' allocable share of fees, costs and expenses paid or reimbursed by the General Partners, Transom or any of their respective affiliates in connection with any potential investment that is not consummated, including fees and expenses of finders, brokers, investment bankers, financial advisors and similar persons, fees and expenses of legal counsel and other professionals (such as accountants, environmental consultants, insurance consultants, solvency experts and others) retained by or on behalf of the Clients or as a requirement of any actual or proposed lender or investor, and interest expense on any funds borrowed to pay any of the above-described costs;

(12) all out-of-pocket expenses incurred in connection with complying with provisions in side letters, including any costs incurred in order to implement "most favored nations" provisions;

(13) expenses of winding up and liquidating the Clients;

(14) expenses and fees charged or specifically attributed or allocated by Transom or its affiliates to provide in-house administrative, legal and accounting services to the Clients, and expenses, charges and/or related costs incurred by the Clients, Transom or its affiliates in connection with such provision of in-house administrative, legal and accounting services to the Clients; provided that the General Partners determines in good faith that any such expenses, charges or related costs are not greater than what would be paid to an unaffiliated third party for substantially similar services;

(15) any costs associated with meetings of the Limited Partners;

(16) any cost or expenses incurred in connection with attending industry conferences, any costs and expenses arising from any foreign exchange or other currency transactions;

(17) the costs and expenses of any litigation involving any Client and the amount of any judgments or settlements paid in connection therewith;

(18) expenses related to any Clients exercise of its remedies under the default provisions of the Governing Fund Documents;

(19) any expenses incurred in connection with amendments to the Governing Fund Documents;

(20) any expenses incurred in connection with the formation of any AIV or special purpose investment vehicle or other joint venture arrangement formed in order to facilitate participation by a Client with certain investors or in certain investments (a "Special Purpose Entity");

(21) any unreimbursed expenses resulting from a co-investment opportunity that is considered for a Client and shown to prospective co-investors, but which co-investment opportunity does not materialize into a Client investment, including expenses related to the participation in such potential co-investment opportunity by prospective co-investors, notwithstanding the possibility that co-investors might have participated in such potential investment if it was actually consummated by such Client;

(22) any costs or expenses incurred in connection with information technology and cybersecurity;

(23) each of the foregoing expenses to the extent borne on behalf of any Special Purpose Entity, any other entity through which a Client participates in any investment (or their respective subsidiaries or affiliates);

(24) other extraordinary expenses and other expenses as described in this Governing Fund Documents; and

(25) any other expenses approved by an L.P. Advisory Committee.

Transom or its affiliates pay all of the ordinary overhead expenses of the Advisor, the General Partners and the Funds including, but not limited to, the salary of and office space for the Advisor's officers and employees involved in investment and economic research and investment advice for the Funds, except to the extent such expenses constitute (a) the operational expenses of the Clients described above or (b) TCOT Fees and Expenses.

Limited Partners are encouraged, to the extent practicable, to inquire about and review all fees charged by Transom to fully understand the total amount of fees to be paid by the Funds and, indirectly, their Limited Partners.

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

As described above in the Fees and Compensation section, Transom or its affiliates receive performance-based compensation (incentive fees or carried interest). Also, certain of Transom's supervised persons receive compensation that is directly tied to the aggregate performance of the Funds. The fact that a significant portion of Transom's and certain supervised persons' compensation is directly computed on the basis of profits creates an incentive for Transom to make investments on behalf of the Clients that are riskier or more speculative than would be the case in the absence of such compensation. Transom manages this conflict of interest by ensuring that no single person makes material investment decisions for the Clients. In addition, the General Partners and one or more of the Managing Partners and other principals of Transom generally maintain interests in the Funds on the same basis as outside Limited Partners (with the exception of management fees and carried interest, which may be waived for Transom, its affiliates and their personnel); this also serves to alleviate the incentive to engage in riskier or more speculative investments.

Additionally, certain of the Funds have formed Limited Partner advisory committees (each, an "L.P. Advisory Committee") that consist of representatives of the Limited Partners appointed by the General Partner of such Fund. No member of any L.P. Advisory Committee may be an affiliate of the General Partners or of the Advisor.

The L.P. Advisory Committee of a Fund does not participate in the management of such Fund. An L.P. Advisory Committee may address conflicts of interest and valuation issues, review matters requiring its prior consent or approval in accordance with the Governing Fund Documents and perform such other duties as may be requested by the Fund's General Partner. Actions taken by an L.P. Advisory Committee require the consent of a majority of its members. Each Fund reimburses the members of its L.P. Advisory Committees for certain of their reasonable out-of-pocket expenses.

Item 7: Types of Clients

Transom provides investment management and advisory services to the Clients directly, subject to the direction and control of the affiliated General Partners of the Clients, and not individually to the Limited Partners. The types of Limited Partners participating in the Clients may include, but are not limited to, pension plans (corporate, state and foreign), endowments, foundations, other pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities. The Clients are not registered under the Investment Company Act, in reliance on an appropriate exemption.

The minimum commitment for a Limited Partner is outlined in the Governing Fund Documents; however, the General Partners maintain discretion to accept less than the minimum investment threshold. Limited Partners are required to meet certain suitability qualifications, such as being an “Accredited Investor” as defined in Rule 501(a) of Regulation D under the Securities Act. Also, details concerning applicable Limited Partner suitability criteria are set forth in the Governing Fund Documents and subscription materials, which are furnished to each Limited Partner.

The General Partners, the Advisor and/or the Clients may from time to time, without the approval of any Limited Partner, enter into side letters or similar written agreements (each, a “Side Letter”) with one or more Limited Partners whereby, in consideration for agreeing to invest certain amounts in a Client and other consideration deemed appropriate (such as regulatory or tax considerations), such Limited Partners may be granted economic, information and other rights related to their investment in a Client that may be more favorable than those rights granted to the Limited Partners generally under the Governing Fund Documents. A Side Letter will have the effect of establishing rights under, or altering or supplementing the terms of, the Governing Fund Documents with respect to such Limited Partners.

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

Limited Partners are encouraged to review the Governing Fund Documents for a more complete discussion of Transom’s investment strategies and the risks associated with an investment in any of the Clients. Transom is focused on acquiring companies in the small to middle-market, which Transom defines as having revenue between \$25 million and \$250 million (although Transom typically targets companies with revenues in excess of \$50 million) as it seeks to exploit inefficiencies within this marketplace as part of its investment strategy. Transom believes that companies of this size, either as a stand-alone company or as a division or subsidiary of a larger corporate parent, are prevalent.

Transom’s strategy is to pursue control buyout transactions in the lower middle market with the objective of generating top-tier equity returns through operational excellence, as implemented via its ARMOR™ value creation process. Transom looks to acquire companies that are somewhere along the performance continuum between undermanaged and heavily distressed. For those companies that Transom considers undermanaged, this will typically mean that such target company is not performing at an optimal level due to factors such as missing key members of management, poor strategic direction or focus, or otherwise lacking operational sophistication in key areas. On the other end of the spectrum is a heavily-distressed company, which is typically generating negative cash flows and is having issues on both the income statement and the balance sheet. From a balance sheet perspective, a heavily-distressed company often is in violation of covenants with its lender, is stretching trade payables to provide additional cash flow to the business and is operating from a

negative working capital position. From an income statement perspective, a heavily-distressed company is often generating negative EBITDA, presents lower than industry-average gross margin, and possesses an inflated level of operating expense. Along this continuum of company performance sits companies in need of turnaround or restructuring, the severity of which dictates whether they are closer to undermanaged or heavily distressed.

An investment in any of the Clients involves substantial risks. The risk factors set forth below are not intended to be an exhaustive list of the general or specific risks involved, but are provided merely to identify certain of the risks that are now foreseen by the Clients. Other risks, which are not now foreseen, might become significant in the future and certain risks that are currently foreseen might affect the Clients to a greater extent than is currently contemplated or in a manner not now contemplated. In light of the risk factors discussed below, among others, an investment in the Clients is suitable only for Limited Partners of substantial financial means who have no need for liquidity to the extent of their investment in the Clients and can afford a total loss of their investment. Each Limited Partner should consult his or her own professional advisors as to the legal, tax and related matters concerning an investment in the Clients.

Business Risks

The Clients' investment portfolios are expected to consist primarily of controlling interests in private companies. Such investments involve a high degree of business and financial risk which can result in substantial losses. In general, the success of the Clients' investments will be subject to a variety of risks, including, without limitation, those related to (i) the quality of the management of the private companies and the ability of such management to successfully operate their companies; (ii) the ability to liquidate the Clients' interests in these investments; and (iii) general economic conditions.

The task of identifying investment opportunities in private companies, monitoring and directing such investments and realizing a significant return for the Clients is difficult. There is no assurance that the General Partners will be able to return contributed capital or generate returns for the Clients. The private equity business is competitive. The Clients and Transom may compete with other prospective purchasers who have substantial resources and experience in acquiring private companies, potentially jeopardizing returns for the Clients.

Control Investments and Directorships

The Clients plan to acquire control positions in small and middle-market companies in which they invest. Additionally, officers and employees of the General Partners or the Advisor may serve as directors of portfolio companies in which the Clients invest. The exercise of control over a company through a control position, or the service of an officer or employee of the General Partners or the Advisor as a director of such company, could (i) expose the assets of the Clients to claims by such company, its security holders and creditors or (ii) impose additional risks of liability for failure to supervise management, violation of governmental regulations and other types of liability in which general limited liability protections are ignored. If these liabilities were to occur, the Clients directly, and the Limited Partners indirectly, would likely suffer losses with respect to their investments.

Representatives of the Clients will generally serve on the boards of directors of the Clients' portfolio companies. Serving on the board of directors of a portfolio company exposes the Clients'

representative, and ultimately the Clients, to potential liability. Although portfolio companies often have insurance to protect directors and officers from such liability, such insurance may not be obtained by all portfolio companies and may not cover all potential liability of its directors and officers. Such potential liability will likely be covered by the Clients' obligation to indemnify such Clients' representative.

Portfolio Company Risks

The Clients will invest in portfolio companies that may be subject to a high degree of business and/or financial risks. The portfolio companies may be distressed or have operating losses or significant variations in operating results, and they may be engaged in a rapidly changing business subject to a substantial risk of competition and/or other significant challenges to their sustained operations and profitability. There can be no assurance that any portfolio company investment made by a Fund will be successful. In addition, a portfolio company may require substantial additional capital to support its operations, to finance expansion and/or to maintain its competitive position or may otherwise have a weak financial condition. Certain portfolio companies in which the Clients invest may face intense competition from larger and/or more experienced companies with greater financial and technical resources, more marketing and service capabilities and/or a greater number of qualified personnel.

No Assurance of Portfolio Company Returns

While private equity investments in growth companies, highly leveraged companies or newly organized companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. The General Partners will generally determine the appropriate capital structure for each portfolio company in which a Fund invests based upon financial projections for that portfolio company. Projected operating results of a portfolio company will normally be based primarily on management judgments. In all cases, projections are only estimates of future results based upon assumptions made at the time such projections are developed.

Competition for Investments

The Clients expect to encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources and more personnel than the General Partners, the Advisor, the Clients and their affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Clients and adversely affecting the terms upon which investments can be made. There can be no assurance that the Clients will be able to identify or consummate investments in portfolio companies satisfying their investment criteria or that such investments will satisfy the Clients' rate of return objectives. Likewise, there can be no assurance that the Clients will be able to realize the value of their investments or be able to invest their committed capital. To the extent that the Clients encounter competition for investments, returns to Limited Partners may decrease.

Bridge Financing

From time to time, the Clients may lend to portfolio companies on a short-term, unsecured basis in connection with an investment or a potential investment in such portfolio companies by the Clients. Such bridge financing may be convertible into a more permanent, long-term security; however, for reasons not always in the Clients' control, such long-term securities may not be issued, and such bridge financing may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Clients.

Illiquid Nature of Investments

The Clients' investments in portfolio companies will be highly illiquid and there can be no assurance that the Clients will be able to realize such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the Limited Partners. While a Fund's investment in a portfolio company may be sold at any time, it is not generally expected that this will occur for a number of years after the investment in a portfolio company is made. The Clients will generally acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction exempt from registration under the Securities Act. The market prices, if any, of such investments tend to be volatile and the Clients may not be able to sell such investments when desired, or, upon sale, to realize what is perceived to be fair value. In some cases, the Clients may be prohibited by contract from selling certain securities for a period of time. Even where a Fund holds freely tradable publicly-traded securities, a Fund's position may represent a significant portion of the outstanding public float of a particular portfolio company, creating a degree of illiquidity in the event that such Fund changed its investment decision or was unable to acquire control and wished to dispose of or reduce its position in such portfolio company by selling shares into the market.

Additional Capital Need

After the Clients make initial investments in portfolio companies, these portfolio companies may require additional funding, or the Clients may have the opportunity to increase their investment in a successful portfolio company. The General Partners can offer no assurance that the Clients will make follow-on investments or that the Clients will have sufficient capital or commitments available to make such investments. Any decision by the Clients not to make follow-on investments may have substantial adverse effects on portfolio companies in need of such investment, may result in missed opportunities for the Clients to increase their participation in successful ventures, or may cause a decrease in the value of the Clients' investments. In addition, to the extent that the Clients do make follow-on investments, cash available for distribution to Limited Partners may be reduced.

Borrowings

The Clients may employ leverage for the purpose of making investments and covering the Clients' expenses pending the receipt of capital contributions. The use of leverage creates special risks and may significantly increase the Clients' investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, will increase the Clients' exposure to capital risk. Any investment income and gains earned on investments made through the use of leverage that are in excess of the costs associated therewith may cause investment performance of the Clients to

increase more rapidly than would otherwise be the case. Conversely, where the associated costs are greater than such income and gains, the investment performance of the Clients may decrease more rapidly than would otherwise be the case.

Portfolio Company Leverage

The Clients may invest in companies whose capital structures are leveraged. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. The Clients' investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, rising interest rates may increase portfolio company interest expenses. If a portfolio company cannot generate adequate cash flow to meet its debt service, the Clients may suffer a partial or total loss of capital invested in the portfolio company. While the use of leverage may create opportunities to increase the Clients' returns, it also may increase the Clients' losses. A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions such as those described above or a decreased appetite for risk by lenders) may materially impair the Clients' ability to consummate portfolio investments, to make leveraged distributions or to sell investments to buyers who utilize similar leverage strategies. Also, the securities of a portfolio company in which the Clients will invest may be among the most junior in the portfolio company's capital structure and thus subject to the greatest risk of loss.

Valuation of Investments

The Clients will rely on the General Partners for valuation of their assets and liabilities. The Clients will primarily hold securities and other assets that will not have readily accessible market values. The valuation of illiquid securities and other assets is inherently subjective and subject to increased risk that the information utilized to value such assets or create pricing models may be inaccurate or subject to error. Due to a wide variety of market factors and the nature of certain securities and assets to be held by the Clients, there can be no guarantee that the values determined by the General Partners will represent the values that will be realized by the Clients upon the disposition of the investment. The amount and timing of carried interest received by the General Partners may depend in part on the valuation of the Clients' assets and liabilities.

Item 9: Disciplinary Information

Neither Transom nor any of its officers, directors, employees or other management persons has been involved in any legal or disciplinary events that would require disclosure.

Item 10: Other Financial Industry Activities and Affiliations

Transom organizes and sponsors the Clients, which are private investment companies. The Clients are controlled by their General Partners. The General Partners will be responsible for all ultimate decisions regarding transactions of the Clients and have full discretion over the management of the Clients' investment activities. The General Partners are not separately registered as investment advisers with the SEC; the Advisor will provide all investment advisory services to the Clients subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the General Partners are subject to the supervision and control of the Advisor. Thus, the General Partners and all of the persons acting on their behalf would be "persons associated with"

Transom such that the SEC could enforce the requirements of the Advisers Act on the General Partners.

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

Pursuant to Rule 204A-1 of the Advisers Act, Transom has adopted a written Code of Ethics (the “Code”) predicated on the principle that Transom owes a fiduciary duty to the Clients. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners or employees of the Advisor involved in the management of the Clients (the “Advisory Employees”). The Advisor requires Advisory Employees to act in the Clients’ best interest, abide by all applicable regulations and avoid any action that is, or appears to be, legally or ethically improper.

The Advisor (and its Advisory Employees) executes transactions for its own accounts, subject to restrictions and reporting requirements as required by law and any relevant Governing Fund Documents or as otherwise determined from time to time by the Advisor. Execution of such transactions may present a conflict of interest. To mitigate this conflict, Transom monitors certain transactions.

The Code requires pre-clearance before purchasing an IPO or limited offerings (e.g., private placements), requires periodic reporting of Advisory Employees’ personal securities transactions and securities holdings, and requires prompt internal reporting of Code violations. A copy of the Code is available upon request.

Certain transactions in which Transom engages require that, for either business or legal reasons, no Advisory Employees trade in the subject securities for specified time periods. Such securities will appear on a list (the “Restricted List”) that will be circulated to all Advisory Employees. No Advisory Employee may engage in any sort of trading activity with respect to a security or a derivative thereof on the Restricted List without obtaining prior written approval from the chief compliance officer (“CCO”).

Transom and its related persons have made personal investments in the Funds alongside the Limited Partners or may otherwise have interests in the Clients (e.g., the General Partners for the Clients are 100% owned by related persons of Transom). As previously described in the Fees and Compensation section, Transom receives incentive compensation from the Clients, which creates a conflict of interest, and has addressed this conflict. See also the Performance Based Fees and Side-by-Side Management section.

From time to time, Transom and its Advisory Employees provide gifts and gratuities to various individuals or entities such as clients, vendors, consultants and service providers in the normal course of business. These gifts, gratuities and contributions are not premised upon any specific Investor referrals or any expectation of any other type of benefit to Transom. The Advisor has adopted detailed procedures requiring reporting and recordkeeping of gifts and gratuities. In addition, portfolio companies may, from time to time, make discounts and other benefits available to employees in connection with products or services offered by such companies. The Advisor and its Advisory Employees also may make political contributions to persons who serve or seek to serve in elected capacities with certain public entities. These political contributions are permitted only in compliance with the SEC’s rule prohibiting “pay-to-play” activities adopted under Rule 206(4)-5

of the Advisers Act and any applicable state, local or governmental-plan level requirements.

Item 12: Brokerage Practices

Transom invests the Clients' assets almost exclusively in debt and equity investments in small and middle-market private companies.

Transom does not ordinarily engage financial intermediaries in connection with securities transactions for the Clients. However, in the event Transom chooses to do so, Transom will consider a range of applicable factors (depending on the securities transaction) when retaining broker-dealers or other intermediaries for the purpose of completing such transactions. Factors assessed include expertise and background, the nature and size of the transaction, the reputation of the counterparty, settlement capabilities, time required to complete the transaction and whether arrangements relating to overall performance are in the best interest of the Clients.

In conducting such brokered transactions, Transom will seek, but is not required to obtain, best execution. Advisory Employees involved in securities transactions on behalf of the Clients will consider local market compensation for and the scope of services provided by financial intermediaries at the time of such transactions in the event such intermediaries are used. The CCO will review brokered securities transactions, if any, effected on behalf of the Clients in order to attempt to assess whether the fees paid by the Clients are reasonable in light of the services received. Transom does not participate in any soft dollar arrangements, and it does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with the Clients' securities transaction.

Item 13: Review of Accounts

The General Partners for the Clients have ultimate responsibility for all investment decisions and will continuously review such decisions for each Fund on an ad hoc basis. In addition, the CCO will review the Clients' investment activities periodically to ensure compliance with investment objectives and any investment restrictions set forth in the Governing Fund Documents.

The Limited Partners of each Fund will receive annual audited financial statements for such Fund. Also, Limited Partners will receive the information necessary for the preparation of tax returns.

Item 14: Client Referrals and Other Compensation

Transom or its related persons also engage with third party placement agents (e.g., promoters) to introduce prospective Limited Partners to the Clients. Transom will seek to comply with Rule 206(4)-1 under the Advisers Act (the "Marketing Rule") when engaging or compensating any such third party placement agents to solicit new investors. In addition, Transom will also seek to comply with the Marketing Rule to the extent Transom compensates other entities, as well as current or non-current investors, for providing testimonials or endorsements about Transom's services and investment products.

Item 15: Custody

Since affiliates of Transom serve as the General Partners of the Clients, Transom has access to client accounts (i.e., the Clients). Limited Partners will not receive statements from any custodian. Instead,

the Clients are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, 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 the applicable Fund's fiscal year end.

Item 16: Investment Discretion

In addition to the General Partners, Transom also has investment discretion over the Clients' assets, in accordance with the Governing Fund Documents. As noted above, the Clients' General Partners are affiliates of Transom. The Governing Fund Documents generally set forth certain limitations with respect to the management of the Clients and the activities of Transom. Limited Partners may enter into Side Letters with Transom, as described in the Types of Clients section. These agreements may have the effect of limiting certain of Transom's activities.

Item 17: Voting Client Securities

Generally, Transom invests the Clients' assets in privately-issued securities of small and middle market companies. Voting is generally not applicable for these types of investments. However, Transom may periodically exercise voting authority with respect to securities held by the Clients. In those instances, Transom will vote in the best interest of the Clients and in accordance with its fiduciary duty to the Clients. If there is an actual or potential material conflict of interest in connection with a prospective vote, such conflict will be resolved in accordance with the Governing Fund Documents and Transom's policies and procedures. Transom will not neglect its voting responsibilities, but Transom may abstain from voting in any instance if it deems that such abstention is in the Clients' best interest. Transom will determine on a case-by-case basis whether the Clients will participate in class actions. Limited Partners have no ability to direct Transom's proxy votes. However, Limited Partners can obtain information on how Transom voted by contacting the CCO. Limited Partners can also obtain a copy of Transom's proxy voting and class action policies and procedures by contacting the CCO.

Item 18: Financial Information

Transom is not required to provide an audited balance sheet for the Advisor because it does not require payment of management fees more than six months in advance and does not have a financial condition that is likely to impair its ability to meet contractual commitments to the Clients or Limited Partners. Transom has not been subject to any bankruptcy proceeding during the past 10 years.