



## 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 ("Eastward" or "the Firm"). 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.

Eastward Capital Partners, LLC is a registered investment advisor with the SEC. 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**

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### ***Material Changes Since the Last Annual Update***

Since our last update on March 28, 2018, we have updated the following material information:

- Revised Item 3 to adjust headings and page numbers.
- Revised Item 10 to clarify Arrangements with other Investment Advisors;
- Revised Item 11 to clarify Investment Queuing Policy.

There have been no other material changes in this Part 2A Form ADV.

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## **ITEM 4: ADVISORY BUSINESS**

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### ***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.

Eastward manages closed-end funds (“Funds”) and separately managed accounts (both Funds and separately managed accounts shall be referred to as a “Client”) which invest in private debt and equity financing to portfolio companies in the technology and communications industries. Such investments have generally been sponsored by institutional investors.

### ***Principal Owners***

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

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

As part of the services provided to each Client, the Firm seeks to generate and identify attractive private debt investment opportunities through a variety of channels and sources including:

- Active solicitation of opportunities from venture capital firms which Eastward has had long standing relationships or those venture firms which have demonstrated experience in target markets;
- Review of direct in-bound contact from potential portfolio companies;
- Referrals from banks which may be seeking to partner with Eastward to provide private debt to Clients’ portfolio companies;
- Evaluation of potential opportunities provided by professional service firms.

Investment opportunities which the Firm generates are reviewed to determine if they fit within the investment profile of the Client which includes protection of principal balances and the opportunity for equity appreciation. In addition to the identification of investment opportunities the Firm also provides the following services:

- Analysis of potential risk adjusted returns for each opportunity
- Negotiations of investments terms and due diligence on prospective investments.

Subsequent to the investment, Eastward may provide the following services for each Client:

- Collecting monthly payments due from each portfolio company under terms of the debt financings and returning capital to investors;
- Monitoring each investment through quarterly interactions with the senior management and review of packages prepared for the board of directors of the portfolio company;
- Managing the sale of warrants and the equities associated with the investments;
- Evaluating opportunities to make equity investments through co-investment rights earned in private debt financings;
- Maintains books and records for each Client and prepares quarterly reporting packages;
- Supervise annual audits for each Client which provide the valuation information necessary for the calculation of the fair value; and
- Manages the preparation of tax filings and documents for each Client.

In general, the term of the private debt investments made in portfolio companies are 24 – 48 months which is composed of a period of interest only payments before monthly payments to amortize the full principal balance. During the term the debt is outstanding, the terms of the debt may be restructured which may lead to an increase in the overall term or other changes. In general, the private debt may be classified into two broad categories:

**SECURED DEBT** - Debt instrument secured by assets of the portfolio company which may include equipment, intellectual property or all the assets of the portfolio company.

**SENIOR SECURED DEBT** - Debt investments in companies where another lender may hold senior interest in collateral. In general, the other lender is a bank or other institution providing financing to the company based on their outstanding receivables or recurring revenue.

The private debt investment will include a yield enhancement(s) designed to increase the return of the investment in excess of the loan rate. These yield enhancements may include:

**PREPAYMENT FEES** - All portfolio companies' debt will include fees which are due if the company prepays the debt prior to the full term. The prepayment fees may significantly enhance the return for Clients especially early in the term of a loan.

**WARRANTS** – As part of the private debt, each Client may receive a warrant. A warrant provides the Client with the option to purchase securities of the portfolio company at a predetermined price before the expiration of the warrant term. Warrants may be an extremely attractive opportunity for the Client if the portfolio company is sold at an exit value, which leads to a payment for the warrant shares in excess of the exercise price of the warrant.

**ADDITIONAL FINAL PAYMENT** - Should Eastward believe that the portfolio company's exit value is unlikely to lead to value from a warrant, it may provide as part of the private debt terms that the portfolio company make an additional payment to the Client after full payment of the outstanding principal amount.

### ***Tailored Relationships***

Investors are advised of Eastward's strategy for a Fund before they make their investment. Subscriptions to investment vehicles are made after the review of a private placement memorandum and a limited partnership agreement or a term sheet and limited liability company agreement (the "Offering Documents").

Eastward enters into management 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 or other defined formula which takes into account capital available to invest.

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

Eastward does not participate in, nor is it a sponsor of, any wrap fee programs.

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

As of December 31, 2017, Eastward was actively managing \$218.45 million in assets for Clients. Of this amount, \$205.3 million was managed on a discretionary basis (Clients do not have the ability to review transactions) and \$13.1 million was non-discretionary (Clients had the ability to review and approve transactions).

## **ITEM 5: FEES AND COMPENSATION**

### ***Description and Fee Billing***

Clients in Eastward's private debt entities compensate Eastward in two ways, based on committed capital to the Client or on the actual monthly realized cash flows. The actual fee for each Client is detailed in the Offering Documents.

**FEES BASED ON COMMITTED CAPITAL** – Some Funds fee structure is based on the total capital committed to the Fund. These Funds pay a quarterly fee in advance of between 0.500% and 0.625% for the first five years which is generally reduced by 0.25% annually after the fifth anniversary of the inception of the Fund. Such fees are subject to negotiation, in the sole discretion of Eastward. These Funds have an eight-year life with two additional years allowed for orderly wind down.

**FEES BASED ON ACTUAL CASH FLOWS** – Beginning in 2010, Eastward began to offer investors vehicles in which the fee is based on the actual cash flows received from the portfolio company. Upon receipt of cash, whether it is received in the beginning or middle of the month, these fees typically range between 2.0% – 5.0% of the total cash flow. These fees are paid monthly on all cash receipts for the entire life of the Fund. Such fees are subject to negotiation, in the sole discretion of Eastward.

Investors in Eastward's equity co-investment pools (who are all Eastward management team members) do not pay fees or pay reduced fees to Eastward for equity investments made by such co-investment pools alongside the Clients in the portfolio vehicles.

In the event a Client Agreement is terminated prior to the conclusion of a billing period, Eastward will refund a pro-rata portion of any pre-paid fees, or bill a pro-rata portion based on date of termination. Each Fund will be governed by the relevant Fund Offering Documents.

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

For certain Clients, upon the closing of a portfolio transaction, a fee is paid to Eastward and an affiliate of Eastward. This fee is generally between 1.0% and 3.0% of the total transaction amount payable at the funding of the investment.

Each Client generally pays or reimburses Eastward for all expenses in connection with the organization of the Client (including legal and other out-of-pocket expenses). These aggregate organizational expenses are subject to a maximum amount. Expenses in excess of the maximum amount would be borne by Eastward.

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).



## **Compensation for Sale of Securities or Other Investment Products**

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

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

Eastward, or a related affiliate, receives a performance-based fee after a Client has received all their invested capital and an additional amount necessary for them to achieve their preferred return. Performance-based fees are based on a share of capital gains or debt income generated by the Funds. In general, profits in excess of the preferred return are split between the client and Eastward after an initial catch-up. Detailed information regarding a particular Client's fees is provided in the relevant Offering Documents.

Investments originated by Eastward are typically originated through a wholly owned subsidiary of Eastward, Eastward Fund Management, LLC. Each investment made in a particular portfolio company by Eastward Fund Management, LLC is allocated through a participation agreement with each Client in accordance with its queuing policy to all active Funds which have remaining commitments unless investment prohibitions preclude that particular investment. Eastward generally attempts to invest 5% (and generally no more than 7.5%) of an active Fund's total committed capital in any single investment. Should the total portfolio company commitment not be sufficient to allow for the full commitment from each active Fund, Eastward will allocate the investment to the active Fund with the shortest remaining investment period.

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

The Firm's Clients include:

- Closed end funds
- Investment companies

The investors in the Funds are composed of:

- 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 \$250,000; although Eastward may reduce this minimum amount on a case-by-case basis.

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

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

Eastward seeks to minimize the risk of loss for each Client through a thorough review of potential investment opportunities and the creation of a diversified portfolio of investments.

Each potential investment opportunity is evaluated initially to determine if the potential transactions provides an attractive risk return profile. Among the factors considered in reviewing potential investments are:

- **PRODUCT AND MARKET ANALYSIS** – Each opportunity is initially reviewed to determine if the product addresses a need in an attractive market. In addition, potential exit values in the target market are reviewed to assess the opportunity for equity appreciation.
- **BUSINESS PLAN** – Each potential investment is reviewed to determine the likelihood that the company will have sufficient capital available from forecasted revenue growth or additional equity capital to fund debt payments and operational expenses.
- **MANAGEMENT TEAM** – The quality and experience of the management team is reviewed to ensure that the skills necessary to successfully manage the portfolio company are available. Potential areas of weakness are identified and subsequently reviewed with the portfolio company to understand plans for additional hires or other strategies to mitigate management team's weakness.

- **INVESTOR SUPPORT** – The ability of current investors to provide additional support and the potential opportunities for the company to access additional funding from outside sources is evaluated.
- **ENTERPRISE VALUE** – A review of the fair value to access the opportunity to sell the company in excess of the requested debt amount should the company default on outstanding balances.

The current composition of each Client's portfolio is reviewed to evaluate the current diversification of the portfolio by industry and stage before new investments are made.

- **INDUSTRY** - The portfolio is reviewed to determine if the current investment of each Client is diversified by industry to limit the potential impact of the volatile technology markets.
- **STAGE** –The current portfolio of investments is reviewed to determine the current allocation between late and early stage companies. The portfolio created for each Client is heavily weighted toward later stage companies, those with current revenues and defined products. These later stage companies 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 with minimal revenues are reviewed to determine if the potential returns mitigate the risk associated with an investment in an early stage company and further diversify the Client's portfolio.

Should an opportunity be deemed to meet Eastward's criteria; a non-binding term sheet is prepared detailing potential terms. Upon negotiation of mutually acceptable investment terms and the completion of a signed term sheet, Eastward will commence due diligence and draft loan documents. The due diligence process will include:

**ON SITE VISIT** – Eastward makes a site visit to each potential portfolio company and meets with the senior management. During this visit, the business plan is reviewed, and any potential risk factors are discussed.

**INTERVIEWS** – During the due diligence process interviews are conducted with current investors and customers. Investor meetings are focused on the expected financial support which will be provided to the company and potential exit expectations. Customer meetings include overall satisfaction with the current portfolio company's offerings and the competitive landscape.

**INVESTMENT MEMO** – 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 Client's approval, the investment is funded.

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

Any of the portfolio companies in which the Client makes private debt investment 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. **Investors should be aware of the risk of investing in these types of companies and be prepared to bear that risk.**

These portfolio companies (even later stage companies) 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.

Some of these companies may be in an early-stage of development and may not have fully developed viable products or services that will require significant infusions of capital to continue their operations or development. The inability of these companies to raise additional capital could lead to a loss of principal balances or invested equity.

Eastward and its predecessor have developed significant knowledge in the private lending market. Yet even with this experience, there is still significant risk in providing debt to companies many of which do not have history of profitable cash positive operations which may include:

**LEVERAGED NATURE OF INVESTMENTS** - Each Client'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 Client may suffer a partial or total loss of capital invested in the portfolio company. In addition, the securities acquired by the Client may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss.

**TIME REQUIRED TO MATURITY OF INVESTMENT** - It is anticipated that there will be a significant period of time before each Client 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 Client's investment

prior to that time. In light of the foregoing, it is possible that no significant return from the disposition of the Client's investments will occur for a significant period of time after the initial closing and could result in distributions in kind to the investors.

**LIMITED OR NO CONTROL OVER PORTFOLIO COMPANIES** - A Client's investment in a portfolio company 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 Client's investment.

**AVAILABILITY OF ADDITIONAL CAPITAL.** - Many of the portfolio companies that a Client invests in will require additional capital before achieving a positive cash flow. 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 the Client 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.

**LOAN DEFAULTS** – Should a portfolio company default in the payment of its loan balances, Eastward may pursue legal action against the company including foreclosure or repossession of collateral. There is no guarantee that legal action will allow for the recovery of all outstanding balances due to the investment vehicle. Eastward may choose to enter into forbearance agreements or delay legal action, if they believe that such action improves the opportunity for a better outcome. The pursuit or delay of legal action for companies may significantly increase the amount of time required to collect principal balances or lead to principal losses.

**As well as portfolio company specific risk factors, macroeconomic conditions may also impact the success of investments which Clients should be prepared to bear.** Among the factors which should be considered by an investor are:

**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.

**HIGHLY COMPETITIVE MARKET FOR INVESTMENTS** - The business of identifying and structuring transactions of the nature contemplated by each Client is highly competitive. There can be no assurance that Eastward will be able to locate and complete investments that satisfy the Client's rate of return objectives or realize upon their values or that the Client will be able to invest fully its committed capital.

**NON-AVAILABILITY OR LOSS OF LEVERAGE** - Certain investments vehicles may obtain financing from a financial institution to make additional investments in excess of the vehicle's capital commitments. In order to obtain the financing, the vehicle will subordinate its rights to the financial institution. Should Eastward be unable to obtain this financing or should the financial institution require early payment or should the vehicle default on the terms, it may have a significant impact on the value of the investment and returns generated for the investor.

**MANAGEMENT AVAILABILITY**– Investment vehicles are typically invested over at least a two-year period from initial closing. The core investment team of Eastward has worked together since 2005, but there can be no guarantee that all the members of the team will be associated with Eastward for the entire Client's life. Should any investment team member leave, there is no guarantee that a suitable replacement will be found to fill their position.

**UNREGISTERED SECURITIES WITH LIMITED TRANSFER RIGHTS** – The interests of the portfolio companies will have significant limits and restrictions on transfer and will not be registered under federal or state law laws.

**LITIGATION** – The commitment of debt to portfolio companies may create situations where borrowers may sue for breach of contract or "lender liability". The defense of a lawsuit could be costly and time consuming to defend even if the lawsuit is unsuccessful.

**ILLIQUIDITY OF INVESTMENTS** – All of the investments managed by Eastward will be illiquid with no public market available for sale of interests. Equity or warrant investments are typically only redeemable after the sale of the portfolio company or due to an initial public offering.

## **ITEM 9: DISCIPLINARY INFORMATION**

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Eastward has no legal or disciplinary events to report.

## **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***

Since 2010, Eastward has managed Clients on behalf of WAFRA Capital Partners CRD #159681 (“WAFRA”), which is an SEC registered investment adviser. The investments for the WAFRA-related Clients are organized as special purpose vehicles owned by Eastward Leasing Partners, LLC (“ELP”). A majority of ELP is owned by Mr. Dennis Cameron and a minority interest is held ultimately by WAFRA affiliated investors. Due to the operating agreements between WAFRA and Eastward, procedures regarding the origination or management of certain ELP investments may be different than those offered to other Eastward Clients.

Mr. Dennis Cameron may provide guarantees to the WAFRA directed clients which may amount to 5% to-10% of the commitment of each ELP special purpose vehicles for a period of up to three years. The existence of these guarantees could result in potential conflicts of interests between ELP entities and other Eastward Clients. Additionally, Mr. Cameron may have access to additional information regarding ELP, WAFRA, and the investments of each, which may be unavailable to other investors. WAFRA’s investors’ participation in excess proceeds derived from a Client may be different than other investors or other Clients due to their equity ownership.

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.

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

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

The Firm has 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 subjective 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.

**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.

**Dealing with Clients as Agent and Principal.** The Eastward Code of Ethics requires that employees involved in the situation of buying or selling securities from a client or where Eastward acts 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***

Certain members of the Firm may invest up to an additional amount; however, the total investment by the Firm's employees may not exceed 5%.

## **ITEM 12: BROKERAGE PRACTICES**

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### ***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.

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

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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 addition to the quarterly review described above, Eastward may also review the portfolios of the Private Funds on an as needed basis depending on requests by the Private Fund Investors.

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 affected by any other significant negative issue, then these events will trigger additional reviews and tracking by the Firm.

### ***Regular Reports***

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

The Firm may have an annual meeting for each of its non-discretionary vehicles. The annual meeting may include 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.

## **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. The Firm may provide compensation to placement agents by providing an allocation of the Service Fee on a monthly basis as well as small percentage of the profits from the vehicle allocated to the Firm after achieving a hurdle rate.

### ***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.

## **ITEM 15: CUSTODY**

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Eastward is deemed to have custody since it serves as manager to each of the Private Funds, and its affiliates serve as general partners to the Private Funds.

The Firm has engaged First Republic Bank as its qualified custodian. Eastward may engage other qualified custodians to manage the Client's assets.

In addition, the Firm provides audited financial statements to investors in each Client within 120 days following the Client's fiscal year end.

## **ITEM 16: INVESTMENT DISCRETION**

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Depending on the Client'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 Client's committed capital without approval from the Advisory Board of the Client.

As part of the private debt investment, a Client often receives the option to invest in a future equity round(s) of a portfolio company. Each potential investment opportunity is reviewed by Eastward to assess the risk return profile. Those investments which provide an attractive risk profile are provided to the investors of Clients that have expressed an interest in these types of opportunities. Should an investment be oversubscribed, the opportunity to invest is allocated based on total committed capital for each investor.

## **ITEM 17: VOTING CLIENT SECURITIES**

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In general, Eastward does not receive voting securities. In the event that voting securities are received, Eastward will vote proxies in accordance with the procedures set forth below.

### ***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 Client'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 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 Client 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**

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### ***Advance Payment of Fees***

The Firm is not required to provide a balance sheet pursuant to Item 18A, as Eastward does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance of services rendered.

### ***Financial Condition***

Eastward does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

### ***Bankruptcy Proceedings***

Eastward has not been the subject of a bankruptcy proceeding.