

# **CAPROCK Management, LLC**

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October 10, 2014

This Brochure provides information about the qualifications and business practices of CAPROCK Management, LLC [“CAPROCK Management” or the “Firm”]. If you have any questions about the contents of this Brochure, please contact us at (208) 368-9600. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

CAPROCK Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about CAPROCK Management also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for CAPROCK Management is 171263.

## **Item 2 – Material Changes**

This Item of the Brochure discusses only specific material changes that are made to the Brochure and provides clients with a summary of such changes. The most recent update of our brochure was October 10, 2014 and contained the following material changes as part of this update:

- We have added individual outside business activity disclosure under Item 10.
- We have added information for Brian Pruniski under Item 9.

Brochure Date: 10/1/2014

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Dave Otander, Chief Compliance Officer at (208) 368-9600 or [contact@theCAPROCKgroup.com](mailto:contact@theCAPROCKgroup.com).

Additional information about CAPROCK Management is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 – Advisory Business**

CAPROCK Management, LLC (“CAPROCK Management” or “Firm”) is a wholly owned subsidiary of The CAPROCK Group, Inc., an SEC registered investment adviser. CAPROCK Management was founded in July 2007 to act as General Partner or Manager to private limited partnerships and limited liability companies set up for investment purposes. CAPROCK Management acts as the Manager to CAPROCK BREP VI, LLC.

The Firm became a registered investment adviser in 2014 to provide investment management services to privately offered pooled investment vehicles and any parallel funds or other investment vehicles related thereto that are funds of funds. As of September 30, 2014, the amount of assets CAPROCK Management manages on a discretionary basis was approximately \$52,741,581 which was calculated based on the current market value (or fair value) of the Partnerships assets and the contractual amount of any uncalled commitments to which investors are obligated to make capital contributions to the Partnerships.

CAPROCK Management acts as an investment adviser to its clients who consist of privately offered pooled investment vehicles (“Partnerships”) that acquire and hold as investments, interests in other: (i) limited partnership interests, limited liability company interests or shares of private equity funds, venture capital funds, secondary funds and other privately-offered pooled investment vehicles the primary business activities of which involve making Private Investments (as defined below) (such vehicles referred to herein as “Underlying Funds”) managed by independent professional third party investment management firms (such managers are referred to herein as “Portfolio Managers”), (ii) interests in Underlying Funds acquired in secondary market transactions (“Secondary Investments”), and (iii) equity or debt securities issued in private, unregistered transactions by companies that are not listed on any public market or exchange (such securities are referred to herein as “Private Investments”).

CAPROCK Management tailors its advisory services to the specific investment objective and restrictions of the Partnership pursuant to the investment guidelines and restrictions set forth in the confidential private placement memorandum, limited partnership agreement and other governing documents (collectively, the “Governing Documents”). CAPROCK Management does not provide individualized advice to investors within the Partnerships managed by CAPROCK Management and therefore investors should consider whether a particular CAPROCK Management Partnership meets their investment objectives and risk tolerance prior to investing. Investors and prospective investors in the CAPROCK

Management Partnerships should refer to the Governing Documents in conjunction with this brochure for complete information on the investment objectives and investment restrictions with respect to a particular CAPROCK Management Partnership. There is no assurance that any of the Partnership's investment objectives will be achieved.

## **Item 5 – Fees and Compensation**

### *Compensation and Fee Schedules*

For CAPROCK Management investment advisory services, CAPROCK Management may receive advisory fees (management fees). Subject to CAPROCK Management's discretion, advisory fees may be negotiated with prospective investors in a Partnership, including waiving management fees for investors who are advisory clients of CAPROCK Management's affiliate, The CAPROCK Group, Inc. If an advisory client of the CAPROCK Group, Inc. terminates its advisory agreement, it will then become subject to the same management fees as non-advisory investors.

The amount of advisory fees varies by Partnership. Typically, a Partnership has an investment period, during which the advisory fee is determined by applying a fixed percentage to the amount of the Partnership's capital commitment or committed capital. After the end of the investment period, either the same percentage or a different percentage is applied to a base representing the amount of the Partnership's reported value or invested capital, depending on the Partnership. Depending on the Partnership, advisory fixed fees are typically 1.0% (annualized).

Please refer to the Governing Documents of the Partnership for complete information on the management fee payments.

### *Other Fees and Expenses*

In addition to the advisory fees payable to CAPROCK Management, the Partnerships will bear all expenses related to its operations, including the Underlying Expenses (as defined below); fees paid to any third party administrator (including for middle and back office services); interest on margin accounts and other indebtedness and borrowing charges; legal, compliance, audit, and accounting fees and expenses (including third party accounting services); all federal, state and local taxes and foreign taxes assessed against the Partnerships or its investments or for which a Partnership is required to withhold, and the costs of determination, challenge and compliance, if applicable, and any interest and penalties thereon (certain withholding taxes, and any interest and penalties thereon, will be allocated to and deducted from the Capital Accounts of the Limited Partners where such

withholding is required); Organizational Expenses and Start-up Expenses; insurance premiums; regulatory filing fees and custodial fees; fees and expenses of consultants and advisors; distribution expenses, including, Blue Sky costs, if any; fees for bookkeeping, record keeping, auditing, tax preparation and other similar services relating to the affairs of the Partnership, and as may be incurred with respect to the affairs of the Partnerships; expenses related to the acquisition, holding or sale of portfolio investments that are consummated; costs and fees of evaluating potential investments to be made by the Partnership, due diligence costs (including travel expenses) incurred in researching potential investment opportunities, brokerage commissions payable to third parties, fees of consultants, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to actual or potential investments and any other expenses reasonably related to the purchase, sale or transmittal of Partnership assets; valuation related expenses; salaries and benefits of personnel hired by the Partnership on a full or part time basis; costs associated with pricing services; costs related to the Partnership's indemnification of the General Partner, CAPROCK Management and their respective affiliates and/or the purchaser of a portfolio investment and all extraordinary expenses, including without limitation, litigation fees, judgments, penalties and expenses in connection with any legal action for or against the Partnership (and the General Partner, CAPROCK Management and their respective affiliates, to the extent arising out of the affairs of the Partnership), director and officer liability or other insurance and indemnification relating to the affairs of the Partnership, each as the General Partner determines in its sole discretion.

Partnership "Underlying Expenses" means the Partnership's share of all costs, fees and expenses associated with Underlying Partnerships, which include the Partnership's share of the offering, operation, management, and administration expenses of the Underlying Partnerships (such as, incentive allocations or fees, and management or advisory fees, paid to the Portfolio Managers, and the Underlying Funds' research expenses, interest expense, brokerage commissions, bookkeeping expenses, taxes and interest on and penalties assessed against such Underlying Fund with respect to taxes, amortization of formation and organizational costs, if any, administrative expenses, and certain third party expenses, etc.).

The General Partner and CAPROCK Management, as the case may be, shall pay expenses, such as salaries and benefits of personnel of the General Partner and/or CAPROCK Management assigned to a Partnership, costs associated with office space, telephone, utilities and computer equipment/support, and costs associated with news, quotation and similar information. The General Partner in its sole discretion may liquidate investments held by a Partnership or establish cash reserves to pay management fees and other costs and expenses incurred by or on behalf of the Partnership.

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

CAPROCK Management does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). All fees are calculated as described above and are not charged on the basis of income or capital gains or capital appreciation of the Partnerships. Certain Underlying Funds utilized may charge performance-based fees.

## **Item 7 – Types of Clients**

### *Types of Clients and Investment Vehicles*

CAPROCK Management provides investment advice to pooled investment vehicles that are fund of funds (Partnerships). Interests in the Partnerships are privately offered to institutional investors and high net worth individuals and may be purchased only by certain eligible “accredited investors” (if the initial fund size is \$25,000,000 or greater) as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”). If the initial fund size is less than \$25,000,000, interests will be purchased by certain eligible “qualified Investors” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”).

### *Minimum Investment Requirements*

The limited partners of a CAPROCK Management Partnership may include corporations, limited partnerships, limited liability companies, endowments, foundations, trusts, estates, high net worth individuals and pension and profit sharing plans. Generally, investors must invest a minimum dollar amount of \$250,000 to invest in the Partnership. The General Partner or Investment Manager of the Partnership may waive investment amount at its own discretion. Details concerning, minimum investment amounts and suitability criteria are set forth in the Partnerships’ offering documents and limited partner agreements.

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

### *Methods of Analysis and Investment Strategies*

CAPROCK Management generates deal flow through a network in the private fund community. CAPROCK Management seeks to analyze private fund investments based upon the investment strategy and focus of the Underlying Funds, the relevant experience of the Underlying Funds’ managers, the past performance of related funds, if any, and other

information deemed appropriate. Upon completion of the due diligence process, CAPROCK Management's or The CAPROCK Group, Inc. investment committee votes to approve or reject the deal.

CAPROCK Management's principal sources of information regarding the private equity, venture capital, buyout, and mezzanine fund investments include, but are not limited to private offering memoranda, financial and business reports, interviews with the Underlying Fund managers, visits to the Underlying Funds and reference checks on the Underlying Funds' managers.

### *Risk of Loss*

#### ***Investing in securities involves risk of loss that clients should be prepared to bear.***

Investments in the Partnerships involve a high degree of risk and should be regarded as speculative. An investor in a Partnership should carefully consider, among other factors, the matters described below and all respective risk factors and risks of loss as described in all applicable Governing Documents. As a result of these factors, as well as other risks inherent in any investment or set forth elsewhere in the applicable Governing Documents, there can be no assurance that the Partnership will meet its investment objectives or otherwise be able to successfully carry out its investment program. The Partnership's returns are unpredictable, and accordingly, its investment program is not suitable as the sole investment vehicle for an investor. An investor should only invest in a Partnership as part of an overall investment strategy. Investing in the Partnerships should be considered only by institutions and individuals who can reasonably afford a loss of their entire investment.

The risks involved with CAPROCK Management's investment strategies include, but are not limited to the following:

The Partnership Has No Operating History and No Significant Assets. New Partnerships are newly-organized entities with no history of operations or earnings. Furthermore, the Partnership is relying solely on this offering for equity capital and has no other assets. A Partnership's proposed operations are subject to all business risks associated with new enterprises. The likelihood of a Partnership's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the formation and growth of a business. There is no assurance that the operations of a Partnership will be profitable or that any investment in the Interests will be recouped.



Term of Investment & Nature of Private Equity Investment. An investment in a Partnership requires a specified, multi-year-term commitment with no certainty of a return of any portion of capital invested in the Partnership. It is anticipated that there would be a significant period of time before the Underlying Partnerships or the Partnership have completed its investments in particular portfolio companies and each investment may not be liquidated for a substantial period of time after the initial purchase. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Dispositions of such investments may require a lengthy time period. While it is the intention of CAPROCK Management to achieve target returns over such period, other factors, such as overall market conditions, the performance of individual Portfolio Managers, the competitive environment and the availability of potential purchasers, may shorten or lengthen the Partnership's or an Underlying Fund's holding period. Therefore, it is unlikely that the Partnership will realize substantial gains in its overall estimated Fund value during its early years. Although CAPROCK Management endeavors to minimize the J-curve effect (typically, in the early years of a fund, a number of factors contribute to the negative returns, including management fees, investments cost and under-performing investments), it cannot be assured that this will be achieved.

Capital is contributed on an as needed basis and capital calls may be made over extended periods of time and upon short notice. Accordingly, Partnership investors must have and maintain sufficient available capital assets to support their capital commitments. Investors who are unable or unwilling to comply with their capital contribution obligations risk forfeiture of a portion, and possibly all, of their investment should not invest in the Partnerships.

Portfolio Investment Selection. CAPROCK Management will seek to identify investments that it believes will produce attractive returns. In determining whether to make a particular investment, CAPROCK Management personnel will use whatever factors they deem appropriate, regardless of conventional criteria or ratings provided by rating agencies. There is no assurance that CAPROCK Management's analysis in this regard, as implemented, will take into considerations all appropriate factors or appropriately weight the factors that are considered in its analysis. There is also no assurance that the Portfolio Investments selected by the CAPROCK Management will have a low risk of loss or produce any level of income or capital appreciation.

Active Management. CAPROCK Management's investment philosophies may be based on the active management of the reorganization process of its portfolio companies and influencing and directing the post-reorganization business strategy, management and operations of its portfolio companies. While such management and ongoing direction has significant profit potential, it is unusually time intensive and may also have the effect of

impairing the ability of the Underlying Fund to sell certain of its portfolio investments due to regulatory and/or market factors. Active management could also subject the Underlying Funds to legal claims and adverse publicity, including claims of breach of duty of loyalty, securities claims and other management-related claims, which could reduce the returns on their investments.

Investment in Joint Ventures and Other Entities. The Partnership and the Underlying Funds may make investments through joint ventures or other entities. Such investments may involve risks not present in direct investments, including, for example, the outcomes of collaborative decision-making varying (adversely) from those which CAPROCK Management would have reached itself, the possibility that a co-venturer or partner might become bankrupt, or might have interests, objectives, rights or remedies which are different from or may conflict with those of the Partnership or the Underlying Fund. Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for the Partnership or the applicable Underlying Fund to make up the shortfall. The Partnership or an Underlying Fund may be required to make additional contributions to replace such shortfall, reducing the diversification of the Partnership's or an Underlying Fund's portfolio investments. The Partnership or an Underlying Fund may also be liable for the conduct of its co-venturers or partners. In addition, in negotiating an investment through joint ventures or other similar arrangements, the Partnership or an Underlying Fund may have to agree to less favorable terms (*e.g.*, bearing a disproportionate share of expenses) than might be present in direct investments.

Litigation Risk. The Underlying Funds and/or the Partnership could become involved in investor, insider trading or other litigation as a result of its investment activities, which could adversely affect the Underlying Funds or the Partnership.

Increase in Managed Assets. The Portfolio Managers of Underling Funds may experience a major increase in the assets it manages, which may impair the ability of its strategies and operations to perform. This could result in losses to the Underlying Funds and therefore indirectly to the Partnership and the Limited Partners. In addition, an Underlying Fund may not be able to accept the Partnership's full desired allocation to the Underlying Fund, which may require the Partnership to change its strategy or decline subscriptions.

Discretion of the Portfolio Managers. An Underlying Funds' portfolio may be altered at any time by the Portfolio Managers and without the approval of any investors. Although the Underlying Funds will seek to spread capital among a number of investments, there can be no assurance that the Portfolio Managers will not decide in their sole discretion that it may be better for the Underlying Funds to concentrate their resources in a limited number of investments. Moreover, because the Portfolio Managers will be unaffiliated with one another, multiple Portfolio Managers may determine to concentrate their resources in the

same investments, which could adversely affect the Partnership if such investments perform poorly or result in economically offsetting positions. The General Partner may not know whether Underlying Funds hold similar or offsetting positions, and will not attempt to manage or avoid such positions.

Allocation Changes. The Underlying Funds expect that they may from time to time change their current asset allocations among investments. The Partnership's success will depend on the investment selection and allocation abilities of the Portfolio Managers of the Underlying Funds.

Dependence on Management. The Partnership's business will be significantly dependent on CAPROCK Management's management team. The Partnership's success will be particularly dependent upon the continued service of the personnel identified in the Governing Documents. Other individuals might become principals of CAPROCK Management (and play a role in managing the Partnership) after the date of a Partnership formation. The loss of any one of these individuals could have a material adverse effect on the operating results and financial condition of the Partnership.

Control by Management. Limited Partners will have very limited rights and power to take part in the management of a Partnership. All prospective investors must be willing to entrust all aspects of the operation, management and underlying fund investment selection of the Partnership to the CAPROCK Management and the General Partner.

Dependence on Portfolio Managers. Since a substantial portion of the Partnership's investments may be in the Underlying Funds, the Portfolio Managers of such Underlying Funds will be indirectly making many of the investment decisions with respect to such investments. The Partnership's performance will depend significantly upon the skill, judgment and expertise of the Portfolio Managers. Accordingly, no person should invest in the Partnership unless he is willing to entrust all aspects of the investment management of the Partnership to the General Partner, CAPROCK Management or indirectly to the Portfolio Managers, who will have considerable discretion in the types of investment strategies that the Underlying Funds will focus on, and the types of securities in which the Underlying Funds will invest.

Liabilities Between Series. Should more than one Series be established, the Partnership intends that each Series be treated for state law purposes as a separate fund and that the liabilities of the Partnership relating to a particular Series shall be satisfied only from the assets related to that Series and not from the assets of any other Series. However, the underlying assets of multiple Series may not be segregated series under state law. Therefore, there can be no assurances that the assets of, for instance, one Underlying Fund will not be pursued to satisfy liabilities associated with any other Underlying Fund or that a

court would agree with the General Partner's position that the assets of one Series are insulated from the liabilities of another Series.

Series as Separate Issuers. Should more than one Series be established, the Partnership intends that each Series will be treated as a separate fund under US Federal Securities laws and that the exemptions applicable under the Investment Company Act will apply to each Series separately. While the SEC has determined it would not pursue enforcement action under the Investment Company Act in similarly structured funds and trusts, the Partnership has not sought, and does not intend to seek, a no-action letter from the SEC relating to this issue. Therefore, the Partnership cannot guarantee that the SEC would not take a different position from that stated above resulting in a need to register the Partnership under the Investment Company Act. Any such registration could result in significant expense to the Partnership and impose significant restrictions on the Partnership's operations.

Withdrawals. Except as specifically set forth in the Partnership Agreement, the Partnership does not permit Partners to make withdrawals from their Capital Accounts.

Transferability of Interests. There are severe restrictions on transfers of Interests. The prior written consent of the General Partner is required for a transfer of Interests. Because of the restrictions on withdrawals and transfers, an investment in the Partnership is a relatively illiquid investment and involves a high degree of risk. A subscription for Interests should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.

No Participation by Limited Partners. Substantially all decisions with respect to the management of the Partnership are made exclusively by the General Partner and CAPROCK Management or their designees. Limited Partners have no right or power to take part in the management of the Partnership.

Institutional Risk. The Partnership or the Underlying Funds could incur major losses due to the financial difficulty of the brokerage firm, bank or other custodian with which the Partnership or the Underlying Funds deposits their assets.

Limited Partner in the Underlying Funds. The Partnership generally invests in the Underlying Funds which presents certain unique risks to investors. For example, a smaller limited partner investing in an Underlying Fund may be materially affected by the actions of a larger limited partner investing in the same Underlying Fund. Expenses or liabilities of an Underlying Fund (or its Portfolio Manager) arising from any legal action or proceeding against the Underlying Fund would be borne by the Underlying Fund, and creditors of the Underlying Fund may enforce claims against all assets of the Partnership invested in the applicable Underlying Fund. In addition, to the extent the Partnership's assets are invested

in the same Underlying Fund, certain conflicts of interest may exist due to different tax considerations applicable to the Partnership and other limited partners.

Layering of Fees and Expenses. The General Partner's allocation of the Partnership's assets to Underlying Funds may increase significantly the fees and expenses payable by the Partnership because the Portfolio Managers charge their own fees and expenses, which are in addition to the Management Fee and expenses charged by the Partnership or General Partner. Each Portfolio Manager may charge its investors a management fee which will be in addition to the Management Fee charged by the CAPROCK Management. Since a portion of the Partnership's assets will be managed by the Portfolio Managers, the Partnership will have to pay such fees, directly or indirectly. If such management fees are charged, they will reduce the net return realized by the Partnership on its investment in the Underlying Funds. Each Portfolio Manager may also be entitled to receive a performance allocation, performance fee, or carried interest (collectively, "Incentive Compensation") in its capacity as the manager of an Underlying Fund. Because Portfolio Managers earn Incentive Compensation based on the performance of the individual Underlying Fund that they manage, certain Portfolio Managers may earn Incentive Compensation during periods when the overall Partnership depreciates or stays flat. In addition, certain Portfolio Managers may be entitled to Incentive Compensation equal to a percentage of the amount by which performance of an Underlying Fund exceeds the performance of a particular preferred return, benchmark or hurdle rate, including during periods when both an Underlying Fund and its benchmark have depreciated. If the Portfolio Managers are entitled to Incentive Compensation, such Incentive Compensation will reduce the net return realized by the Partnership on its investment in the Underlying Funds. In addition, Portfolio Managers may take greater risks when their compensation is based on profits, particularly when they do not share in the loss of invested capital.

Lack of Diversification. The Partnership is not required to maintain exposure to any minimum number of Underlying Funds or Portfolio Managers and assets of the Partnership may be heavily concentrated in one more Underlying Funds. In addition, different Underlying Funds may each invest in the same securities and the same geographical areas causing the Partnership to have an undue concentration of its assets in one particular security or geographical area. In addition, the diversification policies of the Underlying Funds may differ and vary from time to time and, consequently, they may not maintain the anticipated level of diversification. The diversification policy of the Partnership may change, in which event Limited Partners may not achieve the degree of diversification among strategies that they anticipated.

Valuation. The Partnership and the General Partner will generally rely on the valuations provided by the Portfolio Managers for the purposes of calculating the Fair Value of the Partnership's assets invested in such Underlying Funds and preparing financial reports.

There is no assurance that such valuations will be correct or that such information will be received in a timely manner. The Underlying Funds will invest in certain assets which do not have a readily ascertainable market price. Such assets will nevertheless generally be valued by the Portfolio Managers, which valuation generally will be conclusive with respect to the Partnership, even though Portfolio Managers will generally face a conflict of interest in valuing such securities because the value of the securities will affect their compensation. The CAPROCK Management may face similar potential conflicts of interest in valuing direct Private Investments as the compensation of the CAPROCK Management is based on the stated value of the Partnership.

Absence of Regulatory Oversight. While the Partnership may be considered similar to an investment company, it is not required and does not intend to register as such under the Investment Company Act, in reliance upon an exemption from registration. The Partnership relies on the exemption from registration under Section 3(c)(1), and may alternatively rely on the exemption from registration under Section 3(c)(7), of the Investment Company Act. Accordingly, in either case the provisions of the Investment Company Act (which may provide certain regulatory safeguards to investors) are not applicable.

Liability for Return of Distributions. If the Partnership is otherwise unable to meet its liabilities and obligations to Underlying Fund or other Portfolio Investments, the Limited Partners may under applicable law be required to return cash distributions previously received by them to the extent that such distributions are deemed to constitute a return of their contributed capital or are deemed to have been wrongfully paid to them. In addition, a Limited Partner may be liable under applicable federal and state bankruptcy laws to return a distribution made during the Partnership's insolvency or within a certain period of time prior thereto.

Reserves. Under certain circumstances, the Partnership or an Underlying Fund may find it necessary to establish a reserve for contingent liabilities or withhold a portion of distributions to investors, in which case the reserved portion would remain at the risk of the Partnership's or an Underlying Fund's activities.

Material, Nonpublic Information. From time to time, certain personnel of the Portfolio Managers or their affiliates may come into possession of material, nonpublic information that would limit the ability to buy and sell investments. The Underlying Funds' investment flexibility may be constrained as a consequence of the Portfolio Managers' inability to take certain actions because of such information. The Underlying Funds may experience losses if they are unable to sell an investment held by such Underlying Funds because certain personnel of the applicable Portfolio Manager have obtained material, nonpublic information about such investment.

Indemnification. Among other things, the Partnership Agreement provides certain rights of indemnification in favor of directors, officers, employees, attorneys and agents of the Partnership, the General Partner and the CAPROCK Management against legal liability and expenses if such persons have acted honestly and in good faith with a view to the best interests of the Partnership and, in the case of criminal proceedings, such persons had no reasonable cause to believe that their conduct was unlawful. Notwithstanding the above, any indemnification or hold harmless arrangement shall not be deemed to waive and shall not waive any non-waivable rights that a Limited Partner may have under applicable federal or state law. The Underlying Funds' documents provide for substantial indemnification as well.

Business and Regulatory Risks of Private Funds. Legal, tax and regulatory changes are likely to occur during the term of the Partnership and some of these changes may adversely affect the Partnership, perhaps materially. The financial services industry generally, and the activities of private investment funds and their managers, in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Partnership's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the CAPROCK Management and the General Partner including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may direct the CAPROCK Management's time, attention and resources from portfolio management activities. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. It is impossible to predict what, if any, changes in regulation applicable to the Partnership and the CAPROCK Management, the markets in which the Underlying Funds trade and invest or the counterparties with which they do business may be instituted in the future. The effect of any future regulatory change on the Partnership could be substantial and adverse. Investors should understand that the Partnership's business is dynamic and may change over time. Therefore, the Partnership may be subject to new or additional regulatory constraints in the future. This Memorandum cannot address or anticipate every possible current or future regulation that may affect the CAPROCK Management, the General Partner, the Partnership, the Underlying Funds, the Portfolio Managers or their respective businesses. Such regulations may have a significant impact on the shareholders or the operations of the Partnership, including, without limitation, restricting the types of investments the Partnership may make, preventing the Partnership from exercising its voting rights with regard to certain financial

instruments, requiring the Partnership to disclose the identity of its investors or otherwise. The CAPROCK Management may, in its sole discretion, cause the Partnership to be subject to such regulations if it believes that an investment or business activity is in the Partnership's interests, even if such regulations may have a detrimental effect on one or more Limited Partners. Prospective Limited Partners are encouraged to consult their own advisers regarding an investment in the Partnership.

*Illiquid Nature of Investment in the Funds.* Investment in the Funds CAPROCK Management advises are highly illiquid. Investors may not redeem their interests and may be unable to transfer or liquidate their investments during the lives of the Funds.

Investment in the Funds requires a long-term commitment, with no certainty of return. In the early life of the Fund, cash flow available to the limited partners is likely to be limited. The Funds' investments will be highly illiquid, and there can be no assurance that a Fund will be able to realize on such investments in a timely manner. Dispositions of such investments may require a lengthy time period.

*Nature of Underlying Fund Investments.* The success of each of the underlying funds (and, as a result, a large measure of a Fund's success) is subject to those risks which are inherent in private equity investments. These risks are generally related to (i) the ability of each of the underlying funds to select and advise successful investment opportunities; (ii) the quality of the management of each portfolio company in which the underlying funds invest; (iii) the ability of the underlying funds to liquidate their investments; and (iv) general economic conditions. Fund of funds are neither able to control the underlying funds in which they hold investments nor the portfolio companies in which the underlying funds have invested. Therefore CAPROCK Management is not able to control the amount or timing of distributions our Funds receive from the underlying investments, which may affect investors' returns.

Funds may acquire direct investments in securities of private and public companies. Direct investments may be expected to involve a high degree of risk and uncertainty. There is generally no publicly-available information regarding the privately-owned portfolio companies in which a Fund expects to invest directly.

*Past Performance Is Not Necessarily Indicative of Future Results of the Funds.* At the time investors invest in CAPROCK Management Funds, the Funds typically have no prior operating history upon which an investor can base its prediction of success or failure.

*Investment Risk.* There is no assurance that CAPROCK Management's assessments of the short-term or long-term prospects of specific investments will prove accurate. If CAPROCK Management's evaluation of the anticipated outcome of an investment situation should



prove incorrect, the Fund could experience losses as a result of a decline in the market value of securities in which the Fund holds a long position. The risk management techniques that may be utilized by CAPROCK Management will not provide any assurance that CAPROCK Management will not be exposed to risks of significant investment losses.

*Non-U.S. Investment Risks.* The funds may invest a portion of its committed capital in investments outside the United States. Such non-U.S. investments involve certain factors not typically associated with U.S. investments, including risks related to currency exchange fluctuations, certain economic, social and political risks, and the possible imposition of foreign taxes on income and gains recognized with respect to such investments.

The risk of loss described herein should not be considered to be an exhaustive list of all the risks which investors should consider. Investors in the Fund should refer to the applicable Governing Documents for additional information on risk factors and risk of loss.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CAPROCK Management or the integrity of CAPROCK Management’s management. CAPROCK Management has no information applicable to this Item.

One individual professional of CAPROCK Management, Mr. Brian Pruniski, has a personal disclosure event. Please see Mr. Pruniski’s Form ADV Part 2B for additional information.

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

As previously disclosed in Item 4, CAPROCK Management may also act as General Partner or Manager to private limited partnerships and limited liability companies, respectively, set up for investment purposes. CAPROCK Management acts as the Manager to CAPROCK BREP VI, LLC.

### *Affiliated Investment Adviser*

CAPROCK Management is a wholly owned subsidiary of The CAPROCK Group, Inc., an SEC-registered investment advisory firm. CAPROCK Management personnel, including members of the investment committee and the Chief Compliance Officer, spend a significant amount of their time engaged in the activities of The CAPROCK Group, Inc. In connection with

performing services for The CAPROCK Group, Inc., CAPROCK Management officers and employees will receive compensation.

The CAPROCK Group, Inc. shares CAPROCK Management office space as well as but not limited to: back office operations (accounting, administrative, client service and performance reporting personnel), investment research and Investment Committee personnel, and compliance personnel, including the Chief Compliance Officer, and, to the extent applicable, compliance policies and procedures addressing common regulatory requirements and issues.

#### Individual Outside Business Activities

Craig Olson, in his separate capacity, serves as a paid member of the Board of Directors and is Chairman of the audit committee for MWI Veterinary Supply, Inc. (MWI). MWI, which is a publicly-traded company, is a veterinary supply distributor of animal health products to veterinarians across the U.S. and the United Kingdom. As a Director of MWI, Mr. Olson is deemed to be a control person of the firm. As this situation may represent a potential conflict of interest, CAPROCK Management has established written policies and procedures for insider trading that prohibits Mr. Olson or any director, managing director, officer or employee of CAPROCK Management from buying or selling this security for portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his outside activity as a Director unless the information is also available to the investing public on reasonable inquiry.

Richard Rock, in his separate capacity, serves as the paid Managing Member and is the sole Member of Xian Advisors LLC. Xian Advisors LLC provides business consulting and trust investment consulting services. Mr. Rock, in his separate capacity, serves on the Advisory Board of The Westly Group as an unpaid advisor. Mr. Rock and several CAPROCK Advisory Clients have made investments in the Westly Capital Partners Fund II. Mr. Rock, in his separate capacity, also serves as an unpaid Director of Lunera Lighting, Inc. Mr. Rock, the TCG Partners Fund I, LLC and several CAPROCK Advisory Clients have made investments with Lunera Lighting, Inc. Mr. Rock, in his separate capacity, serves as an unpaid Board Member to Tri-Linc Global. Mr. Rock as well as CAPROCK Advisory Clients have also made investments in Tri-Linc Global and Tri-Linc Global Impact Fund. Mr. Rock, in his separate capacity, also serves as an unpaid Board Member to Surya Capital. CAPROCK Advisory Clients have also made investments with Surya Capital

Greg Brown, in his separate capacity, serves as a paid Principal of Delta Ventures, LLC, a venture development and private investment company. This entity is used as a vehicle for direct equity investments on behalf of the Principal in private companies, real estate and real assets. This private company is not offered to the public or any CAPROCK Advisory

Clients. Mr. Brown, in his separate capacity, is also an unpaid Board Member and Investor with La Plaza International, LLC, and a paid Advisor and Investor with ID Interact. Mr. Brown, in his separate capacity, serves as an unpaid Trustee for the 4101 Living Trust which serves as a trust to acquire and hold real estate for one CAPROCK Advisory Client.

Matthew Weatherley-White, in his separate capacity, is a paid co-founder and shareholder of RestWise, a web-based subscription application designed to assist athletes with training, recovery and performance. In limited circumstances, CAPROCK Advisory Clients have made an investment. Client's decision to Invest was based on their own unique risk tolerances and financial objectives as well as taking into account the speculative nature of this investment. Neither CAPROCK Management nor CAPROCK has not conducted any formal initial or on-going due-diligence. Mr. Weatherley-White, in his separate capacity, also serves as an un-paid Advisor and investor with Tri-Linc Global. CAPROCK Advisory Clients have also made investments in Tri-Linc Global and the Tri-Linc Global Impact Fund. Mr. Weatherley-White, in his separate capacity, serves as an un-paid Advisor to Huntington Capital and Surya Capital. CAPROCK Advisory Clients have also made investments with Huntington Capital and Surya Capital. Mr. Weatherley-White, in his separate capacity, also serves on the advisory board and is an investor in Bountiful Foods, LLC. Bountiful Foods, LLC is not offered to CAPROCK Management or CAPROCK Advisory Clients.

William G. Gilbert, Jr., in his separate capacity, as an unpaid Manager of and investor in iVinci, LLC. iVinci which offers collection tools, financing & self-pay solutions for health systems. In limited circumstances, CAPROCK Advisory Clients have made an investment. Client's decision to Invest was based on their own unique risk tolerances and financial objectives as well as taking into account the speculative nature of this investment. Neither CAPROCK Management nor CAPROCK has not conducted any formal initial or on-going due-diligence. Mr. Gilbert, in his separate capacity, serves as an unpaid Board Member and investor with Woodland Empire Ale Craft. Several CAPROCK Advisory Clients have also made investments with Woodland Empire Ale Craft.

Mark Gustafson does not participate in any individual outside activities.

Certain Managing Directors, related persons or Members of CAPROCK Management, LLC may serve on the advisory boards of private funds in which CAPROCK Advisory Clients or CAPROCK Management Advisory Clients have made investments. In some situations, CAPROCK and/or CAPROCK Management is invited by the private fund and in other situations CAPROCK and/or CAPROCK Management may request the advisory board position. The tenure of the advisory board position may be pre-defined at acceptance or may be open and longer term in nature. The advisory board may be asked to advise the private fund on a range of business matters. There may be instances where such persons

are asked to give an advisory vote. In such instances, CAPROCK's and/or CAPROCK Management's advisory vote will take into account the needs of all investors in the private fund.

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

CAPROCK Management has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. CAPROCK Management's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, and sets forth CAPROCK Management's practice of supervising the personal securities transactions of supervised persons with access to client information. Individuals associated with CAPROCK Management may buy or sell securities for their personal accounts identical to or different than those recommended to clients. It is the expressed policy of CAPROCK Management that no person employed by CAPROCK Management shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, CAPROCK Management requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the firm's Chief Compliance Officer. CAPROCK Management requires such access persons to also receive approval from the Chief Compliance Officer prior to investing in any public equities, IPOs or private placements (limited offerings).

CAPROCK Management requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. CAPROCK Management's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to disciplinary measures.

CAPROCK Management will provide a complete copy of its Code of Ethics to any client or prospective client upon request to the Chief Compliance Officer at CAPROCK Management's principal address.

It is CAPROCK Management's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. CAPROCK Management will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an

affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

Although CAPROCK Management typically does not utilize broker-dealers to effect portfolio investments, a Partnership may receive shares of certain companies as part of a general distribution. CAPROCK Management may sell the securities received in share distributions such that the proceeds can then be distributed to the Partnership's limited partners. Subject to the investment objectives, policies and restrictions of the Fund, as set forth in the Governing Documents, CAPROCK Management will generally have discretionary authority to select the broker or dealer to be used to execute transactions on behalf of the Partnership and negotiate the commission cost to be paid.

In selecting brokers, CAPROCK Management's primary consideration will be to obtain the most favorable net result for the Partnership under the circumstances, which may not involve the lowest possible commission cost. In selecting broker-dealers to effect securities transactions, CAPROCK Management seeks to obtain best execution by considering factors including, but not limited to, execution quality, price, the level of service offered, reliability, experience in liquidating distributions from private equity funds, research services (such as reports and analyses of markets, industries, companies and economic trends) and such other factors as CAPROCK Management considers relevant and beneficial to the Fund. The applicability of specific criteria will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple brokers or dealers.

## **Item 13 – Review of Accounts**

### **Reviews:**

The investments made by CAPROCK Management's Partnerships are generally long-term in nature. Accordingly, the review process is not directed toward a short term decision to purchase or sell securities. However, CAPROCK Management will continuously monitor

portfolio investments on behalf of the Partnerships. Investments are reviewed in the context of each Partnership's stated investment objectives and guidelines as set forth in the Governing Documents of each Partnership. Members of CAPROCK Management's investment committee meet regularly to determine and review overall investment objectives, risk tolerance and other information relevant to the Partnership.

### **Reports:**

Annually, a Partnership will furnish audited financial statements to all Limited Partners and tax information necessary for the completion of income tax returns.

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

CAPROCK Management does not have any referral or other compensation arrangements in effect.

### **Item 15 – Custody**

It is CAPROCK Management's policy to cause each Partnership with assets over which CAPROCK Management is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 180 days after the end of each fiscal year. In addition, upon the final liquidation of any such Fund, CAPROCK Management will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit.

### **Item 16 – Investment Discretion**

Subject to the investment objectives, policies and restrictions of each Partnership as set forth in the Governing Documents, CAPROCK Management has sole discretion to determine, without consent of the Limited Partners of the Partnership that it manages, which securities and investments will be bought or sold (and in what amount) by such Partnership.

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

Because CAPROCK Management has, or will accept, authority to vote securities held by a Partnership, it has adopted policies and procedures (the “Proxy Voting Policies and Procedures”) that have been designed to ensure that CAPROCK Management complies with the requirements of the Advisers Act, and reflect CAPROCK Management’s commitment to vote all client securities for which it exercises voting authority in a manner consistent with the best interest of the Partnership.

In general, CAPROCK Management will vote proxies in a manner they believe to be consistent with the best interest of the Partnership and its investors. When exercising its voting authority over client securities, CAPROCK Management considers all relevant information, evaluates other issues that could have an impact on the value of the security and votes with a view toward maximizing overall value. CAPROCK Management votes all proxies in a prudent manner, considering the prevailing circumstances at such time, and in a manner consistent with the Proxy Voting Policies and Procedures and CAPROCK Management’s fiduciary duties to the Partnership.

Prior to exercising its voting authority, CAPROCK Management reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of CAPROCK Management, its owners, its employees or its related persons, with persons having an interest in the outcome of the vote. If a material conflict exists, CAPROCK Management takes steps to ensure that its voting decision is based on the best interests of the applicable Partnership and is not a product of the conflict.

Records of proxy materials and votes are maintained by CAPROCK Management. CAPROCK Management will deliver to each investor in a CAPROCK Management Fund upon written request, a complete copy of its Proxy Voting Policies and Procedures and/or information on how it voted proxies for the applicable Partnership.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about CAPROCK Management's financial condition. CAPROCK Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.