

# FIRM BROCHURE

## *(PART 2A OF FORM ADV)*

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This brochure provides information about the qualifications and business practices of Eastward Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us at: 617-969-6700, or by email at: [michael@eastwardcp.com](mailto:michael@eastwardcp.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. Registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Additional information about Eastward Capital Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## ITEM 2: MATERIAL CHANGES

### ***Material Changes since the Last Update***

This brochure is being amended to reflect David Z. Alpert's separation from Eastward Capital Partners, LLC ("Eastward") in May 2012. As noted below, Mr. Alpert's indirect ownership interest in Eastward has been transferred to Dennis P. Cameron and Mr. Alpert's management responsibilities have been transitioned to other senior members of Eastward.

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## **ITEM 4: ADVISORY BUSINESS**

### ***Firm Description***

Eastward Capital Partners, LLC, a Delaware limited liability company ("Eastward" or the "Firm") was founded in 2004. Eastward is the successor firm to CommVest, LLC which was founded in 1998. Prior to that, Eastward's founders had previously worked together and known each other for over 12 years since working together providing technology financing for The CIT Group in the early 1990s.

Eastward manages closed-end funds and separate managed accounts for clients (each a "fund") which invest by providing debt and equity financing to portfolio companies in the technology, communications and medical devices industries. Such investments have generally have been sponsored by institutional investors.

The Firm's funds' investments typically include:

- short term secured loans (24 – 48 month term self liquidating loans secured by specific assets or all assets of the portfolio company)
- warrants (which are the ability to purchase securities by a future date at a specific price)
- the option to invest in future rounds of financings (co-investment rights)

### ***Principal Owners***

Eastward is privately owned. Dennis P. Cameron indirectly owns 100% of Eastward.

### ***Types of Advisory Services***

Eastward provides advisory and management services for its clients focused on investments in the technology, communications and medical devices industries. These services include the proactive identification of investment opportunities, analysis of potential risk adjusted returns, negotiations of investments terms and due diligence on prospective investments.

Eastward seeks to generate and identify attractive investment opportunities through a variety of channels and sources, including active solicitation of their targeted venture capital firm relationships, direct in-bound contact from portfolio companies, attendance at local and regional venture market-related events and conferences, and professional service firm referrals. Investment opportunities which the Firm generates are reviewed to determine if they fit in the investment

parameters of the fund which include protection of loan principal balances and the opportunity for equity appreciation.

After making the investment, Eastward generally continues to manage the investment through quarterly interactions with the senior management and review of packages prepared for the board of directors of the portfolio company. In addition, the Firm also manages the sale of warrants and the equities associated with the investments.

The Firm also maintains books and records for each fund and prepares quarterly reporting packages for its investor clients. Annual audits of funds are supervised by the Firm which may also provide the valuation information necessary for the calculation of the fair value of assets of each fund.

### ***Tailored Relationship***

Investors are advised of Eastward's strategy for a fund before they make their investment commitments generally by way of private placement memorandum and a limited partnership or limited liability company agreement. Eastward enters into management agreements or investment advisory agreements with each of its closed end funds and managed pools. These agreements generally require that any investment that is made be allocated to any eligible fund based on the relative uncommitted capital available for each fund to invest.

Certain funds which Eastward provides investment advisory services to may require that a separate investment committee comprised of client representatives approve all investments. In such cases, the investment is allocated to the entity which may have up to 90 days to approve it and purchase it at fair value.

### ***Wrap Free Programs***

Eastward does not participate in wrap fee programs.

### ***Assets Under Discretionary and Non-Discretionary Management***

As of December 31, 2011, Eastward was actively managing \$289.5 million in assets for clients. Of this amount, \$146.4 million was managed on a discretionary basis (clients had the ability to review and approve transactions) and \$143.1 million was non-discretionary (clients do not have the ability to review transactions).

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## ITEM 5: FEES AND COMPENSATION

### ***Description***

- *Closed End Funds* – These funds compensate the Firm based on the total assets under management by the Firm. These funds pay a quarterly fee of between 2.0% and 2.5% per annum for the first five years. These fees are reduced beginning on the sixth anniversary of the final closing of the fund and on each additional anniversary. In addition, certain of these vehicles may also compensate the Firm to maintain the records of the vehicle separately. Fees generally paid to Eastward are the lesser of 0.01% of the assets under management or \$35,000 per year.
- *Separate Account Client*- The Firm also may be compensated by collecting a fee on the cash flows received by the investment vehicle. These fees typically are 2% of the monthly cash flow.

### ***Fee Billing***

For closed end funds, generally management fees are paid quarterly in advance to Eastward. Separate account clients generally pay the fees to Eastward monthly after the collection of the cash flows.

### ***Other Fees or Expenses***

For certain clients, upon the closing of a portfolio transaction, a fee is paid to Eastward and an affiliate. This fee is generally between 2.0% and 3.0% of the total transaction amount payable at the funding of the investment.

Each of the closed end funds generally pays or reimburses Eastward for all expenses in connection with the organization of the fund (including legal and other out-of-pocket expenses). These aggregate organizational expenses are customarily subject to a cap.

Generally, each of the funds also bears transaction-specific expenses (to the extent not reimbursed by portfolio companies) and all other expenses of the funds that are not reimbursed by portfolio companies, including legal, auditing, consulting, financing or accounting fees and expenses; expenses associated with the respective fund's financial statements, tax returns and K-1 reports, expenses of the advisory board (if applicable) and conferences and annual meetings of the investors; insurance, expenses incurred for transactions not consummated; other costs associated with the acquisition, holding and disposition of the fund's investments (including referral fees); and extraordinary expenses (such as litigation or governmental charges levied against the fund).

### ***Participation or Interest in Client Transaction***

Eastward does not accept compensation, for example, brokerage commissions, for the sale of securities in the funds.

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## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

For certain clients, an Eastward affiliate receives a performance-based fee upon the client achieving its preferred return. The preferred return is calculated like simple interest and generally no performance fees are earned or paid until clients have received back their invested capital plus a specified real rate of return on that invested capital.

In general, profits in excess of the preferred return are split between the client and Eastward after an initial catch-up.

Some clients, typically discretionary clients, may require a higher preferred return (in excess of 8.0%) and agree to a maximum return payable. Returns in excess of the maximum return are retained by the Firm.

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## **ITEM 7: TYPES OF CLIENTS**

The Firm's clients include:

- Closed end funds
- Investment companies
- Institutional investors
- Foundations and endowments
- Sovereign Funds
- Banks or other thrift institutions
- Corporations or other business entities
- Family offices
- Trusts, estates or charitable organizations
- Individuals, including high net worth individuals



Generally, the minimum dollar account value required to start an account for clients of Eastward is \$1,000,000; although Eastward may reduce this minimum amount on a case-by-case basis.

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## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Methods of Analysis and Investment Strategies***

In general, the funds' investments in portfolio companies are made in the following manner.

- *Secured Debt*

Initially, through a senior debt instrument secured by assets of the portfolio company which may include equipment, intellectual property or all the assets of the portfolio company. The term of the investment typically is 24 – 48 months with some period with interest only payments. After the interest only period, the debt will amortize over the balance of the contracted term and may include an additional payment at the end of the term. For some investments which Eastward believes that the probability of equity gain is small, higher interest rates may be negotiated in lieu of warrants and /or co-investment rights.

- *Warrants*

Each fund typically receives warrants as part of its investment. The warrants provide the fund with the option to purchase securities of the company at a future date, typically these securities are at the same price and the same security from the most recent round of financing.

- *Rights to co-invest*

In addition, the fund may receive the right to co-invest in any future rounds the company may raise.

Among the factors Eastward considers in developing a portfolio for its funds are:

- **Business Plan** – the likelihood that the portfolio company will have sufficient capital available to pay operational expenses and the debt payments. In addition, Eastward reviews the financial and operating plan to determine the likelihood that the company will be able to or continue to market its products and generate revenues that will lead to the potential for capital appreciation.
- **Management Team** – the quality and experience of the management team at the potential portfolio company is reviewed to ensure that the skills necessary to successfully manage the company are available.

- Continuing Support from Investors –if the current investors will provide additional support and the potential opportunities for the company to access additional funding from outside sources if required for investments which have yet to reach net cash flow positive.
- Portfolio Composition –creation of a diversified portfolio of investments. The portfolio will be diversified by industry to limit the potential impact of the volatile technology markets. Later stage companies, those with current revenues and defined products, are favored as the fair value of the company (estimated price it could be sold) is often largely in excess of the loan value minimizing the risk of loss. Earlier stage companies where products are not fully developed and/or just beginning to realize revenues are reviewed to determine if additional returns are probable for the higher degree of risk associated with an investment in an early stage company.

Potential portfolio companies which are believed to meet the guidelines are further reviewed which may include the review of operating plans, investor presentations and audited financial statements. Upon reviewing this information, the Firm will discuss the opportunity to determine the likelihood of repayment of loans and the opportunity for capital appreciation.

Should an opportunity be deemed to meet Eastward's criteria, a non-binding term sheet will be issued detailing potential terms. Upon agreement of terms with a prospective portfolio company, Eastward will undertake detailed due diligence.

Upon successful completion of the due diligence process, an investment memorandum is prepared which is reviewed by the Eastward investment committee. For discretionary funds, a final vote by the Eastward investment committee will preclude the funding. For discretionary clients, the investment memorandum is forwarded along with Firm's recommendation and upon the clients approval, the investment is funded.

### ***Risk of Loss***

*Leveraged Nature of Investments.* Each fund's portfolio companies may have high degrees of leverage. Accordingly, recessions, operating problems, and other general business and economic risks may have a more pronounced effect on the profitability or survival of highly leveraged portfolio companies. Also, increased interest rates generally increase portfolio company interest expenses. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, the fund may suffer a partial or total loss of capital invested in the portfolio company. In addition, the securities acquired by the Fund may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss.

*Highly Competitive Market for Investments.* The business of identifying and structuring transactions of the nature contemplated by each fund is highly

competitive. There can be no assurance that such fund will be able to locate and complete investments that satisfy the fund's rate of return objectives or realize upon their values or that the fund will be able to invest fully its committed capital.

*Time Required to Maturity of Investment.* It is anticipated that there will be a significant period of time before each fund has completed its investments in portfolio companies. Such investments typically take several years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Transaction structures typically will not provide for liquidity of the fund's investment prior to that time. In light of the foregoing, it is possible that no significant return from the disposition of the fund's investments will occur for a significant period of time after the initial closing and could result in distributions in kind to the investors.

*Portfolio Company Risks.* Many of the portfolio companies to which a fund makes venture debt loans and/or direct equity investments will be small businesses at the time loan commitments are made, and may involve a high degree of business and financial risk. These companies may be in an early-stage of development, may not have viable products or services, may not have a proven operating history or proven management, may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or may otherwise have a weak financial condition. In addition, portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel.

There can be no assurance that a portfolio company will have sufficient cash flow from operations or capital resources from follow-on equity financings to satisfy its loan obligations to the fund as they become due. Nor is there any assurance that collateral taken by the fund to secure repayment of such loan obligations, if any, will have realizable value sufficient to satisfy such obligations. If a portfolio company defaults on its loan obligations to the fund, the fund could experience significant delays and costs in exercising its rights to protect its investment. The fund's ability to obtain payment from a portfolio company beyond the realizable value of the fund's collateral, if any, may be limited by bankruptcy or similar laws affecting creditor's rights. There can be no assurance that the fund would ultimately collect the full amount owed on a defaulted loan. At the time of the fund's lending commitment, a portfolio company may lack one or more key attributes (e.g., proven technology, marketable product, complete management team, or strategic alliances) necessary for success.

*Limited or No Control over Portfolio Companies.* A fund's investment in portfolio companies will primarily be in debt along with a small equity interest. As Eastward will not have a board seat or hold a significant amount of equity in the company,

other investors including venture capital firms may have the ability to influence decisions which may be detrimental to the fund's investment.

*Availability of Additional Capital.* Many of the portfolio companies that a fund invests in will require additional capital before achieving a positive cash flow. Although Eastward as part of its investment process attempts to determine the likely support of current investors and the probability that additional outside investors would be willing to invest. Should a company be unable to raise additional external capital, the full repayment of outstanding principal balances due to Eastward's fund may be at risk or delayed. Should a company be forced to discontinue operations or be sold while in distress, the returns may not be sufficient to pay outstanding principal balances. In addition, investments in equity and warrants held may have no value.

*General Economic and Market Conditions.* Portfolio companies may be adversely affected by general economic conditions. The results of portfolio companies may be impacted by losses from war, terrorism, riots, civil disturbances or acts of God. A downturn or contraction of the economy or a particular industry could result in a reduction in value or total loss of investments.

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## **ITEM 9: DISCIPLINARY INFORMATION**

Eastward has no legal or disciplinary events to report.

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## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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

Eastward does not have a registration or an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

### ***Futures, Commodity Pool Operator, Commodity Trading Advisor***

Eastward does not have a registration or an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### ***Related Person Arrangements***

Neither Eastward nor any of our management persons have any relationship or arrangement that is material to our advisory business or to our clients that we have not otherwise disclosed.

## ***Arrangements With Other Investment Advisers***

We do not recommend or select other investment advisers for our clients nor do we have other business relationships with those advisers that create a material conflict of interest.

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## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### ***Code of Ethics***

We have adopted a Code of Ethics in accordance with Rule 204A-1 of the Investment Advisers Act of 1940. A copy of the Eastward Code of Ethics is available to clients upon request without charge. The purpose of the Eastward Code of Ethics is to set forth certain key guidelines that have been adopted by us as office policy for the guidance of all personnel and to specify the responsibility of all employees of Eastward to act in accordance with their fiduciary duty to our clients and to comply with applicable federal and state laws and regulations. The Eastward Code of Ethics requires that all employees and consultants conduct themselves in accordance with high ethical standards, which should be premised on the concepts of integrity, honesty and trust, and in full compliance with all applicable federal and state laws and regulations concerning the securities industry.

The following is a summary of certain provisions of the Eastward Code of Ethics:

*Confidential Information.* As an investment adviser, we have a fiduciary duty to our clients not to divulge or misuse information obtained in connection with our services as an adviser. Therefore, all information, whether of a personal or business nature, that an employee obtains about a client's affairs in the course of employment with us should be treated as confidential and used only to provide services to or otherwise to the benefit of the client. Such information may sometimes include information about non-clients, and that information should likewise be held in confidence. Even the fact that Eastward advises a particular client should ordinarily be treated as confidential.

The Eastward Code of Ethics sets forth steps employees should take to help preserve confidential information.

*Material Inside Information.* All employees of Eastward (in any capacity) and all persons - friends, relatives, business associates and others - who receive material non-public information from employees concerning an issuer of securities (whether such issuer is a client or not) are subject to these rules. The Eastward

Code of Ethics sets forth an extensive list of subject information about which is likely to be considered material inside information. The Eastward Code of Ethics also explicitly forbids disclosing material inside information to another person ("tipping") who subsequently uses that information for his or her profit.

*Fiduciary Duty and Conflicts of Interest.* Eastward and its employees have a fiduciary duty to Eastward's clients to act for the benefit of the clients and to take action on the clients' behalf before taking action in the interest of any employee of Eastward. Eastward and its employees must act for the clients' benefit and treat the clients fairly. The manner in which any employee discharges its fiduciary duty and addresses a conflict of interest depends on the circumstances.

The Eastward Code of Ethics sets forth several common examples of other conflicts of interest.

*Scalping or Front-Running.* The Eastward Code of Ethics contains policies relating to scalping or front-running.

*Unfair Treatment of Certain Clients vis-à-vis Others.* The Eastward Code of Ethics contains policies relating to prohibiting employees or consultants preferring one client over another.

*Investment Queuing Policy.* It is the policy of Eastward to allocate investment opportunities among clients so that all clients are treated in a consistent and equitable manner. Eastward's Investment Committee has the responsibility for allocating investment opportunities and evaluates all investments identified for possible acquisition with respect to account suitability. A screening process is used to determine potential suitability for an account using both objective and subjective criteria supplied to Eastward by the client (or its consultant) or as provided in the investment criteria for the account.

Funds may invest in portfolio companies that have relationships with affiliates of Eastward. Such persons may take actions that are detrimental to the interests of the fund in such portfolio companies. Neither Eastward nor its respective affiliates will consider the conflicts between their activities and the interests of any portfolio company and will engage in their business activities in the ordinary course without regard to whether a particular act or omission may have an adverse effect on the fund.

*Dealing with Clients as Agent and Principal.* The Eastward Code of Ethics requires that employees involved in the situation where we are buying or selling securities from a client or where we act as a broker-dealer for a non-client in a transaction with an advisory client disclose to the client in writing the capacity in which we act, its profits (if we act as principal) and our commissions (if we act as agent for another) and obtain the client's consent. These types of transactions must not be entered into without prior consultation with our Chief Compliance Officer.

*Personal Trading Policy.* Each employee must submit an initial holdings report disclosing to the Eastward's Chief Compliance Officer the identities, amounts, and locations of all securities owned in all accounts in which he or she has a "beneficial ownership interest." In addition, each employee must disclose similar information within thirty (30) days after the end of each calendar year while employed by us. Such reports must be current as of a date not more than 45 days prior to the employee joining Eastward (for an initial report) or the date the report is submitted (for the annual report). Each employee must report to the Chief Compliance Officer within 30 days after the end of each calendar quarter all securities transactions in all of the employee's covered accounts during the preceding quarter.

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

The Firm is required to co-invest by certain funds. The percentage for each fund is constant and applied to every deal. In addition, certain members of the Firm may invest up to an additional amount to the extent that the total investment by the Firm's employees may not exceed 5%.

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## **ITEM 12: BROKERAGE PRACTICES**

### ***Selecting Brokerage Firms***

In general, the securities held by the Firm's funds or separate account clients are not publicly traded.

In cases where portfolio vehicles have been sold on the public market, the Firm has chosen brokers based on their ability to complete transactions in timely and cost efficient manner. Eastward has not received any benefit from brokers that have executed trades.

### ***Research and Other Soft Dollar Benefits***

The Firm does not earn or use soft dollars. Eastward will review research from brokerage firms but does not pay a fee or provide any benefit to the firm providing the research.

### ***Brokerage for Client Referrals***

The Firm does not consider whether it receives client referrals from a broker in selecting or recommending broker-dealers.



### ***Directed Brokerage***

Eastward does not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

### ***Aggregation of Client Accounts***

The Firm does not aggregate client accounts.

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## **ITEM 13: REVIEW OF ACCOUNTS**

Eastward reviews the investment accounts of its clients on a quarterly basis.

### ***Periodic Reviews***

On a quarterly basis, Eastward receives the financial statements and usually the board packages from each of the portfolio companies. After reviewing these materials, the member of the Eastward investment team responsible for the investment will contact the portfolio company and review the material with such company.

On a quarterly basis, the Eastward investment team meets to review the progress of each of the companies in the portfolio. Each portfolio company is rated to assess the likelihood of continued debt payments and the potential for a successful equity transaction. Portfolio companies which are exceeding their plan which should lead to successful equity exit are rated as a "1". Portfolio companies which are largely on plan and should lead to a successful exit, are rated as a "2". Portfolio companies which are not meeting their plan are rated as a "3". Finally, any portfolio company which has a current operating status significantly below plan is rated as a "4". Companies which are rated as a 3 or 4 are reviewed more closely by Eastward on an on-going basis.

### ***Review Triggers***

In the event that a portfolio company (i) is unable to raise an additional round of financing, (ii) has cash balances lower than expected or (iii) is effected by any other significant negative issue then these events will trigger additional reviews by the Firm.

### ***Regular Reports***

The Firm provides its clients with (i) annual audited financial statements of the fund, (ii) unaudited quarterly financial statements of the fund, and (iii) annual tax information necessary for completion of their income tax returns.



The Firm provides an annual meeting for each of its non-discretionary vehicles. The annual meeting includes a review of the current status of the vehicle and detailed review of the portfolio companies. In addition, the Firm often completes one off reviews with investors and their representatives. These reviews are at the request of the investor and are available to all investors.

As part of the interaction with discretionary clients, the Firm will often discuss the current status of portfolio companies and provide any updates.

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## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### ***Incoming Referrals***

Eastward may organize investment vehicles (discretionary or non-discretionary) based on perceived market demand and interest by potential investors. For some investment vehicles, the Firm has employed a placement agent to make introductions to potential investors. Should any of these introductions lead to an investment, the placement agent is compensated at 1.5 – 2.5% of the commitment amount and may receive an interest in any excess profits which are generated above a hurdle rate of return.

### ***Referrals Out***

The Firm does not provide outgoing referrals to clients.

### ***Other Compensation***

The Firm does not collect additional compensation other than what has been previously described.

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## **ITEM 15: CUSTODY**

The Firm has engaged First Republic Bank as its qualified custodian.

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## **ITEM 16: INVESTMENT DISCRETION**

Depending on the fund's documents, Eastward may or may not have discretionary authority to make investments.

Non-discretionary vehicles generally allow Eastward to make investments for the clients up to a maximum (between 5.0% – 7.5%) of the total fund vehicle's committed capital without approval from the Advisory Board of the fund.

## ITEM 17: VOTING CLIENT SECURITIES

In general, Eastward does not receive voting securities.

### ***Proxy Votes***

Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. The Firm has adopted the following proxy voting policies and procedures.

For each proxy, the Firm will generally support proposals and director nominees that, in the Firm's view, enhance the value of a Fund's investments over the long term. Each proposal is evaluated on its merits and based on particular facts and circumstances by the specific deal team created by the Firm to monitor the relevant security. For major proposals, and especially those where the Firm may not agree with company management, input from all of the Firm's investment staff will be considered. Decisions in which a consensus cannot be reached, a vote of the Investment Committee composed of Mr. Cameron and Mr. Dresner will decide the issue. In evaluating proxy proposals, the Firm considers information from many sources, including but not limited to the management or shareholders of a company presenting a proposal and independent research. While it is unlikely that the interests of the Firm and its clients would be different, any such conflicts would be resolved by consulting with the investor advisory boards of each Fund involved. Investors may contact the Chief Compliance Officer or Mr. Cameron to obtain information regarding how the Firm voted the proxies.

All proxy materials that are received are logged in the Firm's Proxy Material Spreadsheet with the date received, company name, deal lead, date and location of the annual meeting and handed off to the deal lead. The deal lead then reviews the proxy materials with the investment team member(s) and, if required, counsel and the proxy is then submitted. Once proxies have been voted, the information is updated in the Firm's database system and the relevant proxy materials are filed.

A Firm-managed client account may also enter into a separate voting agreement with an issuer or other security holders of the issuer which provides for how the account will vote its securities with respect to certain matters, including with respect to the appointment of directors of such issuer. To the extent any client account has entered into such an agreement relating to the voting of securities, the Firm will vote such securities in accordance with the terms of such agreement.

## ITEM 18: FINANCIAL INFORMATION

The Firm is not required to provide a balance sheet pursuant to Item 18A. Eastward does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

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