

**STERLING PARTNERS**

**FORM ADV – PART 2A**

167 N. GREEN STREET, 5TH FLOOR  
CHICAGO, IL 60607  
TELEPHONE: (312) 465-7000  
E-MAIL: COMPLIANCE@STERLINGPARTNERS.COM  
WWW.STERLINGPARTNERS.COM

August 17, 2023

**This Brochure provides information about the qualifications and business practices of Sterling Fund Management, LLC and its relying adviser (collectively, “Sterling Partners”). If you have any questions about the contents of this Brochure, please contact us at (312) 465-7000 or via email at [compliance@sterlingpartners.com](mailto:compliance@sterlingpartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT STERLING PARTNERS OR ANY OF THE PERSONNEL OR EMPLOYEES OF STERLING PARTNERS POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.**

## **Item 2 - Material Changes**

This section of the Brochure discusses only material changes that have been made since the last amendment to the Brochure filed on March 31, 2023.

Sterling Partners Equity Advisors LLC, a related person of Sterling Fund Management, LLC, has been withdrawn as a Registered Investment Advisor. In addition, Sterling Partners routinely makes updates throughout the brochure to improve and clarify the description of its business practices, compliance policies, and procedures, as well as to respond to evolving industry best practices.

### **Item 3 - Table of Contents**

<u>Item 2 - Material Changes</u> .....	2
<u>Item 3 - Table of Contents</u> .....	3
<u>Item 4 - Advisory Business</u> .....	4
<u>Item 5 - Fees and Compensation</u> .....	5
<u>Item 6 - Performance-Based Fees and Side-by-Side Management</u> .....	12
<u>Item 7 - Types of Clients</u> .....	15
<u>Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss</u> .....	16
<u>Item 9 - Disciplinary Information</u> .....	25
<u>Item 10 - Other Financial Industry Activities and Affiliations</u> .....	25
<u>Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</u> .....	48
<u>Item 12 - Brokerage Practices</u> .....	51
<u>Item 13 - Review of Accounts</u> .....	52
<u>Item 14 - Client Referrals and Other Compensation</u> .....	53
<u>Item 15 - Custody</u> .....	56
<u>Item 16 - Investment Discretion</u> .....	56
<u>Item 17 - Voting Client Securities</u> .....	56
<u>Item 18 - Financial Information</u> .....	57

#### **Item 4 - Advisory Business**

Sterling Partners is a private equity firm that was founded in 1983 and has been active in private equity investments since 1986. Sterling Fund Management, LLC (“SFM”)<sup>1</sup> is Sterling Partners’ affiliated investment adviser for its private equity investment business unit. The principal owner of SFM is Sterling Fund Management Holdings, L.P. Each of Douglas L. Becker, R. Christopher Hoehn-Saric and Steven M. Taslitz owns 25% or more of SFM through each person’s ownership of Sterling Fund Management Holdings, L.P. References to Sterling Partners in this Brochure include, as the context requires, SFM and affiliated entities through which Sterling Partners provides investment advisory services or that act as general partner of (or in another equivalent management position for), and/or receive advisory fees from, the Funds (as defined below). References to “person” in this Brochure include, as the context permits, natural persons and entities.

SFM provides investment advisory services to (1) private equity investment funds sponsored or organized by Sterling Partners to invest in multiple portfolio companies as further described below (the “Main Sterling Funds”), (2) investment vehicles established by Sterling Partners or its related persons from time to time on a transaction-by-transaction basis to invest alongside one or more Main Sterling Funds in a particular investment opportunity (the “Co-Investment Funds”), and (3) investments on a deal-by-deal basis unassociated with a Main Sterling Fund supported by third party capital managed by Sterling Partners (the “Single Investment Vehicles”). Sterling Partners from time to time also establishes other investment vehicles as Funds (as defined below) for the purpose of purchasing one or more investments from another Fund (often where the selling Fund is approaching the end of its term) (“Continuation Vehicles”).

The first Main Sterling Fund was formed in 2000 and SFM was formed at that time. A related person of Sterling Partners generally acts as the general partner of (or in another equivalent management position for) each Main Sterling Fund. The Co-Investment Funds are typically limited to investing in securities relating to the single company with respect to which they were established. [Currently, the only Main Sterling Fund that is still within its investment period is Sterling Small Market Education Fund, L.P. As a result, Sterling Partners is investing outside of the Main Sterling Funds for new investment activity. Within this approach, Sterling Partners is investing and managing Single Investment Vehicles on a deal-by-deal basis across a variety of industries, growth stages and structures in stand-alone funds or other investment vehicles. The Main Sterling Funds, Co-Investment Funds, Continuation Vehicles and Single Investment Vehicles are collectively referred to herein as the “Funds”.

The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and their securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

Sterling Partners’ primary investment focus for the Main Sterling Funds is investments in privately-held operating companies (including publicly-traded companies being taken private) in a variety of industries including healthcare services, business services and education. These investments primarily take the form of unregistered equity of U.S. and non-U.S. companies and generally represent controlling interests in such companies. Although the primary investment focus of each Main Sterling Fund is on private equity investments, Sterling Partners from time to time

recommends other types of investments (such as publicly-traded equity) to the extent consistent with the respective Main Sterling Fund's investment strategy and objectives and its Governing Documents (as defined below).

Sterling Partners' advisory services consist of investigating, identifying and evaluating investment opportunities; structuring, negotiating and making investments on behalf of the Funds, as applicable; managing and monitoring the performance of such investments; and disposing of such investments on behalf of the Funds, as applicable. Sterling Partners tailors its advisory services to the specific investment objectives and restrictions of each Fund set forth in each Fund's limited partnership agreement, confidential private placement memorandum and other governing documents (collectively, the "Governing Documents"). Investment advice is provided directly to the Funds and not individually to the investors in the Funds, subject to the discretion and control of the applicable general partner. Investors and prospective investors of each Fund should refer to the Governing Documents of that Fund for complete information on the investment objectives and investment restrictions with respect to that Fund. There is no assurance that any of the Funds' investment objectives will be achieved. In accordance with common industry practice, one or more of the Funds or their general partners enter into "side letters" or similar agreements with certain investors pursuant to which such Fund or its general partner grants the investor specific rights, benefits, or privileges that are not made available to investors in such Fund generally. Such "side letters" or similar agreements typically are only disclosed to investors that negotiate for the right to review them.

Investment opportunities that Sterling Partners recommends to the Funds, including co-investment opportunities, are allocated in accordance with Sterling Partners' investment allocation policy described in the subsection "*Side-by-Side Management*" in Item 6 below.

Sterling Partners does not participate in any wrap fee programs.

Sterling Partners manages assets of certain Funds on a discretionary basis and other Funds on a non-discretionary basis, each in accordance with the terms and conditions of the applicable Fund's Governing Documents. As of December 31, 2022, Sterling Partners had \$1,128,277,476 in regulatory assets under management, \$236,400,716 of which are managed on a non-discretionary basis.

As noted in Item 10 below, Sterling Partners Quantitative Investments LLC ("SPQI"), a related person of SFM, is also a commodity pool operator and a commodity trading advisor registered with the Commodity Futures Trading Commission and a member of the National Futures Association. This Brochure relates to the advisory activities of SFM and not SPQI and their related advisory activities.

## **Item 5 - Fees and Compensation**

### *Compensation and Fee Schedules*

As compensation for investment advisory services rendered to the Main Sterling Funds, Sterling Partners typically receives an advisory fee from each of the Main Sterling Funds (each, an "Advisory Fee"), which is generally equal to a percentage of the capital commitments to such Main

Sterling Fund or the cost of such Main Sterling Fund's investments. The fee percentage and the base upon which the fee is calculated varies with the type and size of the Main Sterling Fund and can also vary over the life of the Main Sterling Fund, as negotiated and determined at the time the Main Sterling Fund is established and as set forth in its Governing Documents. Advisory Fees payable by a Main Sterling Fund generally are reduced by some or all of certain other fees or compensation received by Sterling Partners or its employees that relate to such Main Sterling Fund's activities and investments (as described in more detail in the subsection titled "Economic Benefits Received from Third Parties" in Item 14), by certain organizational or other expenses borne by such Main Sterling Fund (as described in more detail below in this Item 5). Advisory Fees paid by a Main Sterling Fund are indirectly borne by the investors in such Main Sterling Fund. The percentage set forth in the Governing Documents of the Main Sterling Funds generally ranges from an annual amount of 1.75% to 2.25% of (1) commitments during the investment period of such Fund or (2) the active cost basis of investments thereafter. Typically, in the Main Sterling Funds, the annual fee is 2% of commitments during the investment period followed by 2% of the active cost basis of investments thereafter. Sterling Partners has previously restructured two of its Main Sterling Funds, and will explore restructurings with other funds in the future, whereby a new investment vehicle purchased the limited partner interests of certain investors in the Main Sterling Fund which chose to sell. Any Advisory Fees associated with a restructured fund are negotiated with the new investors in the new vehicle and may differ from investors who did not sell and the restructured fund fees may be higher than fees paid by limited partners who chose to not sell in the transaction. A restructuring of an investment or portfolio company in a Fund may not however under specific circumstances reduce the Advisory Fees borne by a Fund.

Sterling Partners generally does not receive an Advisory Fee from the Co-Investment Funds. Any Advisory Fees received by Sterling Partners from the Co-Investment Funds are negotiated on a vehicle-by-vehicle basis.

Upon formation of a Single Investment Vehicle, Sterling Partners can receive an Advisory Fee from such Single Investment Vehicle or receive compensation directly from a portfolio company, which will be negotiated on an individual basis and will be paid consistent with Governing Documents of such Single Investment Vehicle.

In addition, a related person of Sterling Partners, as general partner of a Main Sterling Fund, will typically receive certain allocations calculated and charged based on a share of capital gains on or capital appreciation of the assets of such Main Sterling Fund, as negotiated and determined at the time such Main Sterling Fund is established and as set forth in its Governing Documents. These allocations are commonly known as "carried interest" ("Carried Interest"). The Carried Interest paid by the Main Sterling Funds is generally equal to 20% of the Main Sterling Fund's net profits. Carried Interest in a restructured fund will vary on a vehicle-by-vehicle basis and may include a tiered Carried Interest waterfall ranging from 10% to 25%, meaning a gradual increase in Carried Interest paid to Sterling Partners by the restructured fund limited partners based on the net profits associated with the new limited partners above certain thresholds.

A Co-Investment Fund, in some cases, allocates a share of capital gains on or capital appreciation of the assets of such Co-Investment Fund to a related person of Sterling Partners, as determined by

negotiation at the time of formation and as set forth in the Governing Documents of such Co-Investment Fund. To the extent paid, such Carried Interest generally ranges from 10% to 20%.

Any Carried Interest paid by a Single Investment Vehicle will be negotiated on an individual basis at the time of formation of such Single Investment Vehicle and will be set forth in the Governing Documents of such Single Investment Vehicle.

Because the Co-Investment Funds and Single Investment Vehicles typically invest in a single portfolio company, the Carried Interest received by Sterling Partners from such Funds (if any) could vary significantly from vehicle to vehicle as a result of the particular circumstances and negotiated terms specific to such portfolio company investment.

In addition, please see Item 6 below for more information regarding Carried Interest that the Funds may pay.

The precise amount of, and the manner and calculation of, the Advisory Fees and Carried Interest (if applicable) for each Fund are negotiated between Sterling Partners and investors in such Fund, and are set forth in such Fund's Governing Documents and/or other documentation received by an investor prior to an investment in such Fund. Please refer to the Governing Documents of each applicable Fund for complete information on the fees and compensation payable with respect to such Fund. The Advisory Fee and Carried Interest structures for a Fund may be modified from time to time in accordance with the terms of the applicable agreements detailing such Advisory Fee and Carried Interest structures. Advisory Fees and Carried Interest may differ from one Fund to another, as well as among investors in the same Fund.

In limited circumstances, the Advisory Fees and Carried Interest payable to Sterling Partners or a related person by a Fund are waived or reduced with respect to certain participants in such Fund in Sterling Partners' discretion, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which may not be disclosed to other investors in the same Fund. Furthermore, certain investors in the Funds that are employees, business associates and other "friends and family" of Sterling Partners or its personnel; individuals and entities that are also investors in one or more Funds (including any related entity established by any of the foregoing, such as trusts, charitable programs, endowments or related programs, family investment vehicles and other estate planning activities) ("Sterling Investors") will typically pay no, or a reduced Advisory Fees and Carried Interest in connection with their investment in a Fund. Notwithstanding that Sterling Investors will generally not pay Advisory Fees or Carried Interest, Sterling Investors will pay for their pro rata share of certain Main Sterling Fund expenses or the pro rata portion of such Sterling Investors' expenses will be allocated to Sterling Partners or the general partner of the applicable Main Sterling Fund.

Investors and prospective investors in the Funds should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees.

### *Deduction of Fees; Timing of Payments; Termination*

Sterling Partners is authorized under the Governing Documents to charge and deduct Advisory Fees directly from the assets of the Main Sterling Funds in advance. Payment of Advisory Fees is generally made on January 15 (for the period from January 1 through June 30) and July 15 (for the period from July 1 through December 31) of each year and in accordance with the terms of the Governing Documents. Please refer to the Governing Documents of each of the Main Sterling Funds for complete information on the timing of advisory fee payments. With respect to Single Investment Vehicles or a restructured fund, the timing and payment of Advisory Fees will be negotiated on an individual basis and will be reflected in the Governing Documents of such Single Investment Vehicle.

Upon termination of any Fund's advisory relationship with Sterling Partners, any prepaid, unearned Advisory Fees will be promptly refunded to such Fund, and any earned, unpaid fees will be due and payable.

### *Other Fees and Expenses*

In addition to any Advisory Fees payable to Sterling Partners, a Fund will incur certain charges and other expenses. Such charges and expenses may include (but are not limited to): organizational expenses of the Fund; dissolving, liquidation or terminating expenses; any sales taxes or other taxes of any kind, fees or government charges which may be assessed against the Fund; expenses incurred in connection with the evaluation, negotiation and pursuit of potential investments for the Fund (including "reverse" break-up fees), including investments that are not consummated; expenses incurred in connection with the acquisition, holding and disposition of the Fund's investments, including, without limitation, commitment fees, merger fees, registration fees, discounts, commissions or brokerage and finders' fees or similar charges incurred in connection with the purchase or sale (or proposed purchase or sale) of securities (whether or not any such purchase or sale is consummated); expenses of members of the Fund's advisory committee (if any) including legal counsel, accountants, auditors, financial advisors or any other advisors or experts retained to assist the advisory board and other expenses incurred in connection with advisory board action); fees and expenses for consulting services (including, but not limited to, consulting fees and expenses incurred by the Fund for the benefit of its portfolio companies (to the extent not reimbursed by such portfolio companies) and including services provided by Sterling Partners' "operating partners" and "advisors"; "executives-in-residence" and the like); fees and expenses for environmental, social and governance ("ESG") assessment and impact assessment; fees, duties, penalties and other governmental charges levied against a Fund or payable by a Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of a Fund, expenses incurred in connection with tax preparation and filings, filing and similar fees paid on behalf of a Fund, including reimbursements of any fees and expenses to advisers, ESG and impact consultants, service providers and other third parties, expenses relating to the preparing, printing and distributing investor reports and notices physically or electronically (including software used to electronically distribute such reports and notices); expenses associated with making capital calls from and distributions to investors, including fees and expenses of information technology used to facilitate all such activities; fees and expenses for legal or other services incurred by the Fund for the benefit of its portfolio companies, including legal costs associated



with reviewing financing documents and agreements, whether on behalf of a portfolio company borrower or a lender (to the extent not reimbursed by such portfolio companies); reasonable travel expenses related to the investigation of identified companies in connection with investment or potential investment transactions or related to the monitoring or disposition of portfolio investments (in each case, to the extent that such travel expenses are not reimbursed by the relevant portfolio company or prospective portfolio company); the costs and expenses (including set-up, travel, honoraria, dining, entertainment and related expenses) of hosting annual or special meetings of the Funds, or otherwise holding meetings or conferences with investors, whether individually or in a group, regardless of whether all investors are invited to participate in or attend such meetings; expenses related meetings with one or more investors (including prospective investors during fundraising and current Fund investors); expenses related to attending, participating in or sponsoring trade association meetings, conferences or similar events or meetings in connection with the identification or evaluation of investment opportunities or business sector opportunities, even if such expenses are not related to a specific transaction (including the evaluation of potential investments, regardless of whether such investment is ultimately consummated); expenses associated with compliance with any impact or ESG initiatives or principles; expenses associated with preparation of the Fund's financial statements and tax returns and the Fund's reports to its investors; interest expense for borrowed money (if any); all expenses relating to litigation and threatened litigation involving the Fund, including settlement and indemnification costs, expenses, judgments and settlements; expenses related to other legal and regulatory matters related to the Fund; expenses attributable to normal and extraordinary investment banking, commercial banking, reporting, accounting, tax, auditing, appraisal, legal and custodial services provided to the Fund, including in each case services with respect to the proposed purchase or sale of securities by the Fund that are not reimbursed by the issuer of such securities (whether or not any such purchase or sale is consummated); fees and expenses related to valuation, sourcing, evaluating, investigating, diligencing, discovering, developing and researching of the Fund's investments; other "broken deal" costs; due diligence costs and expenses with respect to portfolio companies; research fees and expenses (including expert networks); costs related to the formation, establishment, administration and maintenance of "alternative investment vehicles" or any intermediary or "special purpose entity" used to acquire, hold or dispose of an investment or to otherwise facilitate a Fund's investment activities; fees payable to any placement agent or marketing consultant engaged by Sterling Partners in connection with the offering of interests in the Fund (subject to an offset of such amount against the Advisory Fee payable by the Fund to Sterling Partners); expenses incurred in connection with the disposition of investments (including closing, execution and other transaction costs), expenses and fees generated in the course of organizing, making, holding, developing, managing, monitoring, refinancing, maintaining, administering, restructuring, structuring, operating and negotiating joint ventures arrangements and platform investments, including with respect to transactions that are not consummated;; premiums for liability insurance in connection with the activities of the Fund to protect the Fund, Sterling Partners, any of their respective partners, members, managers, stockholders, officers, directors, employees or agents, members of the advisory committee and other persons who serve on the board of directors of portfolio companies at the request of the Fund; hedging; currency conversion; borrowing (including the costs and expenses incurred in obtaining, negotiating, entering into, effecting, maintaining, varying, refinancing or terminating such borrowings and commitments and interest arising therefrom); any other fees and expenses

approved by a Fund's advisory committee; and all other expenses properly chargeable to the activities of the Fund.

The types of other fees and expenses incurred and payable by a Fund will vary from Fund to Fund. Please refer to the Governing Documents of each applicable Fund for more complete information.

In certain cases, formation of a Co-Investment Fund may be contemplated in connection with a proposed investment. If a proposed investment is not consummated, often no such Co-Investment Fund will be formed even if it had been contemplated, one or more co-investors had been identified and negotiations had commenced or been completed with such co-investors. If the potential investment is not consummated, the full amount of any expenses relating to such potential but not consummated investment would be borne entirely by the Main Sterling Fund(s) selected by Sterling Partners as proposed investors for such proposed investment, rather than the Co-Investment Fund(s) or other potential co-investor(s). In such cases where a Co-Investment Fund or co-investor has provided a binding commitment, Sterling Partners will use its reasonable efforts to negotiate with such Co-Investment Fund or co-investor to pay a portion of the expenses related to such proposed investment in the event that the investment is not consummated, however, such expenses are typically borne entirely by the Main Sterling Fund(s). If the proposed investment is consummated, transaction costs related to the investment typically are paid by the applicable portfolio company. To the extent not paid or reimbursed by the portfolio company, ongoing expenses incurred by the applicable Main Sterling Fund(s) with respect to a portfolio company investment typically are borne by such Main Sterling Fund(s) and not by any Co-Investment Fund or other co-investor participating in such investment.

From time to time, certain Funds will incur certain ongoing expenses that benefit a Co-Investment Fund or co-investor (for instance, insurance premiums). In such instances, these ongoing expenses will be borne solely by the applicable Fund or Funds and will not be borne by any benefiting Co-Investment Fund or co-investor.

Certain Co-Investment Funds (which generally do not pay Advisory Fees to Sterling Partners) may be charged by Sterling Partners or a related person for partnership tax and accounting recordkeeping and reporting performed by consultants engaged by Sterling Partners in order to maintain such Co-Investment Funds (such as preparation of tax returns and capital account statements).

The Advisory Fees paid by a Main Sterling Fund generally will be reduced by the amount of fees paid by such Main Sterling Fund to any person acting as a placement agent in connection with the offer and sale of interests in such Main Sterling Fund to potential investors, as well as by fees and expenses incurred by Sterling Partners in connection with the organization of such Main Sterling Fund that exceed a limit specified in such Main Sterling Fund's Governing Documents. Furthermore, the Advisory Fee generally will be reduced by certain other fees received in respect of investments made, or proposed to be made, by the Funds. Please refer to the subsection titled "*Economic Benefits Received from Third Parties*" in Item 14 below for information on other types of compensation that Sterling Partners receives with respect to investments by the Funds.

In addition, Sterling Partners may reduce all or a portion of the Advisory Fee paid by a Main Sterling Fund in full or partial satisfaction of any obligation of Sterling Partners and certain employees and affiliates of Sterling Partners (such as the general partner of a Main Sterling Fund) to contribute capital to such Main Sterling Fund, which could result in acceleration of investor capital contributions to such Main Sterling Fund. Waived or reduced Advisory Fees are not generally subject to various offsets or reductions described herein. Due to such reductions in Advisory Fees and/or the timing of receipt of compensation that is otherwise intended to result in an Advisory Fee offset (as described in the subsection titled “*Economic Benefits Received from Third Parties*” in Item 14 below), investors in a Main Sterling Fund may not receive the full benefit of reductions or offsets (e.g., if Sterling Partners receives compensation that would otherwise result in an offset against the Advisory Fee payable by a Main Sterling Fund during periods when Sterling Partners no longer receives Advisory Fees from such Main Sterling Fund or the Advisory Fee for such Main Sterling Fund is reduced in full as a result of the other reductions described above, Sterling Partners, depending on the terms of the Governing Documents for such Fund and/or certain elections that may be made by investors in such Fund, may be entitled to retain some or all of such compensation without remitting such amounts to the applicable Fund or its investors). To the extent a Single Investment Vehicle pays a placement agent in connection with the offer and sale of interests in such Single Investment Vehicle, any reduction of Advisory Fees will be set forth in such Single Investment Vehicle’s Governing Documents.

#### *Allocation of Expenses*

From time to time Sterling Partners will be required to decide whether certain fees, costs and expenses should be borne by Sterling Partners, a Fund, a portfolio company, co-investors and/or a third-party (each, an “Allocable Party”) and if so, how such fees, costs and expenses should be allocated between or among the Allocable Parties. Certain fees, costs and expenses may be the obligation of one particular Fund and may be borne by such Fund or, expenses may be allocated among multiple Funds and other Allocable Parties.

To the extent that expenses are attributable to more than one Fund (including, without limitation, fees and expenses generated in the course of evaluating potential investments which are not consummated) or (in certain limited cases) to Sterling Partners, on the one hand, and one or more Funds, on the other hand, to the extent not addressed in the Governing Documents of Fund, Sterling Partners will allocate such expenses among such Funds (and Sterling Partners, if applicable) in a manner that it determines to be equitable in accordance with its expense allocation policy. The policy provides for the allocation of various categories of expenses, including: organizational costs; audit and tax services; legal matters; annual meeting expenses; insurance expenses; transaction costs; portfolio company expenses and “parallel fund” expenses. In general, Sterling Partners will make any such allocation determination in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. Sterling Partners will make corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable to ensure allocations are equitable on an overall basis in its good faith judgment. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process and a Fund will bear more or less of a particular expense based on the methodology used.

Sterling Partners, from time to time, enters into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities, for which such advisers and consultants are paid compensation or other fees and/or reimbursed for certain expenses. Any fees and expenses associated with such investment opportunities are generally allocated to the applicable Fund(s), consistent with the allocation process described above.

#### *Brokerage Fees*

Although Sterling Partners does not generally utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for limited purposes relating to that particular Fund, such Fund will incur brokerage and other transaction costs. The section titled “Brokerage Practices” (Item 12 below) describes additional information regarding brokerage practices, including the factors Sterling Partners considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

#### *Timing of Payments*

Please refer to the subsection titled “*Deduction of Fees; Timing of Payments; Termination*” described above.

#### *Broker Dealer Fees*

Sterling Partners does not receive any compensation as broker or agent for the sale of securities or other investment products to any Fund. Please refer to the subsection titled “*Economic Benefits Received from Third Parties*” in Item 14 below for information on other types of compensation that Sterling Partners receives with respect to investments by the Funds.

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

#### *Performance-Based Fees*

As discussed under the section titled “*Fees and Compensation*” (Item 5 above), a related person of Sterling Partners, as general partner of a Fund will, in certain cases, receive certain allocations calculated and charged based on a share of capital gains on or capital appreciation of the assets of such Fund as Carried Interest, as set forth in such Fund’s Governing Documents. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and/or certain investors in Funds also incur reduced or no Carried Interest.

Any share of profits allocated and distributed to a general partner, manager or managing member of a Fund is separate and distinct from the Advisory Fees (if any) charged by Sterling Partners to such Fund for advisory services.

Performance-based allocation arrangements received by related persons of Sterling Partners could create an incentive for Sterling Partners to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee or

compensation arrangement. Please refer to the Governing Documents of each Fund for complete information on the “performance-based fee” arrangements of such Fund.

### *Side-by-Side Management*

Sterling Partners provides concurrent advisory services to Funds that are not charged a performance-based fee or allocation by Sterling Partners’ related persons and Funds that are charged a performance-based fee or allocation by a related person of Sterling Partners. Sterling Partners also provides concurrent advisory services to Funds that are charged different performance-based fees or allocations and, in certain cases, Sterling Partners is only permitted to take a performance-based fee or allocation from a Fund after the investors in such Fund have received a preferred annual return on their contributed capital. As a result, the potential for Sterling Partners’ related persons to receive different fees or allocations from performance-based accounts creates a potential conflict of interest with respect to the allocation of investment opportunities because Sterling Partners has an incentive to direct the best investment ideas to, or to allocate investments in favor of, the account that pays a more favorable performance fee or allocation or to a Fund from which Sterling Partners or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit.

In addition to the Funds, Sterling Partners may encounter situations in which it must determine how to allocate investment opportunities (including follow-on investments) among the Funds (including those established for the purpose of participating in a restructured fund or a Continuation Transaction (as defined below)) and other persons, including, for instance, Sterling Investors and/or third parties that wish to make direct investments side-by-side with one or more Fund in a particular transactions and persons acting as “co-sponsors” with Sterling Partners with respect to a particular transaction.

To mitigate this potential conflict of interest, the allocation of investment opportunities among Funds is made by Sterling Partners in accordance with its the investment allocation requirements set forth in a Fund’s Governing Documents and, to the extent not set forth in such Governing Documents, consistent with Sterling Partners’ investment allocation policy (“Investment Allocation Policy”), which permits Sterling Partners to consider some or all of a wide range of factors, which include, but are not necessarily limited to, one or more of the following: the investment objectives, strategies, guidelines and restrictions of each Fund; transaction sourcing (and with respect to an investment opportunity originated by a third-party, the relationship of a particular Fund to or with such third-party); the size, liquidity and duration of the investment; the relevant allocation of investment opportunity provisions in a Fund’s Governing Documents; differences with respect to available capital (e.g., current or anticipated capital available for investment, including reserves for anticipated follow-on investments if applicable and whether a Fund is able to invest all capital required to consummate a particular investment opportunity), size, and remaining life of the Funds and anticipated co-investment (if any); general preference to utilize the remaining new investment capacity of Funds of earlier vintage years in priority to their successor Funds; potential conflicts of interest related to the opportunity, including whether a particular Fund has an existing investment in the portfolio company with respect to which the opportunity relates; the nature and size of the investment opportunity, including projected follow-on investment amounts or upsizing to existing investment amounts; the use of leverage in the

proposed capital structure; the centrality of an investment to a Fund's strategy; current and anticipated market conditions; stage of development of a prospective holding company; timing expected necessary to execute an investment; the projected holding period and anticipated availability of liquidity opportunities for the particular investment opportunity; the degree of control the Fund will have over the applicable portfolio company; risk considerations; asset class restrictions; industry and other allocation targets; lender covenants and limitations; portfolio diversification; and tax, accounting, legal or regulatory considerations. In the event that investment opportunities are suitable for more than one Fund, Sterling Partners and its related persons seek to derive an allocation that in their judgment is fair and equitable to each Fund relative to other Funds over the life of such Fund, taking into account all relevant facts and circumstances. Sterling Partners makes allocation determinations based solely on Sterling Partner's expectations at the time such investments are made, however investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another Fund in hindsight.

After the applicable Main Sterling Fund(s) have received their desired portion of an investment opportunity, Sterling Partners, in certain cases, will make additional amounts with respect to such investment opportunity (if any) available for co-investment to third parties, which often includes one or more investors in Main Sterling Funds (without any obligation to offer such investment opportunity to other investors in Main Sterling Funds) as well as strategic investors, lenders, deal sources, other private equity or venture capital firms, portfolio company management, other persons or entities affiliated, associated or otherwise known to Sterling Partners or its personnel and unrelated third parties.

Sterling Partners may, in its sole discretion, offer co-investment opportunities to some limited partners of the Main Sterling Funds while not offering them to other limited partners in the Main Sterling Funds, and investors may be offered a smaller amount of co-investment opportunities than originally requested, and may cause some limited partners of the Main Sterling Funds and/or other co-investors to bear a management fee and/or carried interest while not imposing a management fee and/or carried interest (or imposing a different management fee or carried interest) on other Main Sterling Fund limited partners and/or other co-investors (e.g., consultants, joint venture partners, persons associated with a portfolio company and other third parties). Investing in a Fund does not give an investor any rights, entitlements or priority to co-investment opportunities unless specifically agreed.

In exercising its discretion to allocate co-investment opportunities, Sterling Partners may consider some or all of a wide range of factors, which include, but are not limited to, one or more of the following: strategic value (the perceived strategic value of a prospective co-investor to the investment opportunity); timing (how quickly a prospective co-investor is able to conduct its own due diligence and make a decision with respect to an investment opportunity); ability to make the investment (whether a prospective co-investor has the financial and other resources to make the investment); co-investment interest (whether a prospective co-investor has indicated to Sterling Partners a desire to make investments of the type offered by the investment opportunity); commitment size to the applicable Main Sterling Fund; quality of deal partner (whether Sterling Partners believes that a prospective co-investor will represent a good syndicate partner in connection with the Main Sterling Fund's investment, including by giving

confidence that such prospective co-investor will be able to meet future investment needs of the portfolio company); any confidentiality concerns Sterling Partners has that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investor to evaluate the investment opportunity; whether the potential co-investment party would require any governance rights that would complicate the transaction (or alternatively, whether the potential co-investment party would be willing to defer to Sterling Partners and assume a passive role in governing a portfolio company; the ability of a potential co-investment party to hold investments for longer periods of time (or indefinitely); Sterling Partners' perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered; whether Sterling Partners believes, in its sole discretion, that allocating investment opportunities to a potential co-investor will help establish, strengthen, recognize and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds and/or Sterling Partners; whether the potential co-investment party will make commitments to invest in other Funds (including concurrently with the applicable co-investment) as well as commitments to future funds raised by Sterling Partners; whether the co-investment opportunity is being provided in connection with a potential investment in or acquisition of interests through a secondary transfer of the Funds (i.e., a stapled co-investment opportunity); and other factors relevant to the relationship of a particular investment opportunity to a given prospective co-investor.

In certain cases, Sterling Partners may cause a Main Sterling Fund to sell down a portion of its interest in a portfolio company to co-investors (including to a Co-Investment Fund) on such terms as Sterling Partners may determine (which sale may be at cost or at Sterling Partners' current carrying value for the interest being sold, and if at cost may or may not include an interest-like charge for the period during which the Main Sterling Fund held such investment). This may occur, for example, if Sterling Partners needs to close the investment before some or all of the co-investors are identified or ready to proceed with the investment.

With respect to Co-Investment Funds, the potential conflict arising from performance-based fee arrangements is mitigated because Co-Investment Funds generally invest in only a single specific portfolio company alongside one or more Main Sterling Funds. In some cases, the Co-Investment Funds have contractual rights (e.g., rights of first refusal or pre-emptive rights) to participate in follow-on investments with respect to that company.

## **Item 7 - Types of Clients**

### *Types of Clients*

Sterling Partners generally provides investment advice to pooled investment vehicles, including the Funds. Investment advice is provided directly to the Funds (subject to the direction and control of the general partner of each such Fund, if applicable) and not individually to investors in such Fund. The limited partners or members of the Funds are generally limited to (1) non-"U.S. persons", (2) U.S. investors who are "accredited investors" as defined in Regulation D under the Securities Act and (3) certain U.S. persons who are "qualified purchasers" or "knowledgeable

employees” as defined in the Investment Company Act and its underlying regulations. These investors include, among others corporations, financial institutions, funds-of-funds, governmental bodies or agencies, insurance companies, endowments, foundations, non-profits, trusts, estates, individuals and pension and profit-sharing plans.

Opportunities to participate in Single Investment Vehicles may similarly be made available to any person or entity, including, without limitation, those set forth in the paragraph above (which can include investors in a Fund, Sterling Investors and/or third parties). Opportunities to invest in a Single Investment Vehicle are determined on an individual basis in the sole discretion of Sterling Partners. Investment in one Single Investment Vehicle does not guarantee the right to invest in any other Single Investment Vehicle offered by Sterling Partners.

#### *Minimum Investment Requirements*

Interests in the Funds are offered in private placements pursuant to applicable exemptions from registration under the Securities Act and the Investment Company Act. As a result, Sterling Partners generally offers limited partner (or equivalent) interests in the Funds to a limited number of “accredited investors” as defined in Regulation D under the Securities Act and, in most cases, exclusively to “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act.

In general, the minimum investment commitment required of an investor to participate in a Main Sterling Fund is \$1,000,000; however, the general partner of each Main Sterling Fund has discretion to increase or reduce the minimum investment commitment. Because the Co-Investment Funds and Single Investment Vehicles typically invest in a single specific portfolio company, the minimum investment commitment required of an investor to participate in a Co-Investment Fund or a Single Investment Vehicle will vary from vehicle to vehicle. Investors and prospective investors in each Fund should refer to the Governing Documents of such Fund for more complete information on minimum investment requirements for participation in such Fund.

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

#### *Investment Strategies*

With respect to the Main Sterling Funds and Co-Investment Funds, Sterling Partners’ primary investment focus is investments in privately-held operating companies (including publicly traded companies being taken private) in a variety of industries including, without limitation, healthcare services, business services and education. These investments primarily take the form of unregistered equity of U.S. and non-U.S. companies and generally represent controlling interests in such companies. Although the primary focus of each Main Sterling Fund is on private equity investments, Sterling Partners has from time to time recommended other types of investments (such as publicly-traded equity) to the extent consistent with the respective Fund’s investment strategy and objectives and its Governing Documents. With respect to Single Investment Vehicles, investments can be opportunistic in a wide range of industries, geographic locations and can be structured in a variety of ways, including as equity and/or debt investments.



The investments made by Single Investment Vehicles can include minority and non-controlling positions, in addition to controlling interests in such companies.

### *Methods of Analysis*

In addition to leveraging its extensive network of executives, directors, brokers, bankers, and service providers for investment opportunities, Sterling Partners proactively conducts research into attractive market opportunities and targets businesses with compelling value propositions and differentiated product or service offerings. Sterling Partners also will participate in auction processes for investment opportunities, especially where it believes that it may have an advantage over other potential bidders (e.g., in the potential for Sterling Partners to enhance value through industry knowledge or contacts). Once potential investments are identified, Sterling Partners' rigorous investment due diligence processes and team-based approach provide for a disciplined review, assessment, and investment decision-making process. When identifying prospective investments, Sterling Partners places particular emphasis on business segments in which its investment team has considerable investment and operating experience and in which Sterling Partners expects to have access to substantial deal flow. These segments include but are not limited to:

- Healthcare Services – including healthcare providers and companies providing services to healthcare providers and other healthcare market participants
- Business Services – including industrial, energy and maintenance services, logistics, professional services, and data, analytics and information services
- Education – including companies providing services to education institutions, especially higher education, and providers of post-secondary and K-12 education, testing, training, and certification.
- Consumer Products and Services – including direct-to-consumer brands, consumer focused services companies and consumer facing product businesses.

Sterling Partners generally seeks to invest in companies with strong fundamentals and the potential for growth (either organic or through acquisition). In evaluating prospective investments, Sterling Partners will place particular emphasis on certain factors, including:

- Strong fit with Sterling Partners' industry experience
- Existence or availability of strong management
- Superior industry fundamentals
- Defensible competitive advantage
- Distinctive or proprietary product or service
- Recurring revenue / repeat purchase model
- Non-cyclical performance
- Potential for operations improvement

### *Material Risks*

The task of identifying investment opportunities and managing such investments is difficult. There can be no assurance that a Fund will be able to make any particular investment or that a Fund will be able to generate returns for its investors. In addition, there can be no assurance

that any investor will receive any distribution from a Fund. Investing in a Fund involves a risk of loss that investors should be prepared to bear. Investors should carefully consider, among other factors, the following material risks involved with Sterling Partners' investment strategies. Please refer to the Governing Documents of the applicable Fund for more complete information on the investment strategies employed by such Fund and corresponding risks associated with such investment strategies.

**Business Risks.** A Fund's investment portfolio will consist primarily of securities issued by privately-held companies. Operating results for these companies in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk, which can result in substantial losses.

**Investment in Junior Securities.** The securities in which a Fund will invest are often among the most junior in a portfolio company's capital structure, and therefore subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

**Concentration of Investments.** A Fund will participate in a limited number of investments and may make several investments in one industry or one industry segment. In particular, a Co-Investment Fund and a Single Investment Vehicle will typically hold only a single portfolio company investment. As a result, a Fund's investment portfolio could become (or in the case of a Co-Investment Fund or Single Investment Vehicle, will be) highly concentrated and its aggregate return may be affected substantially by the performance of a small number of holdings. Furthermore, to the extent that the capital raised for a Main Sterling Fund is less than the targeted amount, such Main Sterling Fund may invest in fewer portfolio companies and, as a result, be less diversified.

**Small and Middle-Market Companies.** A central component of Sterling Partners' investment strategy is to invest in small and middle-market companies. While investments in these companies may present greater opportunities for growth, such investments also entail larger risks than are customarily associated with investments in large companies. Small and medium-sized companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology.

**Illiquidity; Lack of Current Distributions.** An investment in a Fund should be viewed as illiquid. It is uncertain when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Prior to such time, there often will be no current return on the investments. Furthermore, the expenses of operating a Fund (including the annual Advisory Fee payable to Sterling Partners (if any)) may exceed its income, thereby requiring that the difference be paid from a Fund's capital.

**Restricted Nature of Investment Positions.** Generally, there will be no readily available market for a Fund's investments. As a result, most of a Fund's investments will be difficult to value.

Certain investments may be distributed in kind to investors in a Fund, and any such distribution could put downward pressure on the price of the applicable company's securities.

**Projections.** Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, the inaccuracy of certain assumptions and general economic factors, which are not predictable, can have a material impact on the reliability of projections.

**Need for Follow-On Investments.** Following its initial investment in a given portfolio company, a Fund may decide to invest additional funds in such portfolio company. There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative impact on a portfolio company in need of such an investment or may result in a lost opportunity for a Fund to increase or maintain its ownership percentage in a successful operation. Because the Co-Investment Funds and Single Investment Vehicles will typically only invest in a single portfolio company, a Co-Investment Fund or Single Investment Vehicle may not have the right to participate in follow-on investments or avoid dilution of its interest in the portfolio company as a result of follow-on investments by other investors (including, in the case of Co-Investment Funds, the Main Sterling Funds).

**Foreign Investments.** A Fund may invest in portfolio companies that are organized outside of the United States, its territories and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, political, economic or social instability, developing and rapidly evolving government regulatory environments, capital repatriation regulations and the application of complex tax rules to cross-border investments.

**Control Liability.** When a Fund, alone or in combination with other Funds, acquires a significant or controlling interest in its portfolio companies, such Fund will often receive the right to appoint one or more representatives to the board of directors of the companies in which it invests. On occasion, a representative of a Fund may also serve in an executive officer position with a portfolio company. Significant or controlling ownership and serving on the board of directors or as an executive officer of a portfolio company exposes a Fund's representatives, and ultimately such Fund, to potential liability claims because such Fund or its representatives may in certain cases be thought to control, participate in the management of or influence the conduct of portfolio companies. The Governing Documents of a Fund generally provide that such Fund's assets are available to indemnify the general partner, manager or managing member of such Fund, its principals and other persons for losses or expenses incurred in any action related to conduct by such persons on behalf of such Fund, subject to certain conditions. A Fund may have the ability to recall certain distributions previously made to its investors for the purpose of satisfying such liabilities.

**Contingent Liabilities on Disposition of Investments.** In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. A Fund may also be required to indemnify the purchasers of such company to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities, which might ultimately have to be funded by investors in such Fund to the extent of their unpaid capital commitments to such Fund or through the return of certain prior distributions.

**Economic and Market Risk.** Companies in which a Fund invests (and the value of the Fund's investment in such companies) may be sensitive to general downward swings in the overall economy or in the sectors in which such companies operate. Factors affecting economic conditions, including, for example, interest rates, availability of credit, lack of price transparency, economic uncertainty, inflation rates, industry conditions, competition, technological developments, domestic and worldwide political, military, environmental, socioeconomic, and diplomatic events and trends, changes in tax laws and other applicable laws and regulations, credit market conditions, trade barriers, and innumerable other factors, none of which will be within the control of Sterling Partners, can affect substantially and adversely the business and prospects of a Fund. A major recession or adverse developments in the securities or credit markets might have a material adverse impact on some or all of a Fund's investments. A sustained period of low valuations in the public equity markets could result in substantially lower liquidation value and substantially longer periods before liquidity is achieved in comparison with historical values, which would reduce the returns that could be achieved by a Fund. There can be no assurance that the financial markets will maintain their current liquidity and may well become less liquid and/or more volatile in the future. The ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on economic and market conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance, particularly given the potential for volatility in the financial markets and a potential lack of investor appetite for new issues in the public securities markets, that Funds will be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. Even if a Fund holds publicly-listed securities (for example, as a result of an initial public offering by a portfolio company or the acquisition of a portfolio company for publicly-listed stock of the acquiror), the trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable a Fund to sell these securities when Sterling Partners believes it is most advantageous to do so, or without adversely affecting the stock price. Renewed volatility in the financial sector may have an adverse material effect on the ability of the Funds to buy, sell and partially dispose of their portfolio company investments. The Funds may be adversely affected to the extent that they seek to dispose of any of their portfolio investments into an illiquid or volatile market, and a Fund may find itself unable to dispose of investments at prices that Sterling Partners believes reflect the fair value of such investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise. In addition, factors specific to a portfolio company may have an adverse effect on a Fund's investment in such company.

**Regulated Business.** Companies in which a Fund invests are frequently in regulated industries such as education, healthcare services or financial services. Changes in regulations applicable to such companies could have a negative impact on their businesses and operations. These changes are difficult to predict and their impact on certain participants in an industry, including portfolio companies of a Fund, could be particularly acute.

**Valuation of Assets.** There is no actively traded market for most of the securities owned by the Funds. When estimating fair value for a particular investment in accordance with its valuation policy, Sterling Partners will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstances of such investment. Valuations are subject to multiple levels of review for approval by Sterling Partners (including its valuation committee) and ensuring that portfolio investments are fairly valued is an important focus of Sterling Partners. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding any portfolio companies of a Fund. With respect to the Funds, the exercise of discretion in valuation by Sterling Partners may give rise to conflicts of interest, as valuations (including, for instance, determination of when an investment should be written down or written off) impact Sterling Partners' track record and the timing of distributions in respect of the Carried Interest generally is determined, and in certain Funds the Advisory Fee is calculated, based in part on these valuations and such valuations affect Sterling Partners' performance calculations with respect to the Funds.

**Cyber Security Breaches and Identity Theft.** Sterling Partners', the Funds' and their service providers' information and technology systems are subject to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Sterling Partners has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Sterling Partners, the Funds and/or a service provider thereof potentially would 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 Sterling Partners', the Funds' and/or a service provider'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), portfolio company information and/or sensitive information about the Funds. Such a failure could harm Sterling Partners', the Funds' and/or a service provider's reputation, subject such entities and their respective affiliates to legal claims and otherwise adversely affect their business and financial performance. In addition, Sterling Partners may incur substantial costs related to investigation of the origin and scope of a cybersecurity incident, increasing and upgrading cybersecurity protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage, or litigation, regulatory actions or other legal risks.

**Tax Reform Risk.** On December 22, 2017, P.L. 115-97 (the “Tax Act”), originally introduced in Congress as the U.S. Tax Cuts and Jobs Act, was enacted. There continues to be uncertainty regarding certain aspects of this law and its application, and the current administration has announced that it is contemplating further legislation that may result in significant changes to the Internal Revenue Code of 1986, as amended. In addition, under current law, capital gains in respect of a general partner’s right to Carried Interest will be subject to a three-year “holding period” in order to be classified as “long term capital gains,” while the corresponding holding period requirement with respect to capital gains that Fund investors are allocated is one year. This Carried Interest holding period requirement could affect investment decisions, including the timing and structure of dispositions and other realization events, and it could adversely impact returns for investors. For example, the holding period requirement may incentivize the general partner to cause a Fund to hold an investment for longer than three years in order for the general partner to obtain a preferential tax rate on Carried Interest, even if there are attractive realization opportunities prior to that time. Further, there are currently administrative and legislative proposals to further change the tax treatment of “carried interest” in ways that may be adverse to partners in the general partner. A general partner and Sterling Partners may take these potential adverse consequences into account in their management and operation of the Funds and in addressing these adverse consequences, the interests of the general partner and Sterling Partners, on the one hand, may diverge from the interests of the investors, on the other hand.

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

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

company's ESG-related practices or Sterling Partners' assessment of such practices may change over time.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Sterling Partners' adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors.

**Climate Change.** The Funds may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the Funds' business and operations. Physical impacts of climate change may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the Funds may be vulnerable to the following: risks of property damage to the Funds' investments; indirect financial and operational impacts from disruptions to the operations of the Funds' investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the Funds' investments; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the Funds' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic disruptions arising from the foregoing.

**Possibility of Fraud and Other Misconduct of Employees and Service Providers.** Misconduct by employees of Sterling Partners, service providers to Sterling Partners or the Funds and/or their respective affiliates could cause significant losses to such Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Funds and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Funds. Sterling Partners has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that Sterling Partners will be able to identify or prevent such misconduct.

**Outbreaks of Infectious or Contagious Diseases; COVID-19.** Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19 have and are resulting in market volatility and disruption, and future such emergencies have already, and have the potential to materially and adversely impact economic production and activity, all of which may result in significant losses to a Fund. In an effort to contain the ongoing global outbreak COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines and vaccine mandates, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. As a result, COVID-19 significantly diminished global economic production and activity of all kinds and contributed to both volatility and declines in markets for financial assets as well as commodities and other assets. The global impact of COVID-19 has been evolving over the course of the pandemic and, at different points of time has, and may continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy.

The extent of the impact of any such emergency depends on many factors, all of which are highly uncertain and cannot be predicted, which may impact SFM’s or the Funds’ ability to manage, finance and exit investments in the future, or cause significant changes or reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital of the portfolio companies. Likewise, social or governmental mitigation actions may (among a wide variety of other potential effects) constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy Funds intend to pursue, all of which could adversely affect Funds’ ability to fulfill their investment objectives. In addition, the operations of the Funds, their investments, SFM and its respective affiliates may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency (such as COVID-19). These measures may hinder SFM’s ability to conduct its affairs and activities as it normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing its ability to make accurate and timely projections of financial performance. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

**LIBOR Replacement Risk.** Payment obligations, financing terms and investments in many financial instruments (including debt securities and derivatives) may be tied to floating rates, such as the London Interbank Offered Rate (“LIBOR”). In 2017, the UK Financial Conduct Authority (“FCA”) announced its intention to cease compelling banks to provide the quotations needed to sustain LIBOR after 2021. ICE Benchmark Administration, the administrator of LIBOR, ceased publication of most LIBOR settings on a representative basis at the end of 2021 and is expected to cease publication of a majority of U.S. dollar LIBOR settings on a representative basis after June 30, 2023. In addition, global regulators have announced that, with limited exceptions, no new LIBOR-based contracts should be entered into after 2021. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies (e.g., the



Secured Overnight Financing Rate for U.S. dollar LIBOR and the Sterling Overnight Interbank Average Rate for GBP LIBOR). Various financial industry groups have been planning for the transition away from LIBOR, and markets are developing in response to these new rates, but questions around the liquidity of the new rates and how to appropriately adjust these rates to eliminate any economic value transfer at the time of transition remain a significant concern. It is difficult to predict the full impact of the transition away from LIBOR on the Funds. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments held by the Funds or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses for the Funds. Since the usefulness of LIBOR as a benchmark could also deteriorate during the transition period, effects could occur at any time.

**Russian Invasion of Ukraine.** In February 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People’s Republic and Luhansk People’s Republic regions), and subsequently, the United States, United Kingdom and European Union announced sanctions against Russia. Given the ongoing and evolving nature of the conflict and its ongoing escalation (such as Russia’s decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict’s ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to the Funds and the performance of their investments or operations, and the ability of the Funds to achieve their investment objectives.

## **Item 9 - Disciplinary Information**

Sterling Partners and its management persons have not been the subject of any material legal or disciplinary proceeding required to be disclosed in response to this item.

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

### *Registered Broker-Dealers*

Neither Sterling Partners nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### *Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors*

Certain of Sterling Partner’s managing directors are principals of SPQI. SPQI is a related person of Sterling Partners and is a commodity pool operator registered with the Commodity Futures Trading Commission and a member of the Nation Futures Association. SPQI is no longer registered as an investment advisor with the SEC. Sterling Partners does not conduct any business with SPQI, but shares common ownership. None of Sterling Partners’ other personnel are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity-trading advisor, or associated person of the foregoing.

### *Certain Conflicts of Interest*

Sterling Partners faces a number of conflicts of interest and potential conflicts of interests in connection with the Funds and its other activities. Certain of these conflicts of interests are described below and in other sections of this Brochure (although the discussion below and in other sections of this Brochure does not describe all of the conflicts that may potentially be faced by with respect to a Fund). Please also refer to the subsection titled “*Participation or Interest in Client Transactions; Personal Trading*” in Item 11 below and the Governing Documents of each Fund for more information, including with respect to transactions that may be subject to specific consent requirements. In the case of all conflicts of interests, Sterling Partners determination as to which factors are relevant, and the resolution of such conflicts, will be made using Sterling Partners’ best judgment, but in its sole discretion subject to any express requirements in a Fund’s Governing Documents. In resolving conflicts, Sterling Partners may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. When conflicts arise, the following factors generally mitigate, but do not eliminate, conflicts of interest:

- 1) Sterling Partners will consider the appropriateness of an investment from the viewpoint of a Fund;
- 2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering and/or Governing Documents of the Funds;
- 3) Generally, each Main Sterling Fund has established an advisory committee, consisting of representatives of investors not affiliated with Sterling Partners. The advisory committees meet as required to consult with Sterling Partners as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, Sterling Partners will be guided by its good faith discretion;
- 4) Where Sterling Partners deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- 5) Prior to subscribing for interests in a Main Sterling Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Main Sterling Fund.

Sterling Partners’ Chief Compliance Officer (“CCO”) is typically consulted regarding conflicts of interest and their resolution. While Sterling Partners endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interest will not influence its conduct and decisions. There can also be no assurance that Sterling Partners will identify or resolve all conflicts in a manner that is favorable to the Funds.

### *Relationships with Related Persons*

Sterling Partners and its related persons engage in a broad range of activities, including investment activities for their own account and the account of other Funds, and providing investment advisory, management and other services to Funds and their respective portfolio companies. As a result, the interests of a Fund will, from time to time, conflict with the interests of Sterling Partners or its related persons or one or more other Funds. Sterling Partners manages a number of Funds that have similar investment objectives. Sterling Partners expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different (and potentially conflicting) from, those of the current Funds. Sterling Partners' management of multiple Funds can create conflicts in the allocation of investment opportunities among the Funds. It is expected that employees of Sterling Partners responsible for managing a particular Fund also will have responsibilities with respect to other Funds managed by Sterling Partners, including Funds that may be raised in the future, which raises conflicts of interest in allocating time, resources, services or functions or these officers and employees. Sterling Partners personnel have an incentive to allocate more time, services or functions to Funds from which such personnel derive a higher economic benefit and/or better performing Funds. Please refer to the Governing Documents of the relevant Fund for more complete information on the requisite time commitments (if any) of Sterling Partners and its related persons to the Funds. Please refer to the Governing Documents of the relevant Fund and the subsection titled "*Side-by-Side Management*" in Item 6 above for more information on the allocation of investment opportunities among the Funds.

As described in the section titled "*Advisory Business*" (Item 4 above), SFM is affiliated with the general partner entities of the Funds, all of which are deemed registered with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") pursuant to SFM's registration. These affiliated entities operate as a single advisory business together with SFM and may share with SFM common owners, officers, partners, employees, consultants or persons occupying similar positions.

SPQI, which is noted in Item 4, is a related person of SFM. Certain back office employees of Sterling Partners provide services to both SFM and SPQI in connection with each such entity's advisory activities, and as a result, the time such employees devote to SFM and its advisory activities is reduced.

Certain partners and senior personnel of Sterling Partners, individually or collectively through investment vehicles, may invest their personal capital in various investments for their own account, including investments in portfolio companies. Sterling Partners does not receive a fee for such investments and SFM does not provide investment management services to such vehicles or investments. However, certain employees of Sterling Partners provide services to these investments and, as a result, the time such employees devote to SFM and its advisory activities is reduced.

Certain Funds may hold or may acquire positions in portfolio companies in which other Funds invest or have invested (including positions at same, different or overlapping levels of a portfolio company's capital structure compared to the positions held by such other Funds). Such

investments may be coincident with or precede one another. Follow-on investments in companies in which a Fund and one or more other Funds have invested may not necessarily be pro rata based on existing ownership in such companies. Where investments by multiple Funds in the same company are made at different times or in different proportions, conflicts of interest with regard to valuation and other matters can arise.

Furthermore, a conflict of interest also arises because a Fund that participates in a follow-on investment in a portfolio company held by another Fund will benefit from the initial evaluation, investigation and due diligence undertaken by Sterling Partners on behalf of the original Fund and from operational or other information about such portfolio company acquired from the original Fund's ownership of interests in the portfolio company. In such circumstances, such benefitting Fund or Funds will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment. An investment by a Fund in a portfolio company in which another Fund invests at a later stage may be made at a higher or lower valuation than the investment in such portfolio company by such other Fund and an investment by one or more other Funds in any such portfolio company may dilute the original Fund's interest in such portfolio company.

Where a Fund co-invests with one or more other Funds, such Fund may have divergent interests from the other Funds with respect to exit timing and strategies with respect to such investments, restructuring the capital structure or business of such companies or other matters affecting the investment in such companies. The divergence in interests typically is greater where different Funds hold positions at different levels of a portfolio company's capital structure or where a Fund has a different capacity to invest additional capital in such portfolio company as compared to other Funds. In addition, where more than one Fund of Sterling Partners (or its affiliates) invests in the same portfolio company, there can be no assurance that such parties will dispose of investments at the same time or on the same terms. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Fund may realize different returns as compared to the same investment held by another Fund. These variations in timing may be beneficial or detrimental to a Fund. In addition, Funds may receive different consideration (for instance, one Fund may receive cash whereas another Fund may be provided the opportunity to receive distributions in-kind), which may impact the realized return ultimately received by each Fund.

In such circumstances described above, Sterling Partners could take steps to reduce the potential conflicts of interest between the various Funds, including causing a Fund to take certain actions that, in the absence of such conflict, it would not take (e.g., a Fund may divest itself of an asset it otherwise may have retained, Sterling Partners may establish information barriers, certain matters may be referred to an advisory committee or a third party, or a Fund may only invest in securities that seeks to align the interests with other investing Funds). Any such steps could have the effect of benefiting one Fund or Sterling Partners at the expense of another Fund.

To the extent that a Main Sterling Fund and one or more other Main Sterling Funds hold interests in the same company, disposition opportunities with respect to those investments shall, to the extent practicable, be allocated among such Main Sterling Funds in a manner that is fair and equitable, in the judgment of Sterling Partners and its related persons, to each such Main Sterling

Fund, taking into account all relevant facts and circumstances, including those set forth in the subsection titled “*Side-by-Side Management*” in Item 6 above.

Investment opportunities that are otherwise appropriate for a Main Sterling Fund may be made available in whole or in part to a portfolio company of another Main Sterling Fund because such opportunity would be complementary to and/or enhance such existing portfolio company’s business (what Sterling Partners refers to as a “build-up” opportunity).

Investments by a Fund may cause Sterling Partners and its related persons to become subject to legal or contractual restrictions on their ability to effect transactions for other Funds, for example due to the receipt of non-public information or due to the existence of a control relationship between Sterling Partners and a portfolio company. In addition, it is possible that in a bankruptcy proceeding a Fund’s interest in a portfolio company may be adversely affected by another Fund’s involvement and such other Fund’s actions relating to its investment.

Sterling Partners may, from time to time, consider and reject an investment opportunity on behalf of one Fund, and Sterling Partners or an affiliate of Sterling Partners may subsequently determine to have another Fund make an investment in the same company. A conflict of interest arises because one fund will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by Sterling Partners on behalf of the original Fund considering the investment. In such circumstances, the benefitting fund or funds will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment.

Sterling Partners will determine all matters relating to structuring transactions, including the amount and terms of securities, allocation of securities among the relevant Funds and amounts potentially available for co-investment opportunities, using its best judgment considering all factors that it deems relevant and subject to any specific consent or other requirements under the Governing Documents for the relevant Funds.

The Funds, from time to time, co-invest with third-parties through partnerships, joint ventures or other similar entities or arrangements. These investments may involve risks that would not otherwise be present in investments where a third-party is not involved. Such risks include, among other things, the possibility that the third-party may have differing economic or business goals than those of the Fund, or that the third-party may be in a position to take actions that are inconsistent with the investment objectives of the Funds. There may also be instances where the Funds will be liable for the actions of such third-party co-investors. There can be no assurance that the return of a Fund participating in a transaction with a third party would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

#### *Conflicts Relating to the General Partner and Sterling Partners*

Sterling Partners, in its discretion from time to time, recommends to a portfolio company of a Fund (in response to a solicitation for a recommendation or otherwise) that it contract for services with another portfolio company of such Fund or a portfolio company of another Fund. When making such a recommendation, Sterling Partners may have an incentive to recommend products or services of such other portfolio company over different products or services that may be available

in the market or similar products or services that may be available at lower prices. Although use of any such product or service by the portfolio company receiving the recommendation would be voluntary, it may nevertheless feel conflicted in its choice of vendors and might select the other Sterling Partners portfolio company when there are better or cheaper products or services offered by unrelated companies. Sterling Partners intends that any such recommendation made to a portfolio company would be made based upon the best interests of such portfolio company.

In addition, Funds from time to time invest in securities of companies in which Sterling Partners personnel and other related persons of Sterling Partners and its affiliates have previously invested for their own accounts. While the significant interests of the Sterling Partners personnel generally align the interest of such persons with the Funds, such persons may have differing interests from the Fund with respect to such investments (for example, with respect to the availability and timing of liquidity), creating conflicts of interest. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than an investment by such Sterling Partners personnel participating in the same transaction or that it would have been as favorable as it would have been had such conflicts not existed.

Sterling Partners, its affiliates, and members, officers, principals and employees of Sterling Partners and its affiliates may buy or sell securities or other instruments that Sterling Partners has recommended to Funds. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by Funds. A conflict of interest may arise because such investing Sterling Partners personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by Sterling Partners on behalf of the Fund. Such transactions are subject to the policies and procedures set forth in Sterling Partners' Code of Ethics and investors will not benefit from any such investments. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees of Sterling Partners have made large capital investments in or alongside the Funds they will have conflicting interests with respect to these investments. In the event Sterling Partners personnel make an investment with the intent to source future investments for the Funds, there is a greater likelihood that the Funds will make investments in the same portfolio companies in which Sterling Partners hold an interest as described above. While the significant interests of the officers and employees of Sterling Partners generally aligns the interest of such persons with the Funds, such persons may have differing interests from the Fund with respect to such investments (for example, with respect to the availability and timing of liquidity).

Sterling Partners or its related or associated persons may have material interests in other businesses that, from time to time, engage in commercial transactions with portfolio companies of the Funds. Sterling Partners anticipates that any such transactions generally would be on arms'-length terms that are no less favorable to such portfolio companies than the terms on which any such business generally provides services to unrelated third parties in comparable transactions.

Sterling Partners personnel have family members that are actively involved in industries and sectors in which the Funds invest or have business, personal, financial or other relationships with companies in such industries and sectors (including service providers described below) or other industries, which gives rise to conflicts of interest. For example, such family members might be officers, directors, personnel or owners of companies which are actual or potential investments of

the Funds or other counterparties of the Funds and the portfolio companies. The fees for services provided by such service providers may or may not be at the same rate charged by other third party service providers and Sterling Partners is not required to select service providers who may have lower rates (or to engage in any benchmarking of such fees). In most such circumstances, the Funds' Governing Documents will contain limitations or governance provisions for these types of events but they may not preclude Funds from undertaking any of these investment activities or transactions.

From time to time, Sterling Partners personnel may invest in funds or other entities managed by limited partners of a Fund, which could incentivize such Sterling Partners personnel to afford the limited partner preferential or favored treatment, such as, for example, increased access to co-investment opportunities, and could create conflicts of interest to the extent such other funds compete with a Fund for investment opportunities or invest in competing portfolio companies.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by Sterling Partners, are reimbursed by a Fund and/or its portfolio companies, Sterling Partners may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

#### *Fee Structure*

Because the Advisory Fee is payable through liquidation of a Main Sterling Fund and there is a fixed investment period after which capital from investors in the Main Sterling Funds may only be drawn down in limited circumstances and because Advisory Fees are, at certain times during the life of the Main Sterling Funds, based upon capital invested by the Main Sterling Funds, this fee structure creates an incentive for Sterling Partners to defer realization of investments and/or deploy capital when it may not otherwise have done so or for Sterling Partners to delay the disposition of an investment that Sterling Partners might have otherwise caused the applicable Main Sterling Fund to sell.

Additionally, as discussed in the subsection titled "*Performance-Based Fees*" in Item 6 above, the general partners of many Funds are entitled to Carried Interest under the terms of the Governing Documents of such Funds. Such general partners are affiliates of SFM. The existence of the general partners' Carried Interest could create an incentive for the general partners to cause such Funds to make riskier or speculative investments than they would have otherwise in the absence of such performance-based compensation.

Pursuant to the Governing Documents of a Fund, the general partner of such Fund may be required to return excess amounts of Carried Interest distributions as a "clawback" (subject to certain limitations). This clawback obligation may create an incentive for the general partner of such Fund to defer disposition of one or more investments or to delay the final liquidation of such Fund if the disposition and/or liquidation would result in or exacerbate a clawback situation for the general partner of such Fund or cause such clawback obligation to become due and payable.

The Governing Documents of certain Funds permit the general partner of each such Fund to cause such Fund to distribute such general partner's share of securities resulting from an investment

disposition by such Fund to such general partner or its affiliates (including managing directors and employees) in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the general partners and the limited partners of the applicable Fund. The general partners are particularly incentivized to receive distributions in-kind of securities that it expects to increase in value, and in cases where the increase occurs, if the limited partners received cash distributions instead of in-kind distributions, the limited partners will be denied the benefits of that increase had the Fund retained the securities and the general partner will receive more value from the securities than it would have had its carried interest been paid in cash. Furthermore, the general partner, or its affiliates, may receive distributions in kind from an investment disposition. In the event the general partner, or its affiliates, receive such a distribution, the general partner will generally act in its own interest with respect to its share of securities and may determine to sell the distributed securities (which may include selling its securities prior to the time at which the investor sells its distributed securities), or hold on to the distributed securities for such time as the general partner shall determine. The ability of the general partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the general partner or affiliate, as an adviser to the Fund, and the Fund.

Pursuant to the Governing Documents, the general partner may elect to receive its Carried Interest in the form of an in-kind distribution of securities of a portfolio company, including for purposes of permitting one or more general partner personnel to donate such securities to charity (which may include private foundations, fund or other charities so chosen by such personnel). Any tax efficiencies to such general partner personnel associated with this form of charitable giving may have the effect of reinforcing or enhancing the general partner's incentives otherwise resulting from the existence of its Carried Interest and therefore, the general partner may have a conflict of interest in making decisions on behalf of the Funds (including, for instance, the timing of disposition of investments).

#### *Operating Partner and Advisor Program*

Sterling Partners maintains an "operating partner and advisor" program in which it engages consultants and other advisors with relevant operating or other experience, which may include employees of portfolio companies, former Sterling Partners employees, third party consultants (including specialized consultants, external executives, and industry advisory roundtable members) or entities through which such persons provide services (the "Operations Support Providers"). The Operations Support Providers are engaged to provide operational support, specialized operations, legal and consulting services and similar or related services to, or in connection with, one or more Funds, portfolio companies or prospective portfolio companies in connection with the identification, acquisition, holding, improvement and disposition of such portfolio companies and may, from time to time, also provide "front office" functions with respect to a Fund, such as sourcing or other investment-related functions ("Operations Support Services"). These services may include support to the Single Investment Vehicles, Main Sterling Funds or their portfolio companies regarding, among other things, the portfolio company's management (including serving in management positions or participating in determining corporate strategy), the company's supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting



personnel and determining executive/incentive compensation), information technology, corporate communications, legal and regulatory matters, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters. In certain cases, Operations Support Providers have attributes of Sterling Partners personnel (for instance, they may have dedicated office space, receive Sterling Partners administrative support services, participate in general meetings or events for Sterling Partners personnel, have Sterling Partners e-mail address or business cards), even though they are not employees, affiliates or personnel of the Sterling Partners. These Operations Support Providers are selected, among other relevant factors, due to their reputation in the industry and their familiarity with the values and operating and investing principles of Sterling Partners. Certain Operations Support Providers may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio companies. If a Single Investment Vehicle, Main Sterling Fund or a portfolio company of such Fund engages any of these Operations Support Providers as a consultant or advisor, or as a member of the board of directors of such portfolio company, the applicable portfolio company reimburses or pays, or the Single Investment Vehicle or Main Sterling Fund will pay, for these services at rates and on terms as determined in good faith by the portfolio company management team or, if for a Single Investment Vehicle or Main Sterling Fund, by Sterling Partners (“Operations Expenses”). Operations Expenses may be determined taking into account the particular Operations Support Services, may include a profits or equity interest in a portfolio company or other incentive-based compensation to the Operations Support Provider, and may otherwise be determined according to one or more methods, including the value of the time of the Operations Support Provider or amounts charged by other providers for comparable services. The determination of whether a service is an Operations Support Service will be made by Sterling Partners. Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of an investment. In the event an Operations Support Provider is paid an annual retainer, the value provided to the relevant Fund and/or portfolio company by such Operations Support Provider may vary year to year and there can be no assurance that the annual retainer paid will be commensurate with the value provided by the Operations Support Provider. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to multiple Funds, the Operations Expenses related to such services will be allocated among the applicable Funds as determined by Sterling Partners in accordance with its expense allocation policy or, more typically, paid by the applicable portfolio company and therefore indirectly borne by the Funds that have invested in the company based on their relative ownership in the company. For certain Operations Support Providers, compensation that such Operations Support Provider has received or may in the future receive from a portfolio company, Main Sterling Fund or Single Investment Vehicle, has reduced and may in the future reduce the amount of compensation that Sterling Partners is contractually required to pay such Operations Support Provider and, therefore, such compensation provides a benefit to Sterling Partners. Compensation received by Operations Support Providers does not reduce or otherwise offset Advisory Fees payable to Sterling Partners by the Main Sterling Funds. Operations Support Providers will, from time to time, be offered the ability to invest in a Fund or in a particular investment as a co-investor on preferred economic terms (including on a no-fee/no-carry basis). Sterling Partners believes that these Operations Support Providers provide significant added value to the applicable portfolio companies and to the applicable Main Sterling Funds or Single Investment Vehicles (directly or as an investor in the applicable portfolio company). Sterling Partners’ “operating partner and advisor” program was modified in 2013 when several former employees of Sterling Partners were converted to

consultants or advisors. In certain limited circumstances, it may be difficult to distinguish services provided by the Operations Support Providers from the investment advisory services provided to the Funds by Sterling Partners and its affiliates.

Although the use of Operations Support Providers and allocation of Operations Expenses paid to them may subject Sterling Partners and its affiliates to potential conflicts of interest, Sterling Partners believes any such potential conflicts of interest are mitigated by the expected savings to the portfolio companies (and, in turn, the relevant Fund(s)) that will be applied if the cost of the Operation Support Provider is lower than market rates for the services provided, or if the services provided by the Operations Support Providers are consistent with the business strategy Sterling Partners has for the relevant portfolio company.

### *Fund Level Borrowing*

The Funds from time-to-time borrow funds or enter into other financing arrangements for various reasons, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors) or to guarantee debt or other liabilities of such funds' portfolio companies. If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be used for all limited partners in such Fund on a pro-rata basis, including the general partner. The Funds will also utilize subscription facilities to benefit co-investment parties. For example, a Fund will borrow to fund a co-investment party's pro rata share of an investment or expense related to an investment.

In addition, credit facilities for certain Funds are available to provide borrowed funds directly to the portfolio companies of such Funds, in which case such borrowed funds would be guaranteed by such Funds. In such instances the Funds would bear the sole liability for the borrowed funds in the event of a default, and as a result, such portfolio company and any of its other investors (including direct investments by the general partner and any co-investor, including Co-Investment Funds) benefit from the credit risk taken by the Fund's guarantee. In these circumstances, the Fund typically charges a fee to the portfolio company to compensate for the risk that is not shared.

To the extent the Fund uses borrowed funds in advance or in lieu of capital contributions, the Fund's investors generally make correspondingly later capital contributions, but the Fund will bear the expense of interest on such borrowed funds. As a result, the Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and may make net IRR calculations higher than it otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. It is expected that the interest will accrue on any such outstanding borrowings at a lower rate than any preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the relevant Fund. While the Fund will bear the expense of borrowed funds, such borrowings may also increase the carried interest received by the Fund's general partner or will result in the Fund's general partner receiving Carried Interest earlier than it would otherwise have by decreasing the amount of distributions from the Fund that are required to be made to Fund investors in satisfaction of any preferred return. The general partner therefore has a conflict of interest in deciding whether to borrow funds because the general partner may receive disproportionate benefits from such

borrowings. Furthermore, the use of Fund-level borrowing for investment purposes is treated as investment capital for purposes of calculating the relevant Fund's Advisory Fee. Therefore, investors pay Advisory Fees on borrowed amounts used to fund an investment even though such amounts would not accrue a preferred return as described above.

To the extent a subscription facility is due upon demand by a lender (such as upon an event of default or otherwise), such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of such liquidity constraints and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. The batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. Moreover, the existence of a subscription facility may impair an investor's ability to transfer its interest in a Fund as a result of restrictions imposed on such transfers by the lender.

In addition, the batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. To the extent a subscription facility is due upon demand by a lender (such as upon an event of default or otherwise), such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of such liquidity constraints and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Moreover, the existence of a subscription facility may impair an investor's ability to transfer its interest in a Fund as a result of restrictions imposed on such transfers by the lender.

Borrowing by the Fund will generally be secured by capital commitments made by the investors to the Fund and/or by the Fund's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Fund-level borrowing. Moreover, tax-exempt investors should note that the use of borrowings by the Fund may cause the realization of UBTI.

The use of Fund-level borrowings will differ based on available credit facility capacity and contractual terms applicable to each Fund and each such credit facility. Therefore, as the subscription credit facilities utilized by the Funds may have different terms, while the Funds may be invested in the same investment, and while the valuation of such investment would be consistently determined pursuant to the relevant Governing Documents, the investment return can, in certain circumstances, differ among the Funds as a result.

#### *Diverse Investor Group*

A Fund's investors often include residency in various jurisdictions, including the United States and other countries, who may have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests of particular investors may relate to or arise from, among other things, the nature of investments made by each Fund, the structuring of the acquisition of portfolio companies and the timing of the disposition of investments. Such matters may result in different after-tax returns being realized by different investors in the Funds. As a consequence, conflicts of interest may arise in connection with decisions made by Sterling Partners that may be more beneficial for one investor than another investor, especially with respect to investors' individual tax situations. Sterling Partners considers the investment and tax objectives of

each Fund as a whole, and not the individual investment, tax or other objectives of any particular investor. Without limiting the foregoing, in connection with certain investments, Sterling Partners forms or may form “alternative investment vehicles” as described in the section titled “*Types of Clients*” (Item 7 above) pursuant to which certain investors participate through a “blocker corporation” (and bear the burden of any taxes paid by such “blocker corporation”) while other investors (including the general partner that is a related person of Sterling Partners) participate through a tax-transparent entity without an intervening “blocker corporation”. This may create conflicts for the general partner, particularly in structuring an exit from such investment given the varying tax implications to the general partner and investors resulting from different exit structures. Returns from such investment to the general partner of the applicable Fund, including in respect of its Carried Interest, typically would not be reduced by any taxes borne by any such investor participating in an “alternative investment vehicle” through a “blocker corporation”.

#### *Conflicts Relating to Secondary Transfers*

To the extent Sterling Partners has discretion over a secondary transfer of interests in a Main Sterling Fund pursuant to such Main Sterling Fund’s Governing Documents, or is asked to identify potential purchasers in a secondary transfer, Sterling Partners will do so in its sole discretion, generally taking into account the following factors: Sterling Partners’ evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations; Sterling Partners’ perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Main Sterling Funds and/or Sterling Partners; whether the potential purchaser would subject Sterling Partners, the applicable Main Sterling Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens; requirements in such Main Sterling Fund’s Governing Documents; and such other facts as it deems appropriate under the circumstances in exercising such discretion.

A purchaser’s potential investment into another Fund (including any commitment to a future fund) may be considered by Sterling Partners in determining whether to grant or withhold its consent to a secondary transfer of interests in a Fund.

#### *Business with Portfolio Companies and Investors and Prospective Investors; Service Providers*

Given the collaborative nature of Sterling Partners’ business and the portfolio companies in which the Funds have invested, from time to time, a portfolio company of a Fund may engage in commercial transactions or other transactions (such as a merger or acquisition) with a portfolio company of a different Fund. Additionally, there are situations where Sterling Partners is in the position of recommending portfolio company services to another portfolio company, which may involve fees, commissions, servicing payments and/or discounts to Sterling Partners, an affiliate or a portfolio company. Depending on the nature of the transaction, a transaction between portfolio companies of different Funds can create potential conflicts of interest. Sterling Partners will generally have a conflict of interest in making such recommendations, in that Sterling Partners has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Funds. The benefits received by a portfolio company providing a service may be greater than those received by the Fund(s) and its portfolio company receiving the service. Sterling

Partners anticipates that material transactions between portfolio companies generally would be on arms'-length commercially reasonable terms or on other terms considered equitable to both companies under the circumstances.

Sterling Partners may have an incentive to recommend the products or services of certain investors or prospective investors in the Funds or related businesses in which such investors or prospective investors have a material interest to the Funds or their portfolio companies for use or purchase. Sterling Partners generally will have a conflict of interest in making such recommendations in that Sterling Partners has an incentive to maintain goodwill between it and investors in the Funds or to establish deeper relationships with prospective investors. Sterling Partners intends that any such recommendations would be made in the best interests of the applicable Funds or portfolio companies.

From time to time a Fund's portfolio company may be counterparty or participant in agreements, transactions or other arrangements with other portfolio companies of such Fund or other Funds, including Single Investment Vehicles. These agreements, transactions and other arrangements may involve payment of fees and other amounts, none of which will result in any offset to the Advisory Fee. Such agreements, transactions and other arrangements will generally be entered into without the consent or direct involvement of the Funds and/or Sterling Partners or the consent of any advisory committee.

Sterling Partners and/or its affiliates may in the future engage in business opportunities arising from a Fund's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company). This creates a conflict of interest, as such interests are a benefit arising from the Fund's investment and may vary from the applicable Fund's interest.

Sterling Partners and/or its affiliates may in the future engage in business opportunities arising from a Fund's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company). This creates a conflict of interest, as such interests are a benefit arising from the Fund's investment and may vary from the applicable Fund's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Fund).

In certain instances, a Fund's portfolio company competes with, is a customer of, or is a service provider to, another Fund's portfolio company. In providing advice to a portfolio company's business, Sterling Partners may consider the interests of one portfolio company or Fund and is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or Funds. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by Sterling Partners to a portfolio company may have adverse consequences to a separate portfolio company owned by another Fund. The performance and operations of a competitor, customer or service provider portfolio company could conflict with, and adversely affect the performance and operations of another portfolio company, or could adversely affect prices, business opportunities or potential acquisition opportunities. For instance, a portfolio company may seek to expand its market share at the expense of another portfolio company, withdraw business from another portfolio company in favor of another company

offering the same product or service at a lower price, increase its own prices, purchase assets from, or sell assets to, another portfolio company, commence litigation against another portfolio company, or prevent one portfolio company from commencing litigation against another portfolio company.

A Fund's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Funds managed by Sterling Partners that, although Sterling Partners determines to be consistent with the requirements of such Funds' Governing Documents, may not have otherwise been entered into but for the affiliation with Sterling Partners. For example, Sterling Partners has in the past and may in the future cause portfolio companies to enter into agreements regarding group procurement benefits management, data management and/or mining, technology development, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio companies and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, commissions or similar payments and/or discounts being paid to Sterling Partners, its affiliates or a portfolio company. While Sterling Partners may have a conflict of interest because its economic benefit may incentivize Sterling Partners to maintain such arrangements, Sterling Partners believes that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing. However, it should not be assumed that a company related to, or otherwise affiliated with Sterling Partners will only take actions that are beneficial to, or not opposed to, the interests of a Fund and its portfolio companies.

In addition, Sterling Partners receives and generates various kinds of portfolio company data and other information, including related to or created in connection with financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors, ESG and other metrics, financial information, commercial and transactional information, user data, cost data and related data or information, some of which is sometimes referred to as "big data." This information may, in certain instances, include confidential and/or sensitive information received or generated in connection with efforts on behalf of one Fund's investment (or prospective investment) in a portfolio company. As a result, Sterling Partners is better able to anticipate macroeconomic and other trends, and financial opportunities, enhance and improve operations of portfolio companies and otherwise develop investment strategies or identify specific investment or business opportunities. Sterling Partners also intends to utilize such data for purposes of identifying new investments opportunities for the Funds. Information from a portfolio company owned by a Fund may enable Sterling Partners to better understand a particular industry and develop and execute investment strategies in reliance on that understanding for Sterling Partners and other Funds that do not own an interest in such portfolio company, without compensation or benefit to such Fund or its portfolio companies. Further, data is expected to be aggregated across the Funds and their respective portfolio companies and, in connection therewith, Sterling Partners is expected to serve as the repository for such data, including with ownership, use and distribution rights therein. Sterling Partners may also share data from a portfolio company of one Fund with a portfolio entity of another Fund, which may increase a competitive disadvantage for, and indirectly harm, such portfolio company. Portfolio companies may incur incremental expenses in collecting and organizing information requested or required to be furnished to Sterling Partners (which expenses are indirectly borne by the Funds). Sterling Partners is likely in the future to enter into information sharing and confidentiality arrangements with portfolio companies and other sources of

information that may limit the internal distribution and use of such data. Sterling Partners is likely in the future in certain instances to use this information in a manner that may provide a material benefit to Sterling Partners, its affiliates, or to certain other Funds without compensating or otherwise benefitting the Fund or Funds from which such information was obtained. In addition, Sterling Partners may have an incentive to pursue investments in portfolio companies based on the data and information expected to be received or generated. Furthermore, except for (a) contractual obligations to third parties to maintain confidentiality of certain information or otherwise limit the scope and purpose of its use or distribution, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws prohibiting insider trading, anti-competition laws and laws protecting national security interests, Sterling Partners is generally free to use data and information from a Fund's activities in its sole discretion for the benefit of Sterling Partners and other Funds. The sharing and use of "big data" and other information present potential conflicts of interest and any benefits received by Sterling Partners or its personnel will not be subject to the Advisory Fee offset provisions or otherwise shared with a Fund or its investors. Sterling Partners has in the past utilized and likely in the future to utilize such information to benefit Sterling Partners, its affiliates and/or certain Funds.

Sterling Partners and its affiliates may also enter into formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory and contractual requirements, these information sharing arrangements are designed to allow Sterling Partners, the Funds and the Funds' portfolio companies to better discern economic or other trends and developments. Sterling Partners believes that all Funds benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across the Sterling Partners' businesses and the Funds' portfolio companies. However, information sharing may involve conflicts of interest between the Funds and/or between the Funds and Sterling Partners. For example, data analytics based on inputs from one portfolio company may inform business decisions by other portfolio investments, or investment decisions by Sterling Partners and its affiliates, without the source of the data being directly compensated. It is difficult, if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such information. Therefore, Sterling Partners and its affiliates may utilize such data outside of Fund activities in a manner that may provide a material benefit to Sterling Partners, without directly compensating or otherwise benefitting the Funds. As a result, Sterling Partners may have an incentive to pursue investments (on its own behalf or on behalf of the Funds) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits Sterling Partners and/or investments held by other Funds.

Additionally, former Sterling Partners employees may also become employees, officers or directors of, or otherwise be engaged by, third-party service providers that provide services to Sterling Partners, the Funds and/or portfolio companies. While employed by Sterling Partners, the cost of the compensation, benefits and attributable overhead provided to these individuals are paid by Sterling Partners unless a Fund's governing documents permit certain allocations of internal expenses to the Fund. If a former Sterling Partners employee becomes an employee or consultant of a third party that also provides services to a Fund, such former Sterling Partners employee may be assigned by such third party to provide services to that account. In such instance, the cost of the third-party service provider attributable to the former Sterling Partners employee working on the

Fund will be borne entirely by the Fund and no such amounts will reduce the management fee paid or the carried interest distributed by such Fund on the basis that such person used to be a former Sterling Partners employee.

Additionally, employees of Sterling Partners or its affiliates, and/or their family members or relatives may have ownership, employment, or other interests in such service providers. These relationships that Sterling Partners may have with a service provider can influence Sterling Partners in determining whether to select, or recommend such service provider to perform services for a Fund or a portfolio company. Sterling Partners will have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider (or its affiliates) will continue to invest in the Funds, will provide Sterling Partners information about markets and industries in which Sterling Partners operates, will provide other services that are beneficial to Sterling Partners or will otherwise provide a benefit to Sterling Partners and/or will provide financial sponsorship of events held by Sterling Partners (such as transaction closing dinners or outings, or informational summits or training events for Sterling Partners or portfolio company personnel). In these circumstances, there is a possibility that Sterling Partners, because of such belief or for other reasons, would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. However, to mitigate this possibility, any transactions that are recommended by Sterling Partners between a Fund investor (or a known affiliate thereof) and a Fund or portfolio company are expected to be on commercially reasonable terms that Sterling Partners believes are arms'-length or otherwise in the best interests of the Fund or portfolio company, as applicable.

Certain other service providers to Sterling Partners, the Funds and/or the portfolio companies, or affiliates of such service providers, may also provide goods or services to or have business, personal, financial or other relationships with Sterling Partners, its affiliates, or their respective portfolio companies. Such service providers (or their employees) may also source investment opportunities, be co-investors or commercial counterparties or entities in which Sterling Partners and/or the Funds have an investment, and payments by a Fund and/or such portfolio companies may indirectly benefit Sterling Partners and/or such Fund.

Portfolio companies from time to time provide services to certain Fund investors (or affiliates thereof). Sterling Partners may have an incentive to encourage the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability and the ultimate returns to the Fund with respect to its investment in that portfolio company.

In certain instances, a Fund investor (or an affiliate thereof) may be a potential acquiror for a portfolio company of such Fund or another Fund. Sterling Partners anticipates that any such acquisition of a portfolio company by an investor in a Fund would be on arms'-length commercially reasonable terms and otherwise approved only if Sterling Partners believes that such acquisition is in the best interests of the Fund(s) that have invested in such company.

Sterling Partners or its affiliates engage certain service providers (including law firms) on behalf of the Funds and personnel of such service provider may in the future be seconded to Sterling Partners or its affiliates on a temporary basis, pursuant to various arrangements including at cost



or at no cost. Sterling Partners is, from time to time, a beneficiary of these arrangements as well. Such personnel may provide services in respect of multiple matters, including in respect of matters related to Sterling Partners, its affiliates and/or portfolio companies and in any such circumstance the benefits or costs of any such personnel will be allocated in Sterling Partners' discretion taking into consideration the usage of such personnel. In such circumstances, a conflict of interest exists because Sterling Partners or its affiliates have an incentive to select one service provider over another on the basis that Sterling Partners or its affiliates may receive the benefit of seconded employees from such service provider, particularly where the compensation and expenses for such personnel during the secondment is borne by the service provider and not Sterling Partners or its affiliates.

In addition, service providers often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by Sterling Partners or its affiliates differ from those required by the Funds and/or its portfolio companies, Sterling Partners and its affiliates will pay different rates and fees than those paid by the Funds and/or its portfolio companies.

#### *Positions with Portfolio Companies*

Employees and other related persons of Sterling Partners from time to time serve as officers or in comparable management functions for portfolio companies in which the Funds have invested or provide other services to such portfolio companies, and such employees and other related persons may devote substantially all of their time to such portfolio companies' businesses during such assignments. While conflicts of interest may arise in the event that such employee's fiduciary duties as a director conflicts with those of the Fund, it is expected that the interests will be aligned. For instance, such positions could impair the ability of a Fund to sell the securities of an issuer in the event a director receives material non-public information by virtue of his or her role, which would have an adverse effect on the Fund. Furthermore, Sterling Partners personnel serving as a director to a portfolio company owes a fiduciary duty to the portfolio company, on the one hand, and the relevant Fund, on the other hand, and such Sterling Partners personnel may be in a position where they must make a decision that is either not in the best interest of the Fund, or is not in the best interest of the portfolio company. Sterling Partners personnel serving as directors may make decisions for a portfolio company that negatively impact returns received by a Fund investing in the portfolio company. Additionally, such persons may receive compensation from portfolio companies for these services or portfolio companies may reimburse Sterling Partners for the cost of such persons' compensation and employee benefits (which are paid by Sterling Partners). This compensation or reimbursement may not necessarily reduce or offset Advisory Fees (if any) payable to Sterling Partners by the Fund that has invested in the applicable portfolio company or otherwise inure to the benefit of any Fund that has invested in the applicable portfolio company.

Decisions made by a director may subject Sterling Partners, its affiliate or a Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Funds will indemnify Sterling Partners and their partners, principals and employees from such claims.

From time to time employees of Sterling Partners may also be asked to serve as directors of, or observers with respect to, certain entities in which a Fund has fully exited its ownership interest. Such companies are not portfolio companies of the Fund and as a result, any compensation received by such Sterling Partners employee is not subject to the Advisory Fee offset described above, or otherwise shared with the Funds and/or investors.

In addition, certain Sterling employees have left (and others in the future may leave) Sterling Partners to become employees of portfolio companies of the Funds. The compensation paid to such persons by such portfolio companies is currently (and is anticipated to be in the future) generally based on the fair market value for the position they serve (or will serve) at the portfolio company. The hiring of such former Sterling Partners employees will shift the burden of compensation paid by Sterling Partners to such persons from Sterling Partners to the applicable portfolio companies, and such compensation will not reduce Advisory Fees (if any) paid by the Funds. In addition, Sterling Partners may supplement compensation paid by a portfolio company to a former Sterling Partners employee that is employed by such portfolio company for a period of time following such employee's departure from the Sterling Partners.

In addition, Sterling Partners may continue to receive other fees from a portfolio company after a Fund has fully exited its ownership interest (for instance, in respect of consulting arrangements or group purchasing arrangements). In such circumstances, any fees received with respect to such exited investment is not subject to the Advisory Fee offset described above, or otherwise shared with the Funds and/or investors.

In connection with co-investment opportunities, some co-investors (which may include one or more investors in the Main Sterling Funds) are often provided with the opportunity to serve on the board of directors or board of advisors of the applicable portfolio company. Positions on the board of directors or board of advisors of such portfolio companies provide such co-investors with voting rights, access to information and the ability to potentially influence the operations and decision-making of the portfolio company that are not available to other investors in the Main Sterling Funds. In certain cases, co-investors have contractual rights that require the approval of the co-investors for certain major actions relating to the applicable portfolio company, such as a sale of the company or the issuance of additional equity by the company. Such rights may limit the ability of Sterling Partners to take actions with respect to the portfolio company that Sterling Partners considers to be in the best interests of the Main Sterling Funds.

Certain personnel of Sterling Partners or its affiliates have in the past or may from time to time in the future also be temporarily seconded to or otherwise engaged by certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. In such instances, the portfolio companies will pay such person's directors' fees, salaries, consultant fees, other cash compensation, stock options, other equity grants or other compensation and incentives and may reimburse Sterling Partners or such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Sterling Partners may also advance compensation to seconded employees and be subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by Sterling Partners or its affiliates to such persons will typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the Advisory Fee paid or Carried Interest distributed by the

Fund to Sterling Partners will not be reduced. Any amounts paid to such persons by a portfolio company (or paid by Sterling Partners and reimbursed by a portfolio company) will not reduce the Advisory Fee otherwise payable to Sterling Partners or any Carried Interest otherwise payable to Sterling Partners or its affiliates. All or a portion of any such compensation and incentives will be borne by the Fund, directly or indirectly, via its ownership interest in such portfolio company. In certain instances, whether an individual who provides services to a portfolio company should be categorized as an Operations Support Provider, an employee of Sterling Partners, a former employee of Sterling Partners or a seconded employee may not be clear. In such cases, Sterling Partners will make a determination in good faith based on an evaluation of the facts and circumstances. The provisions related to these arrangements and the manner in which any impact of an advisory fee would generally be described in the Fund's Governing Documents.

Sterling Partners on occasion selects family members of Sterling employees for board service on portfolio company boards. Such selection is not based on the familial relationship with Sterling Partners' employees but rather on the board member's qualifications and industry experience. Any fees received by the board member are paid by the relevant portfolio company and not subject to the Advisory Fee offset provisions of the applicable Fund, if any.

#### *Side Letter Agreements*

Sterling Partners often enters into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures and other preferential economic rights, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights. Except as otherwise agreed with an investor, Sterling Partners (or applicable general partner) is not required to disclose the terms of side letter arrangements with other investors in the same Fund. Also, investors will have no recourse against a Fund, the applicable Fund's general partner, Sterling Partners or their respective affiliates in the event that certain investors receive additional or different rights or terms pursuant to such side letters, some of which rights may impact the rights and/or increase the obligations of other investors. In addition, side letter arrangements with certain investors of the Funds impose additional restrictions on investing in certain types of assets, geographies or industries in order to meet certain legal, tax, regulatory, internal policy or other requirements of such investors. While these restrictions are intended to apply solely to such investors, they may ultimately restrict the investments made by an applicable Fund.

#### *Limited Partners Advisory Committee*

Each of the Main Sterling Funds has an advisory committee which is established under the respective Main Sterling Fund's Governing Documents. Each Main Sterling Fund's advisory committee is comprised of representatives of certain limited partners of such Main Sterling Fund selected by the general partner of such Main Sterling Fund. Under the Governing Documents for each Main Sterling Fund, certain investment limitations may be waived, or transactions that involve potential conflicts of interest may be entered into, with the consent of such Main Sterling Fund's

advisory committee. A conflict of interest may exist in that not all limited partners are asked to join (or are able to negotiate for the right to join) a Main Sterling Fund's advisory committee. Representative of the advisory committee may have various business and other relationships with Sterling Partners and its partners, employees and affiliates. These relationships may influence the decisions made by such members of the advisory committee.

In addition, members of the advisory committee of a Main Sterling Fund may serve (and often do serve) on the advisory committees of other Main Sterling Funds, which may include the other Main Sterling Funds with respect to which a conflict presented to the advisory committee relates, or may otherwise have conflicts with respect to matters under consideration by the advisory committee of a Main Sterling Fund. Such members of the advisory committee will not necessarily be precluded from voting on matters as a result of such conflicts. Members of a Main Sterling Fund's advisory committee may vote on matters in a manner that is in the best interests of the investor with which such member is associated (regardless of whether that conflicts with the interests of the Fund or its other investors).

One or more Single Investment Vehicles may establish an advisory committee under its Governing Documents, and similar conflicts of interest as outlined in the paragraphs above may also apply.

#### *Conflicts Related to Continuation Transactions*

Sterling Partners has in the past established, and may from time to time in the future, establish investment vehicles for the purpose of purchasing one or more investments from a Fund and/or for the purpose of purchasing one or more investments from one Fund (often where the selling Fund is approaching the end of its term) in connection with or alongside another Fund making an investment (such transactions, "Continuation Transactions"). As part of a Continuation Transaction, the selling Fund's limited partners from time to time may be, and have in the past been, given an election to rollover their existing Fund investment into a new investment vehicle through which they continue to invest in the underlying portfolio company or companies together with the purchasing Continuation Vehicle. The affiliated nature of these transactions and Sterling Partners' involvement with both the selling and purchasing entities give rise to conflicts of interests, including those discussed below under "*Participation or Interest in Client Transaction; Personal Trading*".

In addition, Sterling Partners has an incentive to maximize the purchase price for the investments on behalf of the selling Fund which would benefit Sterling Partners by potentially making it more likely that Sterling Partners will earn carried interest (or will earn more carried interest) with respect to the selling Fund to the detriment of a purchasing Fund and/or Continuation Vehicle. Furthermore, following a Continuation Transaction, Sterling Partners will from time to time be entitled to receive management fees and potentially carried interest with respect to the purchasing Continuation Vehicles and where applicable other purchasing Fund(s), which it would not receive if the investments were sold to an unrelated third-party. Accordingly, a Continuation Transaction benefits Sterling Partners because Sterling Partners may receive an aggregate amount of fees and carried interest greater than it otherwise would have received in a sale transaction to an unrelated third-party.

A Continuation Transaction also gives rise to conflicts relating to the initial allocation of the transferred investments. Where the purchase is by a Continuation Vehicle together with another Fund(s), the Continuation Vehicle may be subject to certain minimum allocation requirements, which would reduce the portion of the investment available to such other purchasing Fund(s). As a result, in each case the Continuation Vehicle and, where applicable, purchasing Fund(s) may be allocated a smaller or larger amount of an investment than Sterling Partners originally anticipated. In addition, Sterling Partners may require an investor in a Continuation Vehicle to make an investment in another Sterling Partner's Fund or future fund, which (a) incentivizes the Adviser to favor such investors because of the potential for the Adviser and its affiliates to earn additional Advisory Fee with respect to any such investment or commitment to invest, and (b) could affect the price such investors offer to purchase the asset from the selling Fund.

Additionally, conflicts of interest arise in continuation transactions as a result of the allocation of fees and expenses, because fees and expenses will be incurred in connection with the transaction, and Sterling Partners might determine to allocate bankers' fees and certain other fees and expenses solely to selling investors and not to the "rolling investors" or "new investors" in the purchasing Fund or vice versa.

Further, the consideration paid by a Continuation Vehicle and, where applicable, such other purchasing Fund(s), may be more or less than what the transferred investments are ultimately worth had they been sold to one or more other buyers in one or more separate transactions, including an outright sale to a third party.

Following a Continuation Transaction, a Continuation Vehicle may be invested in the same portfolio company as other Fund(s). Investments in the same portfolio company give rise to the conflicts of interest discussed above in "*Relationships with Related Persons*".

#### *Other Potential Conflicts*

The Governing Documents of a Fund establish complex arrangements among the Funds, Sterling Partners, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Governing Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While Sterling Partners will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Fund or its investors.

Sterling Partners (and its related persons) and the Funds often will engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, Sterling Partners and/or its related persons, the parties may engage separate counsel in the sole discretion of Sterling Partners, and in litigation and other circumstances separate representation may be required.

Sterling Partners from time to time may cause the Funds to bear the full cost and expense of engaging certain third-party service providers on behalf of a portfolio company. In the event a Fund is not the sole shareholder of the portfolio company, other shareholders will benefit from the costs incurred by such Fund and will not reimburse the Fund for their pro rata portion of the cost of any such service provider.

Additionally, Sterling Partners (and its related persons) and the Funds and the portfolio companies of the Funds engage other common service providers. In such circumstances, there may be a conflict of interest between Sterling Partners, on the one hand, and the Funds and portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that Sterling Partners may favor the engagement or continued engagement of such persons if it or its related persons receives a benefit from such service providers, such as lower fees, that it or they would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies. Sterling Partners or its related persons will from time to time receive a discount on services provided to them by such a common service provider in part due to the expenditures with such service provider by the Funds and/or the portfolio companies. Neither the Funds nor investors in the Funds will in every case receive the benefit of any such favorable rate or discount provided to Sterling Partners, its personnel or its affiliates, and the Advisory Fee paid by any Fund will not be reduced in connection with such favorable rate or discount. Sterling Partners reviews its choice of service providers for the Funds (and the arrangements with such service providers) from time to time in an attempt to ensure that the Funds are receiving appropriate services on appropriate terms.

Sterling Partners and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses may result in “miles” or “points” or credit in loyalty/status programs to Sterling Partners and/or its personnel, and such benefits, rewards and/or amounts (whether or not *de minimis* or difficult to value) will exclusively benefit Sterling Partners and/or such personnel even though the cost of the underlying service is being borne by the Funds, its investors and/or the portfolio companies. Any such benefits, rewards and/or amounts will not be subject to the offset arrangements described above or otherwise shared with such Fund, its investors and/or the portfolio companies. In addition, airline travel incurred as a Fund expense for Sterling Partners’ personnel travelling for appropriate Fund-related purposes (including, without limitation, travel to a portfolio company, a prospective portfolio company or other Fund-related matter) may benefit such Sterling Partners personnel to the extent the trip also serves a personal purpose.

Sterling Partners has in the past and may in the future, in its discretion, cause the Funds and/or their portfolio companies to have ongoing business dealings, arrangements or agreements with persons who are former employees of Sterling Partners. The Funds and/or their portfolio companies would bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between Sterling Partners and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that Sterling Partners may

favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

Sterling Partners has in the past and may, from time to time in the future, cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable general partner, Sterling Partners and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by Sterling Partners that cover one or more Funds and/or Sterling Partners (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). Sterling Partners will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Funds, and/or Sterling Partners on a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

Certain portfolio companies of the Funds are or have been, and may in the future be, participants in agreements, transactions or other arrangements with Sterling Partners, its affiliates, other portfolio companies of the Funds and other third parties to receive favorable procurement terms from certain vendors or suppliers. Sterling Partners and its affiliates often are eligible to receive favorable terms for procurement from such vendors or suppliers for their own use as compared to terms generally available to the customers or clients of such vendors and suppliers due in part to the involvement of the Funds’ portfolio companies in such arrangements, and any such discounted amounts will not result in Advisory Fee offsets or otherwise be shared with the relevant Funds.

The Governing Documents of certain Funds permit such Fund’s general partner to withhold information from investors in such Fund in certain circumstances. For instance, information may be withheld from investors that are subject to Freedom of Information Act or similar requirements.

The Governing Documents of certain Funds permit the general partner of each such Fund to cause such Fund to distribute such general partner’s share of securities resulting from an investment disposition by such Fund to such general partner or its affiliates (including managing directors and employees) in kind, while disposing of limited partners’ share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the general partners and the limited partners of the applicable Fund, because the general partner may have an incentive to cause the Fund to exit an investment at a time that may result in limited partners receiving a lesser return on such investment than would be the case if the general partner was prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as limited partners). Furthermore, the general partner, or its affiliates, may receive distributions in kind from an investment disposition. In the event the general partner, or its affiliates, receive such a distribution, the general partner will generally act in its own interest with respect to its share of securities and will determine to sell the distributed securities (which may include selling its securities prior to

the time at which the investor sells its distributed securities), or hold on to the distributed securities for such time as the general partner shall determine. The ability of the general partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the general partner or affiliate, as an adviser to the Fund, and the Fund.

Due in part to the fact that investors or potential investors in a Fund (including purchasers of a limited partner's interests in such Fund in a secondary transaction) or a co-investment opportunity may ask different questions and request different information, Sterling Partners may provide certain information to one or more investors or prospective investors that it does not provide to all of the investors or prospective investors.

#### *Selection or Recommendation of Other Advisers*

Sterling Partners does not recommend or select other investment advisers for its clients and does not receive compensation from such advisers in a manner that would create a material conflict of interest. Sterling Partners does not have other business relationships with other advisers that create a material conflict of interest.

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

#### *Code of Ethics*

Sterling Partners has adopted a code of ethics ("Code of Ethics") under Rule 204A-1 of the Advisers Act, expressing Sterling Partners' commitment to ethical conduct. Sterling Partners' Code of Ethics describes its fiduciary duties and responsibilities to its advisory clients (such as a Fund), helps to detect and prevent potential conflicts of interest and sets forth, among other things, Sterling Partners' (1) policies on receipt of gifts by employees and the making of political campaign contributions, (2) practice of obtaining periodic reports on and monitoring the personal securities transactions of its supervised persons with access to client investment recommendations and (3) pre-clearance requirements for certain personal securities transactions by such supervised persons. The Code of Ethics is applicable to all members, officers and employees as well as officers and employees of its affiliates and certain independent contractors (herein referred to as "Supervised Persons"). Supervised Person who violate the Code of Ethics may be subject to remedial actions including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Under Sterling Partners' Code of Ethics, all of its Supervised Persons have a duty to act only in the best interests of the Funds and are required to promptly report all violations of the Code of Ethics to Sterling Partners' CCO. All Supervised Persons must acknowledge receipt of the Code of Ethics and any amendments thereto on an annual basis.

Sterling Partners will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

#### *Participation or Interest in Client Transactions; Personal Trading*



As limited partners or members of the general partner (or equivalent control person) of each of the Funds or as limited partners of a “parallel fund” formed in connection with a Fund, Sterling Partners and its related persons generally have indirect beneficial interests in the securities owned by the Funds and will share in any profits and losses generated by the Funds’ investments. A Fund or its general partner, as applicable, may reduce all or a portion of the Advisory Fee and Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Certain Conflicts of Interest” in Item 10 above.

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. Sterling Partners has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In connection with Sterling Partners’ management of the Funds, Sterling Partners and its affiliates may from time to time engage in principal transactions. Sterling Partners and/or certain related persons of Sterling Partners may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to the Funds, including in connection with certain “warehousing” transactions, provided that the sale is consistent with Sterling Partners’ fiduciary obligations to the Funds. Such transactions will be fully disclosed in writing and the written consent of the appropriate Fund will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act to the extent that such transactions constitute “principal transactions” under such Section 206(3).

In certain situations, Sterling Partners and/or one or more related persons of Sterling Partners has purchased interests in the same portfolio company in which one or more Funds is investing or has invested or a Fund has purchased interests in a portfolio company in which Sterling Partners and/or related persons of Sterling Partners are investing or have invested. All such transactions are subject to compliance with Sterling Partners’ Code of Ethics and any required consents under a Fund’s Governing Documents. Before Sterling Partners makes a recommendation that a Fund invest in a company, its related persons that have an ownership interest in that company (other than through a Fund) are required to disclose such interest to Sterling Partners. In addition, subject to any consents that may be required under a Fund’s Governing Documents, Sterling Partners and/or related persons of Sterling Partners may invest in companies that were considered for investment by a Fund but rejected by Sterling Partners as an investment for such Fund.

Sterling Partners has caused and may in the future cause a Fund to engage in “cross transactions” via the purchase of a portfolio investment from, or the sale of a portfolio investment to, another Fund, provided that the transaction is consistent with Sterling Partners’ fiduciary obligations to each Fund participating in the cross transaction and subject to any conditions or required consents under a Fund’s Governing Documents. Such transactions create conflicts of

interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or Sterling Partners might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, Sterling Partners, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). Funds that are formed as “parallel funds” to co-invest in all investments such Funds make will typically engage in re-balancing “cross transactions” pursuant to the terms of their Governing Documents as the relative capital commitments between the parallel funds change during their respective fund-raising periods.

Depending on the transaction structure, these transactions may disproportionately benefit the purchasing, selling, or merging Fund (or Sterling Partners as a result of its interests in a particular Fund), and one Fund may incur expenses or forego gains that would have been obtained had it not entered into such transaction. For example, Sterling Partners may be incentivized to support a less successful portfolio company of an older Fund by causing a newer Fund with a longer remaining term and investment period to purchase a part or all of such portfolio company in order to provide Sterling Partners additional time to potentially manage it to a successful exit and increase the likelihood of Sterling Partners or an affiliate receiving Carried Interest. Conversely, Sterling Partners may be incentivized to sell an attractive investment in an older Fund to a newer Fund to increase the amount of fees received by Sterling Partners or an affiliate with respect to such an investment. Determining the valuation or other terms of such transactions may also create a conflict of interest due to Sterling Partners’ consideration of the particular terms (including the fee terms) of the Funds and Sterling Partners’ interest in such Funds. Such acquisition or merger may result in the acquiring entity purchasing a Fund’s portfolio company at a valuation that is: (a) not the highest price than could have been obtained in the market had there been a robust sales process with multiple third party bidders or (b) higher than the value of the company resulting in an overvaluation.

Under certain circumstances, Sterling Partners may wish to reduce the investment of one or more Funds in an investment and increase the investment of other Fund(s) in such investment, and may, therefore, effect such transactions by directing the transfer of such investment between such Funds or through any other transaction structure (for example, distribution of portfolio company interests from one Fund and contribution of such interests to another Fund). Any costs and expenses associated with any such transaction will be borne by such Funds in accordance with such Funds’ Governing Documents and to the extent not addressed in the applicable Governing Documents, on an allocation that Sterling Partners deems in good faith to be fair and reasonable.

While Sterling Partners endeavors at all times to act in the best interests of the Funds, investors should be aware that the types of transactions described above create potential conflicts of interest with respect to Sterling Partners and the Funds.

## **Item 12 - Brokerage Practices**

As Funds invest primarily in private equity ventures, Sterling Partners anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, Sterling Partners has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

#### *Discretionary Brokerage*

For each of the Funds, Sterling Partners has, subject to the direction of such Fund's general partner, if applicable, sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. With respect to those limited instances in which the Funds purchase, sell or distribute publicly traded securities through a broker-dealer, Sterling Partners seeks to satisfy its best execution obligation by considering relevant facts and circumstances, including, but not limited to, the broker's service and responsiveness, the price and size of the order, the trading characteristics of the securities involved, the value of research provided by the broker, the broker's execution abilities, commission rates, and the broker's financial responsibility. Sterling Partners will not necessarily select the broker-dealer offering the lowest commission cost.

#### *Research and Soft Dollar Benefits*

Sterling Partners does not engage in soft dollar arrangements with respect to securities transactions for the Funds.

Any research services and/or other products or services that are provided to Sterling Partners by brokers or dealers may be used for the benefit of all clients of Sterling Partners and do not necessarily benefit solely the Fund from which the commissions were generated. The receipt of research and/or other products or services is not directly connected to the recommendation of brokerage services to the Funds, but does create a potential conflict of interest of which investors should be aware in assessing Sterling Partners' choice of broker-dealers.

#### *Brokerage for Client Referrals*

Sterling Partners does not consider in determining its selection of broker-dealers whether Sterling Partners receives referrals of potential investors from a broker-dealer or third party.

#### *Directed Brokerage*

Sterling Partners has discretionary authority to select the brokers or dealers in connection with securities transactions of the Funds, and investors generally are not permitted to direct Sterling Partners to use a particular broker or dealer to execute portfolio transactions on behalf of a Fund.

#### *Trade Aggregation*

Although SFM and the Funds do not often trade in public securities, in such circumstances Sterling Partners will, to the extent possible, generally place a combined order for two or more Funds it manages engaged in the purchase or sale of the same public security at the same time if, in its good faith determination, joint execution would be consistent with its duty to seek best execution, consistent with the terms of the relevant Funds' Governing Documents, and otherwise in the best interest of the relevant Funds.

Pursuant to Sterling Partners' policy, the proposed allocation of any such combined order placed on behalf of more than one Main Sterling Fund should be determined and recorded in writing prior to placing the order. If all such orders are not filled at the same price, then Sterling Partners will use reasonable measures to cause each Main Sterling Fund to pay or receive the average of the prices at which the orders were filled for all accounts. If all orders placed for a Main Sterling Fund cannot be fully executed under prevailing market conditions, then Sterling Partners will use reasonable measures to ensure that the securities purchased or sold are allocated among the applicable Main Sterling Funds on a pro rata basis or in some other equitable manner, taking into account the size of the order placed for each Main Sterling Fund and any other relevant factors.

Certain Co-Investment Funds are managed by Sterling on a non-discretionary basis. As a result, Sterling's trade aggregation policies are generally not applicable to such non-discretionary Co-Investment Funds. Please refer to the section titled "*Investment Discretion*" (Item 16 below) for a summary of risks associated with non-discretionary accounts that invest alongside discretionary accounts.

### **Item 13 - Review of Accounts**

#### *Review of Client Accounts*

The investment portfolios of the Main Sterling Funds and Single Investment Vehicles are generally private, illiquid and long-term in nature, and accordingly Sterling Partners' review of them is not directed toward a short-term decision to dispose of securities. However, Sterling Partners will regularly monitor portfolio investments on behalf of the Main Sterling Funds and Single Investment Vehicles. Sterling Partners' operating committee reviews developments and progress at portfolio companies. Investments also are reviewed in the context of each Main Sterling Fund's stated investment objectives, guidelines and restrictions as set forth in the Governing Documents of such Main Sterling Fund. Sterling Partners' Chief Operating Officer or Chief Financial Officer regularly reviews the investment portfolios of the Main Sterling Funds for consistency with such objectives, guidelines and restrictions. Because the Co-Investment Funds and Single Investment Vehicles will typically invest in a single portfolio company, the frequency with which Sterling Partners monitors the portfolio investments of such Funds often will be less than the Main Sterling Funds. In addition, Sterling Partners' review and monitoring of the portfolio investments of the Co-Investment Funds generally will be undertaken in its capacity as manager of the Main Sterling Funds and not of the Co-Investment Funds.

#### *Reports to Clients*

Sterling Partners distributes quarterly and annual written reports to the investors in each Main Sterling Fund. Quarterly reports generally contain unaudited financial statements of the Main Sterling Fund for the quarter and an update on key portfolio company developments and are provided following the end of the calendar quarter of the applicable Main Sterling Fund. Annual reports generally contain a list of, and status report on, investments held by the Main Sterling Fund at the end of the year and the audited financial statements of the Main Sterling Fund for such year and are provided following the end of the fiscal year of the applicable Main Sterling Fund. Annual reports are accompanied by an individual capital account statement as of the end of such year. Due to the limited purpose of the Co-Investment Funds and Single Investment Vehicles, the level and frequency of reporting may be different than that of the Main Sterling Funds and may also differ as among the Co-Investment Funds and Single Investment Vehicles as a result of the negotiated terms and conditions of each Co-Investment Fund or Single Investment Vehicle.

Investors should refer to the Governing Documents of the relevant Fund for further information on the reports provided by a particular Fund to its investors.

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

##### *Economic Benefits Received from Third Parties*

In connection with investments made by Main Sterling Funds or Single Investment Vehicles, Sterling Partners and its affiliates also typically receives an annual monitoring fee from portfolio companies in which the Main Sterling Funds or Single Investment Vehicles invest for services provided to those portfolio companies while the applicable Fund continues to have an investment in such companies pursuant to monitoring agreements governing the advice, consultation and similar ongoing services provided by Sterling Partners or its affiliates. The terms of a monitoring agreement may include (among other things) annual automatic renewals and the payment of monitoring fees (which may be fixed fees or calculated as a percentage of EBIDTA or similar performance metric). Monitoring agreements typically provide for fees to be paid annually in advance. In the event a monitoring agreement is terminated, Sterling Partners is generally not required to return any such prepaid amounts.

In addition, Sterling Partners and its affiliates may receive directors' fees, break-up fees and perform transaction-related, financial advisory and other services for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Main Sterling Funds or Single Investment Vehicle, including fees in connection with structuring investments in such portfolio companies, as well as mergers, acquisitions, add-on acquisitions, refinancing, public offerings, sales or other dispositions and similar transactions with respect to such portfolio companies, including, for instance, fees for a guarantee that a Main Sterling Fund or Single Investment Vehicle provides with respect to indebtedness of a portfolio company (together with the other fees described in this section, "Other Fees"). Sterling Partners anticipates that Single Investment Vehicles will receive transaction, consulting and closing fees for both the purchase and sale of certain of such Single Investment Vehicles' portfolio company. The amount of any Other Fees that Sterling Partners or any of its associated persons receives from portfolio companies is determined by negotiations between Sterling Partners and management of the applicable portfolio companies. These Other Fees may be substantial and may be paid in cash, securities of the

portfolio companies or otherwise. The amount and timing of Other Fees received by Sterling Partners or its affiliates are generally specified in the agreement or other documentation governing the applicable transaction.

Generally, under the terms of the applicable Governing Documents, for purposes of calculating any Advisory Fee offset, these Other Fees are net of out-of-pocket costs and expenses incurred by Sterling Partners in connection with consummated or unconsummated transactions or in connection with generating any such fees. These Other Fees are often substantial and may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise.

In addition, Sterling Partners or its personnel, on behalf of Sterling Partners from time to time receives stock of a portfolio company as an Other Fee due to the service of such personnel on the board of such portfolio company or as compensation for other services provided to such portfolio company. In such event, the recipient will generally act in their own interest with respect to the stock received as an Other Fee (including, for instance, determining to sell the distributed securities, or hold on to the distributed securities for such time as such recipient shall determine in its sole discretion). The ability of such recipients, to act in their own interest with respect to the stock received as an Other Fee creates a conflict of interest between Sterling Partners, as an adviser to the Funds and its personnel, on the one hand, and the Funds, on the other hand because the recipient's interests may not be aligned with those of the Funds and the recipient may determine sell the stock received at a different time, or on different terms, then the Fund would sell its interest.

For the avoidance of doubt, any fees paid to Sterling Partners or its personnel after a Fund has exited (or is in the process of exiting) an investment are not considered "Other Fees" and do not reduce the Advisory Fee.

These types of arrangements present potential conflicts of interest and provide Sterling Partners with an incentive to recommend investments based on compensation received rather than the best interests of a Fund. To help mitigate potential conflicts, fees described in the preceding paragraph that are received by Sterling Partners or its employees in connection with services rendered to portfolio companies or transactions of a Main Sterling Fund (typically net of expenses incurred by Sterling Partners or the recipient of such fees in connection with generating such fees) generally are offset in whole or substantial part against (and therefore reduce) Advisory Fees payable by the relevant Main Sterling Fund, to the extent provided in and subject to certain exceptions described in the Governing Documents of such Main Sterling Fund (including exceptions applicable to certain types of fees and payments and/or certain recipients of such fees and payments). To the extent that such fees do not result in a full, dollar-for-dollar offset against the Advisory Fees payable by the relevant Fund, however, such potential conflicts remain and Sterling Partners or persons associated with Sterling Partners (and not the applicable Fund or its investors) will benefit from the portion of such fees that does not result in an offset against the Advisory Fees. Please refer to the Governing Documents of the relevant Fund for complete information about Advisory Fee offsets.

As Single Investment Vehicles do not typically pay Advisory Fees, any fees paid by a portfolio company of a Single Investment Vehicle will generally not offset an Advisory Fee (if any) and

will be retained by Sterling Partners and/or its affiliates in their entirety or otherwise in accordance with the Governing Documents of such Single Investment Vehicles.

Co-Investment Funds, which generally do not pay Advisory Fees, typically do not benefit from any such fees received by Sterling Partners or its employees. However, in certain instances, the investors in a Co-Investment Fund may negotiate for a separate portion of a fee that might otherwise have been paid to Sterling Partners or its employees (and therefore potentially benefitted a Main Sterling Fund) to be paid directly to such Co-Investment Fund (or the investors in such Co-Investment Fund).

A portfolio company may reimburse Sterling Partners for expenses (including, without limitation, travel expenses and meals and entertainment expenses) incurred by Sterling Partners (or its related persons) in connection with or related to its performance of services for such portfolio company or its monitoring of a Fund's investment in such portfolio company. Such reimbursements are not subject to the Advisory Fee offset provisions described above.

In many cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company.

Sterling Partners and its affiliates also engage and retain senior advisors, advisers, consultants, and other similar professionals who are not employees or affiliates of Sterling Partners and who may, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, the amounts of such fees or other compensation received by such persons may be retained by such persons and will not be deemed paid to or received by Sterling Partners and its affiliates and such amounts will not be subject to the sharing arrangements described above and will not benefit the Main Sterling Fund or its investors. For a discussion of material conflicts of interest created by the engagement of such persons, please see "Operating Partner and Advisor Program" in Item 10 above.

#### *Third Party Compensation for Client and Investor Referrals*

Sterling Partners does not enter into cash compensation arrangements for client referrals. Sterling Partners and related persons of Sterling Partners have in the past and may, from time to time, in the future enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to a Fund. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Any sales charge or placement fee associated with such arrangements will ultimately be payable by Sterling Partners and/or its related persons, either directly or through an offset of the Advisory Fee (if any) payable by the relevant Fund to Sterling Partners.

#### **Item 15 - Custody**

Item 15 is not applicable to Sterling Partners.

## **Item 16 - Investment Discretion**

Investment advice is provided directly to the Funds, subject to the direction and control of the general partner of each Fund, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Governing Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Governing Documents of the applicable Fund.

## **Item 17 - Voting Client Securities**

Because Sterling Partners has, or will accept, authority to vote securities held by a Fund, Sterling Partners has adopted policies and procedures (the “Proxy Voting Policies and Procedures”) which have been designed to ensure that Sterling Partners complies with the requirements of Rule 206(4)-6 under the Advisers Act, and reflect Sterling Partners’ commitment to vote all Fund securities for which it exercises voting authority in a manner consistent with the best interest of the applicable Funds.

With respect to the Main Sterling Funds and Single Investment Vehicles, Sterling Partners will vote all securities held by each Fund. The investors in the Main Sterling Funds and Single Investment Vehicles are not permitted to direct the vote of Sterling Partners with respect to the securities held by such Fund.

The Governing Documents for certain Co-Investment Funds provide that investor approval is required to vote any securities held by such Co-Investment Fund either generally or with respect to certain matters. In such cases, Sterling Partners notifies each investor of such vote and provides each investor with any related proxies or other voting materials. Each investor may then instruct Sterling Partners as to how the Co-Investment Fund should vote. The Co-Investment Fund then votes in accordance with such instructions, either proportionately as if each investor held a direct interest in the underlying portfolio company where permitted by applicable agreements or as a whole based on instructions from the requisite percentage of investors. Investors in Co-Investment Funds that are entitled to direct their vote may contact Sterling Partners with any questions about a particular vote.

Almost all of the Funds’ investments are in private companies, and most of these are “control” investments in companies in which one or more Funds owns or controls a majority of the outstanding voting securities. In such cases, there are typically a limited number of shareholder votes.

Prior to exercising its voting authority, Sterling Partners, in consultation with the CCO, if appropriate, reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of Sterling Partners or any of its supervised persons. If a material conflict exists, Sterling takes steps to ensure that its voting decision is based on the best interests of the applicable Fund and is not a product of the conflict. Sterling Partners may, at its discretion, (1) seek the advice of the applicable advisory committee of a Fund (if any) in voting such security; (2) disclose the conflict of interest to



the applicable advisory committee of a Fund and defer to the recommendation of such advisory committee; (3) (in the case of a publicly traded company) defer to the voting recommendation of an independent third party provider of proxy voting services; (4) exclude the supervised person with whom the conflict exists from the decision on voting the securities; and/or (5) take such other actions in good faith which would serve the best interest of the Fund. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar (or identical).

Sterling Partners will deliver to each Fund and each investor in a Fund, upon written request, a complete copy of its Proxy Voting Policies and Procedures and/or information on how it voted securities for the applicable Fund.

Sterling Partners does not consider service on portfolio company boards by Sterling Partners personnel or the receipt of board fees for such service to create a material conflict of interest in voting proxies with respect to such companies.

#### **Item 18 - Financial Information**

Item 18 is not applicable to Sterling Partners.