

**1SHARPE CAPITAL LLC**

**PART 2A OF FORM ADV**

**FIRM BROCHURE**

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**March 28, 2024**

**This brochure (“Brochure”) provides information about the qualifications and business practices of 1Sharpe Capital LLC (“1Sharpe Capital” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at (510) 788-5000 or [anjali@1sharpe.com](mailto:anjali@1sharpe.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.**

**Any reference to 1Sharpe Capital as a registered investment adviser does not imply a certain level of skill or training.**

**Additional information about 1Sharpe Capital is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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***Item 2: Material Changes***

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This is the annual amendment to Form ADV Part 2A for the year end December 31, 2023. There were no material updates since the last amendment filed on July 10, 2023.

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**Item 3: Table of Contents**

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**Item 4: Advisory Business**

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**Item 4.A.**

1Sharpe Capital, a Delaware limited liability company, was founded on August 23, 2016 by Rob Bloemker and Gregor Watson, the principal owners of 1Sharpe Capital.

**Item 4.B.**

1Sharpe Capital provides investment advisory services to privately offered domestic and offshore investment vehicles (each vehicle a “**Fund**” or “**Client**” and collectively, the “**Funds**” or “**Clients**”). 1Sharpe Capital manages private investment funds focused on investments in combination of loans and securities, focusing on assets with secure income and market pricing potential for capital appreciation (referred to herein as the “**Credit Funds**”). 1Sharpe Capital also manages a private investment fund that invests in venture capital investments (referred to herein as the “**Venture Fund**”). 1Sharpe is granted investment discretion and authority to manage each Fund’s investments subject to any restrictions imposed by the applicable governing documents for each Fund. The Funds are offered only to “qualified purchasers,” as defined in 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

**Item 4.C.**

The Firm tailors its advisory services to each Fund it manages in accordance with the terms of the relevant limited partnership agreement, offering memorandum or mandate for such Fund (collectively, the “**Governing Documents**”), as applicable. Investors in the Funds generally cannot obtain services tailored to their individual specific needs.

The Firm or each Fund’s general partner (each a “**General Partner**” and collectively, the “**General Partners**”) have entered into and in the future may enter into separate agreements or side-letters (“**Side-Letters**”) with certain limited partners of the Funds (each a “**Limited Partner**” and collectively, the “**Limited Partners**”) to waive certain terms, or to allow such Limited Partners to invest on different terms than those specifically described in a Fund’s Governing Documents, including, without limitation, with respect to fees, liquidity or depth of information provided to such Limited Partners concerning the Fund. Under certain circumstances, these Side-Letters could create preferences or priorities for such Limited Partners with respect to other Limited Partners.

**Item 4.D.**

1Sharpe Capital does not participate in, nor does it sponsor, wrap fee programs.

**Item 4.E.**

1Sharpe Capital had \$ 2,318,551,380 of regulatory assets under management on a discretionary basis as of December 31, 2023. 1Sharpe Capital does not manage Client assets on a non-discretionary basis.

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**Item 5: Fees and Compensation**

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**Item 5.A.**

1Sharpe Capital is compensated for its advisory services to the Credit Funds based upon the amount of each Limited Partner's monthly account balance. 1Sharpe Capital generally charges a management fee which is applied to the balance in the Limited Partner's participation account ("**Participation Account**") as of that month-beginning. In addition, with respect to the Credit Funds, 1Sharpe Capital and/or the General Partner is generally entitled to a performance fee or incentive allocation ("**Performance-Based Compensation**") which is based on a Fund's performance or "outperformance" for the year. Outperformance is the amount by which the net return exceeds the negotiated hurdle amount after giving effect to certain "loss carryforward" recovery provisions. A Limited Partner's loss carryforward amount generally consists of unrecovered losses from prior periods.

Subject to the terms and conditions provided in the Venture Fund's Governing Documents, 1Sharpe Capital charges a quarterly management fee with respect to the Venture Fund which is applied to the capital commitments of the Limited Partners. Additionally, 1Sharpe Capital and/or the Venture Fund's General Partner is entitled to a performance ("**Carried Interest**") based on target percentages once the Venture Fund's performance reaches particular performance milestones.

In general, the fees for the Funds are not negotiable. The Firm may, via Side-Letters with particular Limited Partners, reduce or waive the management fee or Performance-Based Compensation attributable to those Limited Partners.

Additional details regarding management and performance fees are set forth in each Fund's relevant Governing Documents.

**Item 5.B.**

Pursuant to the terms of each Fund's Governing Documents, the Firm is authorized to deduct management fees from each Limited Partner's capital account on a monthly basis for the Credit Funds and call capital commitments from the Venture Fund's Limited Partners.

**Item 5.C.**

Each Fund's Governing Documents contain information regarding the fees and expenses of the Funds managed by the Firm. Each Fund will bear its own organizational costs and the costs involved in the initial offer and sale of Fund interests, including costs of preparing, revising, reproducing, and disseminating the offering memorandum, other offering materials, and supplemental materials. Each Fund will generally bear its own operating costs which may include, among other things: commissions and other transaction-related costs; interest and other financing-related costs; costs of systems, facilities, and third party services for order placement, order management, clearance and settlement, and risk management; costs directly related to researching, acquiring, holding, and/or monitoring and administering investments (including portfolio management systems and travel related expenses); costs of servicing and collecting income from loans and other debt instruments; costs of quotation, computerized news, pricing, or statistical services; audit, accounting, tax preparing and reporting, and other professional fees and expenses; legal fees (including fees paid to the General Partner's counsel for services in connection with the Fund's activities); governmental fees and taxes (other than taxes specially allocated to certain Limited Partners); custodial fees; costs of

reporting to Limited Partners; costs of Fund governance activities, including costs related to meetings of an advisory committee of a Fund, as applicable; costs of compliance with regulatory or reporting requirements attributable to the Fund's activities; fees and expenses paid or reimbursed to the Fund administrator; costs in connection with the ongoing offer and sale of Fund interests; and all other costs reasonably related to the Fund's operations or the purchase, sale, or transmittal of its assets.

To reflect the reduced time and/or effort that the Firm or its members will devote to the Venture Fund by reason of performing services as a director or consultant to portfolio companies of the Venture Fund, the Limited Partner percentage of any directors' fees or consulting fees, transaction fees, monitoring fees, break-up fees or equivalent compensation, whether in cash or in kind, paid to the Venture Fund's General Partner, the Firm, the Firm's principals, the Venture Fund's General Partner's managing member or an affiliate of any of the foregoing from any portfolio company of the Venture Fund (other than reimbursement of out-of-pocket expenses, including taxes, if any) for services rendered by such persons (hereinafter, "**Fees Subject to Offset**") shall be offset against and reduce the amount of the management fee payment next due to 1Sharpe Capital, and then against each successive quarterly management fee payment, until such Fees Subject to Offset have been fully offset, unless waived by the Venture Fund's advisory committee. Fees Subject to Offset shall not include fees or other remuneration received by the Venture Fund, a related Fund, a portfolio company of the Venture Fund or an individual whose primary relationship with the Venture Fund's General Partner and 1Sharpe Capital is as a mere "venture partner," "entrepreneur-in-residence," "executive-in-residence," "consultant," "contractor" or "advisor" (as those terms are generally understood in the venture capital and growth equity industries) or similar professional.

#### **Item 5.D.**

Each Fund pays 1Sharpe Capital a management fee, in advance, on a monthly or quarterly basis, commencing on each Fund's specified closing date, in respect of the Limited Partners therein. Fees are not reimbursable in the event of an early termination of either a Fund or a Limited Partner's participation in a Fund.

#### **Item 5.E.**

None of 1Sharpe Capital or any of its supervised persons accept compensation for the sale of securities or other investment products.

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

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As noted in Item 5 above, 1Sharpe Capital's Funds are subject to Performance-Based Compensation and/or Carried Interest. 1Sharpe Capital understands that there exist certain potential conflicts of interest associated with the presence of a performance-based fee. Such a fee may create an incentive for the Firm to cause a Fund to make investments that are riskier or more speculative than would be the case if there were no Performance-Based Compensation and/or Carried Interest. Differences in Performance-Based Compensation and/or Carried Interest, particularly if some Funds would pay higher Performance-Based Compensation and/or Carried Interest, creates an incentive for 1Sharpe Capital to direct the best investment ideas to, or allocation investments in favor of, the account that pays the Performance-Based Compensation and/or Carried Interest. However, 1Sharpe Capital manages the Funds in accordance with its investment strategy and any restrictions set forth in the Fund's governing documents so that Limited Partners are aware of the applicable investment strategy, restrictions, and risks.

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***Item 7: Types of Clients***

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1Sharpe Capital provides investment advice to Funds domiciled in Delaware and the Cayman Islands. The minimum investment amount in a Fund is generally \$1,000,000. This amount may be higher or lower depending on each Fund's Governing Documents and management discretion and the relevant General Partner retains the right to waive such minimum amount.

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

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**Item 8.A.**

With respect to the Credit Funds, the Firm seeks to earn consistent absolute returns with relatively low correlation to the broader equity or fixed income markets, with an emphasis on capital preservation. The Firm strives to deliver risk-adjusted total returns by causing the Credit Funds to invest in a combination of loans and securities, focusing on assets with secure income and market pricing with potential for capital appreciation. The Firm's principal strategy is fundamental value investing in income producing assets, while attempting to protect against, and capitalize on, the market's tendency to dramatically alter pricing of these assets through economic and credit cycles. Each Credit Fund will attempt to shorten maturity, increase credit protection, reduce leverage, and/or increase liquidity of investments when yields, spreads, and pricing are generally unfavorable, and associated risks high. When the Credit Fund's General Partner believes market opportunities are attractive, and the reward for assuming greater risk outweighs the potential downside, it may cause a Credit Fund to lengthen maturity, take greater credit risk, increase leverage, and/or acquire less liquid investments.

The primary purpose of the Venture Fund is to make venture capital investments, principally by investing in and holding equity and equity-oriented securities of privately held companies in property technology ("proptech") related fields, including real estate technology, construction technology, financial technology, consumer technology and other technologies related to the built world and related fields. The Venture Fund may also invest in Digital Assets (as defined below).

Each Fund's investment strategy entails substantial risks that Clients should be prepared to bear.

**Item 8.B. and Item 8.C.**

The following summary identifies and provides a brief explanation of the material risks related to the Firm's significant investment strategies and should be carefully evaluated before making an investment with the Firm; however, the following does not intend to identify all possible risks of an investment with the Firm or provide a full description of the identified risks of an investment in any of the Funds. Additional information regarding the material risks related to the Firm's significant investment strategies is set forth in each Fund offering memoranda and/or LPA.

**Credit Funds Risks**

***Debt Instruments, Generally.*** The Credit Funds will make significant investments in various types of debt or other fixed-income instruments. Particular types of debt instruments are subject to various risks that are specific to the ways in which they are structured, the activities of the obligors, the assets underlying the instruments, the impact of applicable tax or regulatory factors, and numerous other specific factors. But the

values and prices of all debt instruments are subject, in substantially the same way (albeit with differing levels of sensitivity), to credit risk, market risk, and interest rate risk.

- *Credit risk* is the risk that a debt instrument will decline in value, or fail to pay interest or principal when due, because the issuer/obligor experiences a decline in its financial condition or status.
- *Market risk* relates to the changes in the market perceptions of the risk of an issuer/obligor, country, or region. The market values of debt instruments, particularly non-investment grade debt, may be more volatile than the values of other investments and, during periods of economic uncertainty and change, the market price of these investments can decrease rapidly and dramatically.
- *Interest rate risks* include: (i) if interest rates increase, the value of debt instruments will generally decline; (ii) during periods of rising interest rates, the average life of certain fixed income securities may be extended because of slower than expected principal payments, which may lock in a below-market interest rate, increase the instrument's duration, and reduce the instrument's value (i.e., extension risk); and (iii) during periods of declining interest rates, an obligor may exercise its option to prepay principal earlier than scheduled, forcing some of the Funds to invest in lower yielding securities (i.e., call or prepayment risk).

Debt instruments in which the Credit Fund will invest or trade include: mortgage whole loans and participations, mezzanine or tranche exposure, or securities; consumer and small-business loans originated through online marketplace lending platforms and other alternative finance arrangements; mortgage-backed securities; structured finance securities; other securitized products; and pooled investment vehicles (including mutual funds and exchange traded funds) that invest in the foregoing. All of those instruments are subject to the risks described above as well as other particular risks applicable to the specific debt instrument type.

***Mortgage Loans and Mortgage-Backed Securities.*** While subject to the investment guidelines outlined in the Offering Memorandums, each Credit Fund may make investments in residential mortgage-backed securities (“**RMBS**”), commercial mortgage-backed securities (“**CMBS**”), and pools of residential and commercial mortgage loans, which may be purchased directly or indirectly through the acquisition of securitization interests. These investments may include mortgage loans of various types (including Alt-A, subprime, and pay-option adjustable rate mortgage loans, in addition to traditional first lien mortgage loans) and may be performing or non-performing. Mortgage loans are subject to certain specific risks, and the mortgage loan pools underlying RMBS and CMBS are subject to all of the special risks associated with such mortgage loans, including those described below and elsewhere in this memorandum. Further, investing in certain mortgage loans, RMBS, and CMBS involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk), and certain additional risks and special considerations, including the risks of principal prepayment and defaults as well as the risk of investing in real estate.

***Mortgage Loans, Generally.*** The risks of investing in mortgage loans reflect the risks of investing in real estate securing the mortgage loans (as the risks of investing in RMBS and CMBS reflect the risks of investing in real estate securing the loans included in the applicable securitization). Such risks include the effect of local and other economic conditions, the possibility of changes in the structure or effectiveness of the government sponsored enterprises, Fannie Mae, Freddie Mac, and Ginnie Mae, the ability of borrowers to make payments, and, in the case of mortgage loans backed by commercial real estate, the ability to attract and retain buyers or tenants. Increasing rates of delinquencies, foreclosures, and other losses on mortgage loans could, in turn, adversely affect certain other securities in which the Credit Fund may invest.

***Investment Property Loans.*** Each Credit Fund intends to make substantial investments in residential mortgage loans secured by non-owner-occupied investment properties. These properties may either be rehabilitated by the borrowers and “flipped” or rented out to third parties for income. While these loans



will generally be short-term and secured by personal guarantees (in addition to the underlying real estate), they may have higher default rates and/or loss severities than those residential mortgage loans secured by owner-occupied properties, due to the elevated risk that the borrowers stop making monthly payments if the financial condition of their business deteriorates or, in some cases, determine that it is in their financial interests to abandon the property. This risk is present even if the loans are conservatively underwritten with significant equity protection and have personal guarantees attached, and may be especially pronounced for borrowers with outstanding mortgage loans on more than two investment properties.

*Loan Participations.* Each Credit Fund may acquire exposure to mortgages through participations in mortgage whole loans or pools of such loans from an originator. In this arrangement, the Fund purchases an undivided ownership interest in mortgage loans evidenced by a participation certificate. Legal title remains with the originator, while the Credit Fund becomes the beneficial owner of the loans. Acquiring exposure in this manner may present certain risks. As the holder of a participation interest rather than an underlying mortgage loan itself, a Credit Fund has no contractual relationship with the underlying borrower; that relationship remains with the originator. Among other things, this means that a Credit Fund is subject to the credit risk of the originator as well as the underlying borrower, since the Credit Fund will depend upon the originator to make payments on the participation in respect of the principal and interest payments received on the underlying mortgage loan. If the originator goes into financial distress followed by bankruptcy, it may stop making loan participation payments, resulting in losses to the Fund on those investments.

*Originator Relationships.* Each Credit Fund's ability to acquire mortgage loans will depend, among other things, on the Firm's ability to successfully develop and maintain relationships with loan originators. Originators may have incentives to only offer exposure to mortgage loans of lower quality, which underperform those that the originator retains. Moreover, an originator could decide to make working with it cost prohibitive or could decide to enter into exclusive or more favorable relationships with the Firm's competitors. Additionally, originators may not perform as expected, leading to disagreements or disputes, which could negatively impact or threaten the relationship's continuation. Alternatively, certain originators may face regulatory constraints that limit or prevent them altogether from doing business with the Firm, while others may elect to not reduce their exposure to mortgage loans because they believe that retaining exposure is more profitable than selling them to third parties.

*Mortgage-Backed Securities.* Mortgage-backed securities (other than residential "agency" mortgage-backed securities) are generally not guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on mortgage-backed securities depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans. Mortgage-backed securities generally provide for the payment of interest and principal on a regular basis, and there exists the possibility, particularly with respect to residential mortgage-backed securities, that principal may be prepaid at any time. Different types of mortgage-backed securities are subject to varying degrees of prepayment risk. The rate of principal payments on mortgage loans is influenced by a wide variety of economic, geographic, social, and other factors, including general economic conditions, the level of prevailing interest rates, the availability of alternative financing, real estate prices, and homeowner mobility. As a result of prepayments, a Credit Fund may reinvest assets at an inopportune time, which may expose the Credit Fund to a lower rate of return. Further, the rate of prepayments on underlying mortgage loans affects the price and volatility of a mortgage-backed security, and may have the effect of shortening or extending the effective average life beyond what was anticipated.

*Mortgage Market Disruptions and Related Issues.* The residential mortgage market in the United States and elsewhere has, at certain times, experienced disruption and instability. Widespread defaults on mortgage loans and mortgage-backed securities have led to market turmoil and resulted in price volatility and ratings downgrades. In addition to risks associated with attempting to predict default and recovery

rates on mortgage loans, including those underlying mortgage-backed securities acquired by a Fund, the creditworthiness and viability of the servicers of such mortgage loans are also significant risks. Illiquidity and unpredictability in these markets can make it difficult to determine whether such servicers have sufficient capital and adequate staffing levels to fulfill their servicing obligations and the extent to which such servicers are subject to regulatory risks and risk of error. A credit or regulatory event at, or other failure by, a servicer could result in losses to a Credit Fund.

Residential mortgage loans (including the mortgage loans underlying an issue of RMBS) held by a Credit Fund may include “non-traditional” mortgage loans, such as adjustable rate mortgage loans (or “ARMs”) – *i.e.*, mortgage loans that offer relatively low monthly payments during the initial years of the loan that increase (often significantly) in later years – or mortgage loans that require large “balloon” payments at specified times (unlike traditional, “self-amortizing” mortgage loans). Many borrowers enter into non-traditional mortgage loans with the hope that they will be able to refinance, or resell the underlying property, before the increased interest payments or balloon payments become due. Stress in the real estate markets, including declines in housing prices may, however, make these refinancings or resales commercially infeasible or impossible. This, in turn, may contribute to higher delinquency rates and losses on mortgage loans (and mortgage loans underlying RMBS) held by a Credit Fund, which would adversely affect the Credit Fund’s performance.

Borrowers on mortgage loans to which a Credit Fund has exposure may be in economic distress and/or may become unemployed, bankrupt, or otherwise unable or unwilling to make payments when due. The COVID-19 pandemic may increase the number of borrowers that are in such circumstances. Even though a Credit Fund may pay less than the amount owed on these mortgage loans to acquire them, if actual results differ from assumptions the Firm used in to buy those loans, a Credit Fund may incur significant losses. Economic factors could cause the value of the homes securing mortgage loans decrease more than the Firm expects and/or increase the likelihood of borrowers defaulting on their mortgage obligation. Any such decrease could adversely affect the value of a Fund’s investments.

*Loss Mitigation and Foreclosure.* Mortgage loans purchased by a Credit Fund may, in certain cases, require loss mitigation strategies and related workout tools that may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such mortgage loan. It is possible that a Credit Fund may find it necessary or desirable to foreclose on real estate securing one or more mortgage loans purchased by the Credit Fund. Certain mortgage loans may be non-recourse to the borrower. Thus with respect to such loans, if net amounts received through the foreclosure process are less than the amount owed to a Credit Fund with respect to a particular loan, then the Credit Fund will not be able to collect such deficiency and would suffer a loss. The foreclosure process can be lengthy and expensive.

*Applicable Law and Regulations; Licensing Requirements.* State and federal laws, public policy, and general principles of equity relating to the protection of consumers, abusive debt collection practices, and unfair, discriminatory, and deceptive practices generally may apply to the origination, servicing, purchasing, holding, and collection of a Credit Fund’s residential mortgage loans and residential mortgage loans backing the Credit Fund’s RMBS. Neither ISharpe Capital nor any Credit Fund can provide any assurance that the originators, servicers, and each of the other parties involved in the origination and servicing of a Credit Fund’s mortgage loans has complied with all applicable laws, regulations, and rules at all times.

Separate and apart from the foregoing, numerous laws, regulations, and rules related to the servicing of mortgage loans, including in respect of foreclosure actions, have been enacted and/or proposed by federal, state, and local governmental authorities, including the Consumer Finance Protection Bureau created under Dodd-Frank. Such laws, regulations, and rules may delay foreclosure processes, reduce payments by

borrowers, or increase reimbursable servicing expenses, which in turn would likely result in delays and reductions in the distributions to be made to a Credit Fund as the owner of residential mortgage loans or as an investor in RMBS. Further, a Credit Fund and other similarly-situated investors will bear the risk that future regulatory developments will result in losses on their investments, whether due to delayed or reduced distributions or reduced market value.

*Reliance on Third Party Service Providers.* 1Sharpe Capital and each Credit Fund rely heavily on loan servicing providers, custodians, prime brokers, executing brokers and counterparties, and the Credit Fund administrator, for a variety of services that are essential to a Credit Fund's operations, including collecting amounts owed to the Credit Fund on its investments, executing, clearing, and settling portfolio transactions, reporting transactions and positions, financial reporting, processing subscriptions and withdrawals, and monitoring and providing information for regulatory reporting and related purposes. If any of these service providers fails to perform its service accurately and effectively, in particular if a service provider or its personnel were to engage in fraud or theft or make material errors in performing services, a Credit Fund's operations could be materially impaired or the Credit Fund could lose assets. Among other things, portfolio transactions the Credit Fund's General Partner ordered might not be effected or the Credit Fund's General Partner might take action based on erroneous information. Any such failures, errors, fraud or other misconduct could cause a Credit Fund to suffer losses.

*CMBS.* The underlying commercial mortgage loans in a CMBS issue held by a Credit Fund will be backed by obligations (including participation interests in obligations) that are principally secured by mortgage loans on real property (or interests therein) having a multifamily or commercial use, including regional malls or other retail space, office buildings, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes, and senior living centers. Commercial mortgage loans are generally nonrecourse loans, lack standardized terms, tend to have shorter maturities than traditional first-lien residential mortgage loans, and may provide for the payment of all or substantially all of the principal only at maturity (as described below).

The repayment of loans secured by income-producing commercial properties is typically dependent on the successful operation of those properties rather than upon the liquidation value of the underlying real estate or the existence of independent income or assets of the borrower. The net operating income from commercial properties is subject to volatility, however, and may not be sufficient to cover debt service on the related mortgage loan at any given time. Furthermore, the net operating income from, and value of, any commercial property may be adversely affected by risks generally incidental to interests in real property, including events that the borrower or property manager, or the issuer or servicer of the related issuance of CMBS, may be unable to predict or control, such as changes in general or local economic conditions and specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates, and other operating expenses; changes in governmental rules, regulations, and fiscal policies; natural disasters; climate change; acts of war; terrorism; and social unrest and civil disturbances. Commercial real estate's value is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and redemption rights.

Mortgage loans underlying a CMBS issue may lack regular amortization of principal, resulting in a single "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, these balloon payment mortgage loans are likely to experience payment delays or even default. In addition, the mortgage loans underlying a CMBS issue may lack diversification and may relate to a single loan or a limited number of loans.

*Structured Finance Securities and Products.* While subject to the investment guidelines outlined in the Offering Memorandums, each Credit Fund may invest in structured finance securities and products. These

investments may entail a variety of unique risks. Among other risks, the performance of a structured finance security or product will be affected by a variety of factors, including its priority in the capital structure of the related issuer, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral, and the capability of the servicer of the securitized assets. Moreover, a rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that the Credit Fund may incur losses on its investments in structured finance securities and products regardless of their ratings by the ratings agencies. Additionally, the securities in which a Credit Fund may invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions. Finally, structured finance securities and securitized products may be subject to prepayment risk. Special risks may be associated with the Fund's investments in structured finance products. For example, synthetic portfolio transactions may be structured with two or more tranches, each of which receives different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of any given tranche may be extremely sensitive to the default rate in the underlying reference portfolio.

*Online Marketplace Loans.* While subject to the investment guidelines outlined in the Offering Memorandums, each Credit Fund may invest in loans, or participations in loans, originated through so-called online marketplaces or "platforms" (including what have also been called "peer-to-peer" or "marketplace" lending platforms) ("**OM Loans**"). These may be consumer loans or small business loans, will generally be unsecured, and will generally have terms of five years or less. A Credit Fund may (i) buy OM Loans directly from their originating entities pursuant to ongoing loan purchase agreements, (ii) buy portfolios of already-outstanding OM Loans from third parties in secondary market transactions, or (iii) purchase OM Loans through online marketplaces or platforms, including OM Loan trading platforms. OM Loans bought in any of these ways present risks and uncertainties that other debt instruments do not, and the circumstances of acquisition could present some additional risks.

Investing in OM loans are present risks including but not limited to the following, which are described in detail in a Credit Fund's offering documents: default risk; effects of economic downturn; unsecured loan risk; significance of credit obligations risk; borrower bankruptcy, death risk; reliance on, and potential unreliability of, borrower information; subprime loans; no restriction on additional debt; prepayment risk; changes in interest rates; no cross-default protection; servicing risk; originator/originating platform risk; regulatory risk; and Service Members Civil Relief Act related risk.

*Limited Liquidity of Investments.* At times many of a Credit Fund's investments will be relatively illiquid. An investment may be illiquid because it is thinly traded or because the Credit Fund's position in it is large in relation to the overall market for the security or loan. Or, as in the case of OM Loans, there may be no market. A Credit Fund may buy investments in private placements or other transactions that subject the investments to contractual or regulatory restrictions on resale. The Credit Fund may own (or have a short position in) securities that are relatively liquid when acquired (or sold short) but that later become illiquid. A Credit Fund may not be able to liquidate illiquid positions if the need were to arise; rapid sales of such securities could depress the market value of those securities, reducing the Credit Fund's profits, or increasing its losses, in the positions (and rapid purchases to cover short positions could have the corollary effect). In addition, while it does not currently intend to, a Credit Fund may buy securities that are not immediately saleable in the public markets. Withdrawals funded out of the most liquid portion of a Credit Fund's assets could cause the illiquid portion to be a greater percentage of the Credit Fund's portfolio than would otherwise be optimal. The value assigned to illiquid securities (including thinly traded securities) and large blocks of securities for purposes of determining Participation Account sharing percentages and determining net profit and net loss may differ from the value a Credit Fund is ultimately able to realize on

those securities.

*Portfolio Leverage.* Each Credit Fund may employ leverage opportunistically for cash management, investment acquisition, or other purposes, subject to the investment guidelines. Leverage in a Credit Fund's portfolio could increase both the possibilities for profit and the risk of loss. If a Credit Fund were to borrow to leverage its investments through margin borrowing, that borrowing would probably be secured by the Credit Fund's securities and other assets. Margin borrowings typically allow the lender to demand an increase in the collateral that secures a Credit Fund's obligations, and if the Credit Fund were unable to provide additional collateral, the lender could liquidate the collateral to satisfy the Credit Fund's obligations. Forced liquidation could have extremely adverse consequences, including sales at disadvantageous times and prices and the acceleration of tax consequences. Similarly, if a Credit Fund were to borrow to leverage its investments through credit facilities or other financing arrangements with banks or other institutional lenders, those arrangements would require the Credit Fund to pledge some or all of its assets as collateral on those borrowings, and could include cash usage limitations, including payment priorities in favor of lenders, that reduce the Credit Fund's available cash to make additional investments. This could be because the amount a Credit Fund is required to repay on such borrowings exceeds the amount it is able to realize on the assets it finances under those borrowing arrangements. Among other things that could cause that outcome, or otherwise reduce a Credit Fund's returns: a failure to comply with covenants required by a lender could result in defaults, forced liquidation of assets, and losses; the borrowing arrangement's term could end at a time when a Credit Fund does not have adequate liquid assets to repay outstanding balances, again resulting in forced liquidation and losses; and the interest rates a Credit Fund must pay under borrowing arrangements could exceed the net interest return the Fund is able to receive on the assets that are financed under those arrangements.

*Equity Securities.* While subject to each Funds' investment guidelines, and not central to the strategy, each Credit Fund may invest in equity and equity-related securities. The Credit Fund's equity holdings will include income-generating assets, such as real estate investment trusts (REITs) or closed-end funds. These securities may occasionally provide an opportunity for the Firm to acquire cash flows that are only available in a corporate form, or provide a more attractive method for investing than in the traditional loan or bond markets.

*Short Sales.* Each Credit Fund may sell securities short as a part of its investing activities. In a short sale, a Credit Fund sells securities it does not own, in the expectation that the market price will decline and the Fund will be able to buy replacement securities later at a lower price. To accomplish this, a Credit Fund borrows the securities from broker or other third party. It "closes" the position by "returning" the security (buying a replacement security on the lender's behalf). This "return" obligation does not typically have a specified "maturity" date and the lender generally may require replacement of the securities whenever it chooses. A short sale theoretically involves the risk of unlimited loss; the price at which a Fund must buy "replacement" securities could increase without limit. A Credit Fund may experience losses on short positions that are not offset by gains on long positions.

*Timing of Gains and Losses; Volatility.* A Credit Fund may need to hold some of its positions for significant periods before their success or failure becomes apparent or any gains can be realized. It may take longer for successful positions to realize their potential than for unsuccessful ones to reveal their weaknesses. Market prices of some portfolio positions may be expected to fluctuate significantly over a Fund's holding periods, causing the Fund's performance to be volatile over the short term.

*Hedging.* The Firm may deploy hedging strategies to mitigate known risk exposures inherent in the Credit Fund's portfolio to the extent it considers appropriate in light of current circumstances and portfolio composition. It may do so using short positions in one instrument to hedge long positions in another instrument, and vice versa, using derivative instruments, or through other risk management techniques.

Hedging strategies in general are intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit. Hedges are often imperfectly inversely correlated with the underlying exposure the Fund seeks to hedge and, to the extent that is the case, can subject the Fund to additional risk, if prices involved in the hedging position move against the Credit Fund. Other risks that may be involved in hedging include: (i) possible illiquidity in the market for closing out a hedging position; (ii) interest rate, spread, or other broad market movements not anticipated by the Firm; (iii) the Credit Fund's obligations to meet margin, collateral, or other payment requirements; (iv) a counterparty's default or refusal to perform; and (v) impact that required segregation of the Fund's assets to cover hedge-related obligations may have on portfolio management or the Credit Fund's ability to meet short term obligations. The Credit Fund will not attempt to hedge all market or other risks inherent in its portfolio and will hedge certain risks, if at all, only partially.

*Valuation.* There may be no trading market or the market may be or become subject to irregular trading activity, wide bid/ask spreads, and extended trade settlement periods, resulting in unreliability of pricing information for certain investments held by a Credit Fund. Although each Credit Fund values most marketable securities and other instruments based on prices reported in the public markets (and will disclose to investors if any valuations of publicly traded securities materially differ from such publicly-reported prices), where third party pricing of an asset is not readily available, valuation will generally be in 1Sharpe Capital's discretion (although when a Credit Fund's assets are deemed to be "plan assets" for ERISA purposes (as discussed elsewhere in this memorandum), the Credit Fund will engage one or more independent third parties to exercise that discretion). Further, where 1Sharpe Capital considers market-based pricing information not to be indicative of the position's value, a Fund may assign a different (less favorable) value. As a result of these and other factors, values reflected in financial reports and used in determining investors' sharing of a Credit Fund's net profit and net loss (e.g., upon new subscriptions), redemption proceeds, the management fee, and performance fee might not accurately reflect the amounts the Credit Fund could obtain (or would be required to pay as to some types of derivatives positions) if it were to try to sell the security (or close the position). 1Sharpe Capital faces conflicts of interest in making valuation decisions.

*Counterparty and Custody Risk.* The Credit Funds will generally place its funds, securities, and other assets in the custody of institutions, such as banks and brokerage firms, which may hold those assets on the books of depositaries and other intermediaries in the institutions' own name (i.e., in "street name"). These firms and/or other brokers, counterparties, clearinghouses, or exchanges with which the Credit Funds' deals could default on their obligations to the Credit Funds, causing material losses for the Funds. Bankruptcy or fraud at one of these institutions could also impair the Credit Funds' operational capabilities or capital position. Securities and other assets the Credit Funds deposits with custodians or brokers may not be clearly identified as being the Credit Fund's assets, causing the Credit Funds to be exposed to credit risk with regard to those custodians or brokers. The Credit Funds generally will only be an unsecured creditor of its trading counterparties in the event of bankruptcy or administration of those counterparties and in some jurisdictions the same may be true of the Credit Fund's relationship to its brokers. The Credit Funds attempts to limit its brokerage and custody transactions to well-capitalized and established banks and brokerage firms in an effort to mitigate these risks, but the collapse in 2008 of the seemingly well-capitalized and established Bear Stearns and Lehman Brothers demonstrates that there are limits to the effectiveness of this approach in avoiding counterparty losses.

## Venture Fund Risks

*Early stage investments.* The Venture Fund will pursue a venture capital strategy and will invest primarily in equity and equity-oriented securities of privately held early and seed property technology (proptech) companies, including real estate technology, construction technology, financial technology, consumer

technology companies and other technology companies related to the built world and related fields. In some cases, the Venture Fund could be among the first sources of professional financing for such companies. These companies typically have limited or no revenues, may not be profitable and may require considerable additional capital to develop products, audiences, technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Furthermore, the products, audiences, technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Typically, although the Venture Fund may be represented by a member of the General Partner on a portfolio company's board of directors, each portfolio company will be managed by its own officers (who generally will not be affiliated with the Venture Fund or the Venture Fund's General Partner). Portfolio companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any stage.

*Reliance on portfolio company management team.* The Venture Fund will generally hold minority equity positions in its portfolio companies, with limited control and information rights. Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the General Partner and the Firm will be responsible for monitoring the performance of each investment by the Venture Fund, and the Venture Fund will seek to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate a portfolio company in accordance with the Venture Fund's plans or policies. The success of each portfolio company depends in substantial part upon the skill and expertise of each portfolio company's management team. Additionally, portfolio companies will need to attract, retain and develop executives and members of their management teams. The market for executive talent is, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, the Venture Fund may be adversely affected thereby. In addition, certain portfolio companies, or employees of portfolio companies, may engage in misconduct or otherwise act or fail to act in a manner that adversely affects such portfolio companies or the Venture Fund, without the knowledge of the General Partner. Instances of fraud, misconduct, and other deceptive or abusive practices committed by the management teams or other employees of portfolio companies in which the Venture Fund has an investment may undermine the General Partner's due diligence, investment monitoring and compliance efforts with respect to such companies. Further, any discovery or allegation of any such deceptive or abusive practices could adversely affect the valuations of the Venture Fund's investments and may contribute to overall market volatility that may negatively impact the Venture Fund's investment portfolio.

*Competition for investments.* The Venture Fund will compete with other entities for the acquisition of investments. Such competition may come from groups such as institutional investors, investment managers, industrial groups, operating companies and merchant banks that have greater resources than the Venture Fund and are owned by large and well-capitalized investors. There may be intense competition for investments of the type in which the Venture Fund intends to invest, and such competition may result in less favorable investment terms than would otherwise be the case. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. It is possible that competition for appropriate investment opportunities may increase, which may also require the Venture Fund to participate in competitive bidding situations, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to the Venture Fund and adversely affecting the terms upon which investments can be made. Participation in competitive bidding situations will also increase the pressure on the Venture Fund with respect to pricing of a transaction. Moreover, the Venture Fund may incur bid, due diligence or other costs on investments which may not be successful. As a result, the Venture Fund may not recover all of its costs, which would adversely affect returns. The Venture Fund may be unable to find a

sufficient number of attractive opportunities to meet its investment objectives. There can, therefore, be no assurance that investments of the Venture Fund will meet all the investment objectives of the Venture Fund, or that the Venture Fund will be able to invest all of its available capital.

*Lack of diversification.* Except as set forth in the **Governing Documents**, the Venture Fund is not subject to any diversification requirements and may invest in a limited number of companies, sectors, countries or regions. To the extent the Venture Fund concentrates its investments in a particular company, sector, country or region, its investments will become more susceptible to fluctuations in value resulting from adverse business or economic conditions affecting that particular company, sector, country or region. As a consequence, the aggregate return of the Venture Fund may be adversely affected by the unfavorable performance of one or a small number of companies, sectors, countries or regions in which the Venture Fund has invested. In certain cases, the Venture Fund may acquire majority or 100% interests in portfolio companies, which could further increase the vulnerability of the Venture Fund's portfolio.

*Legal and regulatory risks in portfolio companies.* Legal and regulatory changes could occur during the term of the Venture Fund. The products and services of portfolio companies and some Venture Fund assets may be subject to extensive and rigorous regulation by United States local, state and federal regulatory authorities and by foreign regulatory bodies. There can be no assurance that products and services developed by the Venture Fund's portfolio companies will ever be approved by such governmental authorities, if such approval is required. There may be instances when the discovery of previously unknown problems with a product, service, manufacturer or facility could result in restrictions on the use or the manufacture of such product or delivery of such service, including costly recalls or even withdrawal of the product or service from the market. Such events, whether voluntarily or mandated by a regulatory authority, typically result in an immediate reduction or discontinuation of revenues from the product or service worldwide. If such an event were to occur, it would likely have a significant and adverse effect on the performance of a particular portfolio company and could have a material adverse effect on the aggregate performance of the Venture Fund.

*Availability of investment capital.* Early-stage investments often require several rounds of capital infusions before the portfolio company reaches full maturity. If an investor does not have funds available to participate in subsequent rounds of financing, that shortfall may have a significant negative impact on both the portfolio company and the face value of the investor's original investment. Although the Venture Fund may reserve sufficient liquidity to allow it to participate in follow-on rounds of financings, the Venture Fund does not intend to provide all necessary follow-on capital required by a portfolio company. Accordingly, third-party sources of financing will likely be required. There is no assurance that such additional sources of financing will be available, or, if available, will be on terms beneficial to the Venture Fund. Furthermore, the Venture Fund's capital is limited and may not be adequate to protect the Venture Fund from dilution in subsequent rounds of portfolio company financing.

*Reserves.* As is customary in the venture capital industry, the General Partner may elect to establish reasonable reserves for follow-on investments by the Venture Fund in portfolio companies, operating expenses, Venture Fund liabilities and other matters. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which directly tie to the success and capital needs of portfolio companies. Inadequate or excessive reserves could impair the investment returns to the Limited Partners. If reserves are inadequate, the Venture Fund may be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or similar terms. If reserves are excessive, the Venture Fund may decline attractive investment opportunities.

*Lack of liquidity within the investment portfolio.* The inherent nature of venture capital investing dictates a significant length of time between the initial investment and realization of gains, if any. Despite some historical examples of accelerated rates of return over a short period of time, venture capital investments, if



successful, typically take five to seven years or more from date of investment to reach a state of maturity where liquidity is possible. The Venture Fund's investment portfolio will consist, to a significant extent, of investments in early or seed stage private companies. The marketability and value of each such investment will depend upon many factors beyond the General Partner's control. Generally, the investments made by the Venture Fund will be illiquid and difficult to value, and there will be little or no collateral to protect an investment once made. At the time of the Venture Fund's investment, a portfolio company may lack one or more key attributes (*e.g.*, proven technology, marketable product, complete management team, or strategic alliances) necessary for success. There may be no readily available market for the Venture Fund's investments, many of which will be difficult to value, and the disposal of a portfolio investment by the Venture Fund may be prohibited or delayed many years from the date of initial investment for legal and/or regulatory reasons. The public market for high technology and other emerging growth companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the Venture Fund to dispose of investments, and the value of investment securities on the date of sale or distribution by the Venture Fund.

*Bridge financings.* From time to time, the Venture Fund may enter into bridge financings with portfolio companies, which will generally be structured on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such bridge financings would typically be convertible into a more permanent, long-term security. However, for reasons not always in the Venture Fund's control, such long-term securities may not be issued and such bridge financings may remain outstanding. In such event, the interest rate on such instruments may not adequately reflect the risk associated with the unsecured position taken by the Venture Fund.

*Risks of certain dispositions.* In connection with the disposition of an investment in a portfolio company or otherwise, the Venture Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the General Partner may establish reserves or escrow accounts. In that regard, under certain circumstances described in the **Governing Documents**, the General Partner may make distributions of cash or securities to the Partners that remain subject to recall for the payment (in whole or in part) of such contingent liabilities. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Venture Fund.

*Non-controlling investments.* The Venture Fund will typically hold non-controlling interests in its portfolio companies and, therefore, may have a limited ability to protect its position in such portfolio companies. As a condition to an investment in a portfolio company, it is expected that appropriate rights generally will be sought to protect the Venture Fund's interests to the extent possible, however, there can be no assurance that such minority shareholder rights will be available. The growth stage portfolio companies targeted by the Venture Fund typically will be at later stages of business maturity than the portfolio companies commonly sought out by early stage venture capital funds, and the Venture Fund's investments may present features that are different from those of typical early stage venture capital financings (including, without limitation, different valuations and risk-return profiles, smaller available ownership percentage amounts, fewer or non-standard investor rights and reduced opportunity to communicate with management), and the Venture Fund may not be able to protect its interests in its portfolio companies to the same extent that early stage venture capital funds have historically done. Furthermore, the Venture Fund will be significantly reliant on the management and boards of directors of such companies, which may include representation of other financial investors with whom the Venture Fund is not affiliated and whose interests may conflict with the interests of the Venture Fund. Co-investments with third parties in portfolio companies may involve risks not present in portfolio investments where a third party is not involved, including the possibility that a third party investor may have financial difficulties resulting in a negative impact on such portfolio investment, may

have economic or business interests or goals which are inconsistent with those of the Venture Fund or may be in a position to take action contrary to the Venture Fund's investment objectives. In addition, the Venture Fund may in certain circumstances be liable for the actions of such third party co-investors.

*Due diligence risks.* Before making investments, the General Partner intends to conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence and making an assessment regarding an investment, the General Partner will rely on resources available to it, including information provided by the target of the investment and, in some circumstances, third party investigations. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third party advisers or consultants may present a number of risks primarily relating to the General Partner's reduced control of the functions that are outsourced. In addition, if the General Partner and/or Firm are unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. Furthermore, the due diligence process may at times be subjective, particularly with respect to newly organized companies for which only limited information is available. Accordingly, there can be no assurance that the due diligence investigation that the General Partner will carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Furthermore, there can be no assurance that such an investigation will result in an investment being successful.

*Expedited transactions.* Investment analyses and decisions by the General Partner may be undertaken on an expedited basis in order for the Venture Fund to take advantage of available investment opportunities. In such cases, the information available to the General Partner at the time of an investment decision may be limited, and the General Partner may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The Venture Fund may conduct its due diligence activities over a very brief period of time and may assume the risks of obtaining certain consents or waivers under contractual obligations. In addition, the General Partner may rely upon independent consultants or advisors in connection with the evaluation of proposed investments. There can be no assurance that these consultants or advisors will accurately evaluate such investments. While the General Partner expects to negotiate purchase price adjustments, termination rights and other protections, such rights may not be available or, if available, the General Partner may elect not to exercise them.

*Valuation of securities.* Different methods of valuing securities may provide materially different results. Actual realized returns on all unrealized investments will depend among other things on the value of the securities at the time of disposition, any related transaction costs and the manner of sale. The Venture Fund's investment program should be evaluated on the basis that there can be no assurance that the General Partner's assessment of the prospects of investments will prove accurate or that the Venture Fund will achieve its investment objectives. Accordingly, the actual realized return on all unrealized investments may differ materially from the values presented to the Limited Partners. In addition, given the complexities involved in valuing Digital Assets (as defined in "Digital Asset investments" below) and the difficulty in confirming ownership of such assets, direct or indirect investments in Digital Assets by the Venture Fund could result in delays in the issuance of financial opinions by the Venture Fund's auditors or the qualification, in whole or in part, of such opinions. Furthermore, the General Partner may not be able to find an audit firm to present an unqualified audit of the Venture Fund's assets, in which case the Limited Partners may need to rely on unaudited financials.

*Investments longer than term.* The Venture Fund may make investments that may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that the Venture Fund will be dissolved, either by expiration of the Venture Fund's term or otherwise. Although the General Partner expects that investments will generally be disposed of prior to dissolution or will be suitable for in-kind distribution at dissolution, the General Partner has a limited ability to extend the term of the Venture Fund,

and the Venture Fund may have to sell, distribute or otherwise dispose of investments or resolve litigation or other contingent liabilities at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of the Venture Fund the General Partner will be required to timely reduce to cash and cash equivalents such assets of the Venture Fund as the General Partner shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the timeframe in which the winding up and the final distribution of proceeds to the Limited Partners will occur.

*Digital Asset investments.* The Venture Fund may acquire in connection with its portfolio instruments, or otherwise invest in, cryptocurrencies, decentralized application tokens, protocol tokens, app coins and other similar digital and cryptofinance instruments and assets, the ownership or transmission of which is recorded or verified by a distributed ledger (including a “blockchain” or directed acyclic graph) or other similar technology, and securities and instruments that are related to, derived from or convertible into or exchangeable for such assets or that represent interests in pools of such assets (collectively, “**Digital Assets**”). Digital Assets are loosely regulated and there is no central marketplace for currency exchange. Supply is determined by a computer code or other action, not by a central actor, and prices have been extremely volatile.

*Emerging technology and malicious actors.* The ownership or transmission of Digital Assets is recorded or verified by a distributed ledger or other similar technology. The marketplace for such Digital Assets is still in its early stages of development, which may increase the risk of loss with respect to investments in Digital Assets in a number of ways. Digital Assets and their functions are generally governed by software run on a network of computers associated with such Digital Assets. Various issues related to such software and such computer networks could result in the diminution in value of Digital Assets, including, without limitation, undiscovered flaws in software, advancement in computing technology and third party attacks on computer networks.

*Digital Asset exchanges.* Digital Asset exchanges and other service providers to the Digital Assets sector are not well developed. Multiple Digital Asset exchanges and parties providing storage solutions for Digital Assets have ceased operation due to fraud, security breaches and governmental decree. The Venture Fund’s investments in Digital Assets may be held by such an exchange or other third party and could be subject to loss if such exchange or other third party were to shut down or suffer a security breach or other negative event.

*Custody of the Venture Fund’s Digital Assets.* The General Partner will be responsible for arranging custody of the Venture Fund’s Digital Assets, including by storage in one or more “cold wallets” and/or on various Digital Asset exchanges. Digital Asset exchanges may require the General Partner to provide control of applicable private keys when such exchanges are utilized by the Venture Fund. The General Partner will take such reasonable steps as it determines are necessary to maintain access to these keys and to prevent their exposure to hacking, malware and general security threats, but there can be no assurance that such steps will be adequate to protect such keys or the Venture Fund’s Digital Assets from such threats or that there will be no failure or penetration of the applicable security systems. There also can be no assurance that, to the extent the Venture Fund utilizes third-party custodial services, such third parties maintain required certifications with the Securities Exchange Commission or other regulatory agencies, the loss of which could cause such custodians to not be deemed qualified custodians by various regulatory agencies. Additionally, as this is an evolving space, it will be difficult to judge best practices among such custodians and there can be no guarantees.

*Risk of loss of private keys.* Various Digital Assets are controllable only by the possessor of unique private keys relating to the addresses in which the Digital Assets are held. The theft, loss or destruction of a private key required to access a Digital Asset is irreversible, and any such private key would not be capable of

being restored by the Venture Fund. Any loss of private keys relating to digital wallets used to store the Venture Fund's Digital Assets could result in the loss of such Digital Assets, and a Limited Partner could incur substantial, or even total, loss of capital invested in Digital Assets.

*Uncertain regulatory environment for Digital Assets.* Digital Assets currently face an uncertain regulatory landscape in the United States and in other jurisdictions. Various jurisdictions may, in the near future, adopt laws, regulations or directives that affect Digital Assets and parties that come into contact with Digital Assets. Such laws, regulations or directives may negatively impact the Venture Fund in a variety of ways, including increasing the compliance burden of the Venture Fund and its related parties or diminishing the value of the Venture Fund's investments in Digital Assets.

*Lack of management rights in Digital Asset investments.* In many cases, the Venture Fund may invest directly in a Digital Asset that lacks the governance aspects that generally pertain to equity securities. For example, a holder of a Digital Asset generally does not have the right to appoint board members or otherwise vote on corporate actions of the entity that has issued the Digital Asset. As a result, the General Partner and the Venture Fund will have limited, if any, ability to influence the actions of the issuer of the Digital Asset and such lack of influence may negatively impact the value of any particular investment.

*Irrevocability of transactions.* Digital Asset transactions are irrevocable and stolen or incorrectly transferred Digital Assets may be irretrievable. As a result, any incorrectly executed Digital Asset transactions could adversely affect the Venture Fund's investment. Digital Asset transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction or, in theory, control or consent of a majority of the aggregate hashrate on the respective Digital Asset network. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of Digital Assets or a theft of Digital Assets generally will not be reversible, and the Venture Fund may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, the Venture Fund's Digital Assets could be transferred from custody accounts in incorrect quantities or to unauthorized third parties. To the extent that the Venture Fund is unable to seek a corrective transaction with such third party or is incapable of identifying the third party that has received the Venture Fund's Digital Assets through error or theft, the Venture Fund will be unable to revert or otherwise recover incorrectly transferred Digital Assets. To the extent that the Venture Fund is unable to seek redress for such error or theft, such loss could impair the value of the Digital Assets held, whether as collateral or otherwise, or adversely affect the Venture Fund's investment.

*Risks of Internet Disruptions.* A disruption of the internet may affect the use of Digital Assets and subsequently the value of the interests in the Venture Fund. Many Digital Assets are dependent upon the internet. A significant disruption in internet connectivity could disrupt a currency's network operations until the disruption is resolved and have an adverse effect on the price of Digital Assets. In particular, some variants of Digital Assets have been subjected to a number of denial-of-service attacks, which have led to temporary delays in block creation and in the transfer of the currency. While in certain cases in response to an attack, an additional "hard fork" has been introduced to increase the cost of certain network functions, the relevant network has continued to be the subject of additional attacks. Moreover, it is possible that as Digital Assets increase in value, they may become more attractive targets for hackers and subject to more frequent hacking and denial-of-service attacks.

*Limited history of Digital Asset companies and Digital Assets.* Due to the limited history of Digital Assets and the companies that issue them ("**Digital Asset Companies**") and the rapidly evolving nature of the Digital Asset industry, it is not possible to know all the risks involved in making an investment in the debt and/or equity of Digital Asset Companies, and new risks may emerge at any time. Digital Asset Companies and Digital Assets have gained commercial acceptance only within the past decade and, as a result, there is

little data on the long-term sustainability of Digital Assets, as well as the business models among Digital Asset Companies that will provide for long-term profitability. Additionally, due to the rapidly evolving nature of the Digital Asset market, including the development of new Digital Assets, advancements in the underlying technology and the emergence of new Digital Asset Companies, it is not possible to predict which Digital Assets the Venture Fund may have economic exposure to in the future or even to fully describe those potential Digital Assets. New Digital Assets or changes to existing Digital Assets may expose Limited Partners to additional risks which are impossible to predict as of the date of this Statement. This uncertainty makes the Venture Fund's investments in this area very risky.

*Risks related to security protocols.* The Venture Fund could experience unforeseen difficulties in operating and maintaining its security procedures or other key elements of its technical infrastructure. Security protocols have been designed specifically to provide security for the Venture Fund's assets and may be expanded, updated and altered from time to time. Any effort to expand, update or alter the security system is likely to be complex, and unanticipated delays in the completion of these projects may lead to unanticipated project costs, operational inefficiencies or vulnerabilities to security breaches. In addition, there may be problems with the design or implementation of certain security protocols or with an expansion or upgrade thereto that are not evident during the testing phases of design and implementation, and that may only become apparent after the Venture Fund has utilized the infrastructure. Any issues relating to the performance and effectiveness of the security procedures used by the Venture Fund, its custodians and security vendors to protect its Digital Assets, such as algorithms, codes, passwords, multiple signature systems, encryption and telephone call-backs, may have an adverse impact on the Venture Fund's investment.

The security procedures implemented by the General Partner, the Firm, the Venture Fund and their custodians and security vendors are technical and complex, and the Venture Fund depends on these security procedures to protect the storage, acceptance and distribution of data relating to Digital Assets and the digital wallets into which the Venture Fund deposits its Digital Assets. These security procedures may not protect against all errors, software flaws or vulnerabilities. Additionally, the Venture Fund will be impacted by failures with the security systems of any of its portfolio companies. Defects in the security procedures may only be discovered after a failure in the custodians' and security vendors' safekeeping and storage of the Venture Fund's Digital Assets. Such custody and security systems may be implemented by the General Partner or the Firm directly as well as by third-party custody providers.

It is not uncommon for businesses in the Digital Asset space to experience large losses due to fraud and breaches of their security systems. For example, in September 2015, the global Bitcoin payment agent, BitPay, lost approximately \$1.8 million of Bitcoins due to a hacker's fraudulent impersonation of BitPay's Chief Financial Officer, or CFO, whereby the hacker was able to access the CFO's email account and successfully request BitPay's custodian to transfer funds. Furthermore, the Venture Fund's private keys required to transfer the Venture Fund's Digital Assets could be stored on systems or vaults located across the world, depending on the practices and procedures of the Venture Fund's custodians or security vendors, which could be subject to (i) hostile regulatory treatment of Digital Assets, (ii) unforeseen social, economic or political unrest and (iii) natural or man-made disaster.

The Venture Fund, the General Partner, the Firm, the custodians, the security vendors and each of their agents will take measures to protect the Venture Fund and its Digital Assets from unauthorized access, damage or theft. However, it is possible that the security procedures in place may not prevent the improper access to, or damage or theft of the Venture Fund's Digital Assets. A security breach could harm the Venture Fund's reputation or result in the loss of some or all of the Venture Fund's Digital Assets. A resulting perception that the security procedures do not adequately protect the Venture Fund's Digital Assets may have an adverse impact on the Venture Fund's investment.

*Risks related to custodians and security vendors.* The Venture Fund may use custodians and/or security vendors to hold custody of some types of Digital Assets or a portion of some types of its Digital Assets. The Venture Fund may have a high concentration of its Digital Assets in one location or with one custodian, which may be prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware, or cyberattacks as described herein. The Venture Fund is not required to maintain the Venture Fund's Digital Assets with a minimum number of custodians. Custodians and security vendors of Digital Assets may have limited liability, impairing the ability of the Venture Fund to recover losses relating to its Digital Assets and any recovery may be limited, even in the event of fraud. In addition, a custodian or security vendor may not be liable for any delay in performance of any of its custodial or security vendor obligations by reason of any cause beyond its reasonable control, including acts of God, war or terrorism, and may not be liable for any system failure or third-party penetration of its systems, unless such system failure or third-party penetration is the result of gross negligence, bad faith or willful misconduct on the part of the custodian or security vendor. Similarly, investors have limited recourse against the General Partner for any losses sustained when such party or its affiliates had custody of any assets. As a result, the recourse of the Venture Fund or the Limited Partners to such custodians or security vendors may be limited. A loss of confidence or breach in the General Partner's security and technology policies may adversely affect the Venture Fund and Limited Partners.

### **General Fund Risks**

*Reliance on Technology; Cybercrime.* The Funds will rely heavily on computer hardware and software, online services, and other computer-related or electronic technology and equipment to facilitate the Funds' investment activities. Should events beyond the Firm's control cause a disruption in the operation of any of that technology or equipment, the Funds may experience losses, liabilities, or other adverse effects. In particular, the Funds are subject to risks associated with a breach in its cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from "hacking" by other computer users, other unauthorized access, and the resulting damage and disruption of hardware and software systems, loss or corruption of data, and misappropriation of confidential information. If a cybersecurity breach occurs, the Funds may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading and investment systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose both the Funds and the Firm to civil liability as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial withdrawals from the Funds. Investors could also be exposed to additional losses as a result of unauthorized use of their personal information.

*Economic and Market Developments.* A Fund's investment results will be sensitive to changes in economic conditions, interest rates, credit availability, and the markets for financial instruments generally. In 2020 and into 2021 the global outbreak of COVID-19 created dramatic economic and social uncertainty and financial-market disruptions throughout the world. 1Sharpe Capital believes further developments in the pandemic, and in governmental and market responses, may create opportunities for investment in credit-related instruments that are not yet predictable.

In 2020 and early 2021, shelter-in-place requirements, quarantines, and travel restrictions were imposed, relaxed, and reimposed. These measures sharply reduced business activity, business income, and employment. The longer-term effects of those and other measures, and the prospect of additional measures in response to potential resurgent outbreaks of COVID-19, may significantly affect business and market activity globally. U.S. and non-U.S. governments and central banks continue to debate stimulus programs intended to mitigate the economic fallout of the pandemic. Governments may intervene in business and financial activities, including through regulations that restrict or compel particular conduct, in

unprecedented ways. Measures intended to provide relief to some economic participants may impose burdens and increase economic strain on others, particularly lenders. Political factors continue to change rapidly.

It is impossible to predict whether any of the fiscal, monetary, and regulatory relief measures will be successful to prevent a broad, deep, and protracted economic downturn, whether some of those measures may create a period of accelerating inflation, and what other unintended effects those measures will have. Central bank monetary intervention may further increase central bank indebtedness and purchases of securities in the global markets, possibly exacerbating volatility of many different types of securities, particularly in less liquid markets.

Such intervention may raise concerns about extreme inflation. The timing, nature, extent, and details of such intervention is likely to continue to vary significantly among countries and possibly among states within the U.S. Intervention may have significantly different effects (both positive and negative) on different types of businesses and economic activity and could increase the volatility of the markets in which the Master Fund invests, or reverse trends or factors that 1Sharpe Capital identifies as creating opportunities. Regulatory intervention could limit or adversely affect the Master Fund's potential to profit from positions it takes.

Developments and disruptions in financial markets could emerge from sources other than COVID-19, including as a result of political or economic developments, such as presidential and congressional elections, or natural disasters (e.g., fire, flood, earthquake, storm, and hurricane). They could occur outside the markets in which the Fund mainly invests yet affect the markets in which the Fund invests. They could affect economic and market factors such as interest rates, the availability of credit, the liquidity of particular types of investments, unemployment, and inflation, and could significantly affect the pricing, liquidity, and prospects of investments the Fund makes, 1Sharpe Capital's ability to assess those attributes, and the Fund's ability to adapt its portfolio and market exposures. Market disruptions could cause the Fund to incur major losses, particularly if they cause pricing relationships 1Sharpe Capital has identified to become materially distorted or cause previously liquid positions to become illiquid.

*Inflationary and Banking Risks.* A Fund's performance may be adversely affected by inflationary conditions in any market in which the Fund operates or in which its investments are located. Deterioration in economic conditions, or a significant rise in inflation, could cause a decrease in the relative value of any fixed income investments (or similar investments with fixed rates of return), and may adversely affect the ability of borrowers to pay their debts or counterparties to satisfy their obligations. This may in turn adversely impact a Fund's business and financial results. If global credit market conditions and the stability of global banks deteriorate, the amount of lending and financing could be reduced, thus reducing the volume of investments available for purchase, which could adversely affect a Fund's business, financial results and ability to succeed in various markets. Other factors associated with the economy that could influence a Fund's performance include the financial stability of the lenders on any bank loans and credit facilities and a Fund's access to capital and credit. Furthermore, inflationary pressures may result in the reduction of the value and relative performance of a Fund's portfolio companies.

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***Item 9: Disciplinary Information***

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There are no material legal or disciplinary events related to the Firm.

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

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### **Item 10.A. and Item 10.B.**

1Sharpe Capital and its management persons are not registered and do not have any application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associate of the foregoing entities.

### **Item 10.C.**

The Firm is affiliated with the General Partners, which are subject to the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) pursuant to the Firm’s registration in accordance with SEC guidance. These affiliated entities operate as a single advisory business together with the Firm and serve as a General Partner of the Funds generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

The potential conflicts that can arise from these immediately above mentioned relationships are mitigated in a number of different ways. Typically, the principals of 1Sharpe Capital control each Fund’s General Partner by way of retaining 100% of the voting interests of the General Partner. The policies and procedures composing the Firm’s compliance program are designed to ensure that no one Client account or Limited Partner is systematically advantaged.

Except as otherwise disclosed in this Brochure, neither 1Sharpe Capital nor any of its management persons has a relationship or arrangement that is material to its advisory business or to its Clients with any related person.

### **Item 10.D.**

1Sharpe Capital does not recommend other investment advisers to its Clients.

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

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### **Item 11.A.**

1Sharpe Capital has adopted a Code of Ethics (the “**Code**”) under Rule 204A-1 of the Advisers Act designed to provide that 1Sharpe Capital employees comply with applicable federal securities laws. The Code addresses, among other things, 1Sharpe Capital’s standard of business conduct, requirements and restrictions relating to personal securities trading, policy regarding political contributions, policy regarding gifts and entertainment and confidentiality. 1Sharpe Capital employees must acknowledge, both initially upon employment and annually thereafter, in writing having received and read a copy of the Code.

The Code requires all employees to report personal securities holdings (initially and annually) and certify quarterly personal trading activity. All investment vehicles are designed to align the interests of Clients (including investors) with those of 1Sharpe Capital, including any of its affiliates, as all investor assets bear the equivalent risk of investing.

The Code is monitored by 1Sharpe Capital’s Chief Compliance Officer and any exceptions to the Code need prior approval by 1Sharpe Capital’s Chief Compliance Officer.



Please refer to the Code for additional information. 1Sharpe Capital's Code of Ethics is available to investors and prospective investors upon request by contacting the Firm's Chief Compliance Officer.

**Items 11.B., 11.C. and 11.D.**

1Sharpe Capital, as a fiduciary to its Clients and endeavoring to be honest and truthful to its Clients at all times, permits investments in the personal accounts of Firm personnel in the same securities, and at or about the same time, that the Firm trades in Client accounts. 1Sharpe Capital is committed to fulfilling its fiduciary duty to its Clients, and acknowledges the conflict of interest that exists with trading personally in the same securities as Clients. As a means of monitoring any related conflict of interest, the Firm has implemented the Code (described above in response to Item 11.A.). The Code requires, among other things, that employees must receive from the Firm's Chief Compliance Officer, or their delegate, affirmative approval of personal trading requests prior to execution of such transactions, and must disclose on an initial and annual basis the holdings of all personal accounts, as well as all account transactions on a quarterly basis.

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***Item 12: Brokerage Practices***

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**Item 12.A.**

1Sharpe Capital has full discretion to determine which investments to purchase and sell on behalf of its Clients. 1Sharpe Capital does not typically engage in general securities trading activities with brokers for the types of investments where traditionally commissions (including mark ups or mark downs) are charged for the execution of Client transactions. However, when closing certain investments, the legal fees and other expenses incurred to consummate transactions may be considered to be conceptually equivalent. All Client accounts share in these costs pro-rata to their amount invested. On a limited basis, if 1Sharpe Capital requires the services of a securities broker-dealer, the Firm will seek to obtain best execution on an overall basis. As necessary and appropriate at the time and if the Firm is advising more than one investment account for its Clients, 1Sharpe Capital will aggregate such of those orders as it deems appropriate and in accordance with the Fund's Governing Documents and in the best interests of the Firm's Clients.

**Item 12.A.1.**

1Sharpe Capital does not make use of soft dollar arrangements (third-party or proprietary).

**Item 12.A.2.**

Not applicable. 1Sharpe Capital does not participate in selecting or recommending broker-dealers in exchange for Client referrals.

**Item 12.A.3.**

Not applicable. 1Sharpe Capital does not permit its Clients to provide a directed brokerage instruction and does not recommend, request nor require Clients to execute transactions through specified broker-dealers.

**Item 12.B.**

When 1Sharpe Capital must execute a transaction on behalf of more than one Client account, it is 1Sharpe Capital's policy to aggregate trades whenever possible to achieve equal pricing across the Client accounts and to reduce transaction costs. 1Sharpe Capital may choose not to aggregate trades in avoidance of a perceived or actual conflict of interest, provided that Clients are treated fairly and equitably over time.

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**Item 13: Review of Accounts**

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**Item 13.A. and 13.B.**

The Funds and their portfolios are reviewed on a regular basis to determine their conformity with their risk parameters, investment objectives, and guidelines. 1Sharpe Capital continuously monitors the portfolio investments of the Funds. 1Sharpe Capital's investment personnel convene regularly to evaluate each position's conformance with the relevant Fund's Governing Documents and any investment limitations, restrictions or risk parameters.

**Item 13.C.**

Investors in the Funds receive reports at least quarterly indicating their capital balances and performance for such a period within 60 days of that period (subject to delay in the event of late receipt by the Funds of any necessary information). Additionally, U.S. investors are generally issued Schedule K-1's after the close of a fiscal year-end. Audited financial statements are generally provided to investors within 120 days of a financial year-end. The reports discussed above are provided in written form.

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**Item 14: Client Referrals and Other Compensation**

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**Item 14.A and B.**

1Sharpe Capital does not receive economic benefits from anyone who is not a Client for providing advisory services. 1Sharpe Capital does not directly or indirectly compensate any third-party for Client referrals.

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**Item 15: Custody**

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Client assets are held at a qualified custodian and not at 1Sharpe Capital. The Firm receives quarterly account statements directly from the Funds' qualified custodian, and 1Sharpe Capital, as investment adviser to the Funds, reviews those statements.

Additionally, to comply with Rule 206(4)-2 under the Advisers Act, 1Sharpe Capital has appointed an independent certified public accounting firm that is both registered with, and subject to regular inspection by, the Public Companies Accounting Oversight Board that distributes audited financial statements to investors of the Funds generally within 120 days of the fiscal year-end. The Funds are audited annually and financial statements of the Funds are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). These reports are in written form and investors should carefully review those statements.

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**Item 16: Investment Discretion**

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1Sharpe Capital has full discretion to manage assets on behalf of the Funds. This authority is granted in accordance with an investment management agreement (“**IMA**”) between 1Sharpe Capital and each of the Funds. Individual investors grant authority to the Funds to enter into an IMA with 1Sharpe Capital by signing a subscription agreement and accepting the terms of each Fund’s applicable Governing Documents.

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**Item 17: Voting Client Securities**

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1Sharpe Capital’s primary business is asset backed loans and mortgage backed securities and investments in private securities and it is not anticipated that 1Sharpe Capital will be in a position to vote a proxy. In the event the Firm receives a proxy as the result of an investment the Firm has made in a Client account, the Chief Compliance Officer shall, with the assistance of counsel, determine the appropriate procedure for voting such proxy on a case-by-case basis and in accordance with any applicable IMA or law (e.g. ERISA). 1Sharpe Capital, as a matter of policy and as a fiduciary to its Clients, is responsible for voting proxies for portfolio securities consistent with the best economic interests of its Clients. Conflicts may arise between the interests of Clients versus the interests of 1Sharpe Capital. In such cases, the Firm will address each such conflict, and endeavor to resolve it in a fair and equitable basis. 1Sharpe Capital will vote all proxies in the best interests of Clients, as determined by the Firm. 1Sharpe Capital will keep record of its proxy voting activity in accordance with the Firm’s recordkeeping policies.

Each investor in the Funds may request information on how 1Sharpe Capital voted with respect to the securities of such Fund and obtain a copy of 1Sharpe Capital’s proxy voting policies and procedures, which are set forth in the Firm’s compliance manual (the “**Compliance Manual**”), by contacting the Chief Compliance Officer.

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**Item 18: Financial Information**

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**Item 18.A.**

1Sharpe Capital does not require nor solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

**Item 18.B.**

1Sharpe Capital is not aware of any condition that impairs its ability to meet its contractual and fiduciary commitments to its Clients.

**Item 18.C.**

The Firm has not been the subject of a bankruptcy petition, past or pending.