

# **CoVenture Management, LLC**

## **Form ADV Part 2A**

### **CoVenture Management, LLC**

437 Madison Avenue, Ste 2001

New York, NY 10022

**March 29, 2024**

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

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

Additional information about CoVenture also is available on the SEC's website at <https://adviserinfo.sec.gov/firm/summary/290314>.

This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

## **Item 2 – Material Changes**

This Brochure, dated March 29, 2024, reflects no material changes from the previously filed Brochure dated December 4, 2023.

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#### **Item 4 – Advisory Business**

CoVenture Management, LLC, a Delaware limited liability company, commenced operations in July 2016. CoVenture is principally owned by CoVenture Holding Company, LLC. CoVenture’s principal place of business is in New York, NY.

CoVenture provides investment advisory services, on a discretionary and a non-discretionary basis, focused on direct credit opportunities and credit-oriented investments in both early and later stage companies, for privately offered pooled investment vehicles, funds-of-one and special purpose vehicles (collectively referred to herein as “Funds” or “Clients”).

As investment manager, CoVenture performs the following advisory services on behalf of the Funds: (i) formulation of a continuing program for the investment of the assets of each Fund in a manner consistent with such Fund's investment objectives, policies and restrictions; (ii) collection and evaluation of such information relating to the economy, industries, businesses, securities markets and securities as it may deem necessary or useful in discharging its responsibilities to manage such investment programs; and (iii) determination of the securities to be purchased, sold, retained, borrowed or lent by the Funds, and the implementation of those decisions, including the selection of entities with or through which such purchases, sales or loans are to be effected.

The investment objectives and strategy of each Fund will be set forth in the governing agreements and/or offering documents for such Fund (collectively, “Governing Documents”). Any restrictions on investments will be contained in each such Fund's Governing Documents.

CoVenture does not participate in any wrap fee programs.

The Firm had approximately \$1,461,651,950 regulatory assets under management, determined as of December 31, 2023.

## **Item 5 – Fees and Compensation**

### **Item 5.A.**

The specific manner in which CoVenture charges fees is established in the relevant governing documents (“Governing Documents”) for such client. CoVenture and/or its affiliates will generally earn the following compensation from the Funds: (1) a management fee (the “Management Fee”) as set forth in the applicable Governing Documents; and (2) performance-based compensation calculated upon a specified percentage of the Client’s return on its invested capital. It is critical that potential investors in Funds refer to the Governing Documents for a complete understanding of how CoVenture is compensated for its advisory services.

The Management Fee will be paid to CoVenture periodically by the applicable Funds in accordance with the terms of their Governing Documents and will be indirectly borne by the investors in such Funds.

### **Funds**

Generally, the Funds pay the Firm a fee for investment management services for each calendar month of between 1.0% and 2.0% per annum of each underlying investor’s capital account, payable at the beginning of each calendar month subject to any capital contributions.

### **Client Expenses**

Funds generally may bear the costs and expenses associated with ongoing operations. The Funds’ ongoing operational costs and expenses consist primarily of costs and expenses incurred by the general partner, managing member or the Firm in connection with investigating investment opportunities for the Funds and reviewing the continuing suitability of the investments in light of any investment objectives (which may include costs and expenses associated with obtaining systems, research and other information designed to facilitate portfolio selection or management

such as statistics, pricing or quotation services and related hardware and software); costs and expenses incurred in connection with the investment and reinvestment of the Funds' assets, including brokerage commissions, pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases and/or research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, any holding or financing subsidiary of a Fund, a Fund's portfolio companies and a Fund's actual and potential investments (including follow-on investments) or seeking to do any of the foregoing, indebtedness of, or guarantees made by, a Fund, the Firm or any "affiliated partner" on behalf of a Fund (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest and fees with respect thereto, or seeking to put in place any such indebtedness or guarantee; financing, commitment, origination and similar activities; broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services, any travel (including, where appropriate as determined by the Firm, air travel, rail, car or ride sharing services, other modes of transportation, meals, lodging and entertainment) and other meals and entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities, clearing and settlement charges, direct operating costs and expenses, including administrative, legal, regulatory, accounting, auditing, record-keeping, tax form preparation, compliance and consulting costs and expenses; insurance costs and expenses; bank service fees; costs and expenses associated with preparing and distributing investor communications; fees and taxes imposed by any federal, state, local or foreign government, governmental agency or regulatory body or self-regulatory organization, including licensing, filing, registration and exemption fees and withholding, transfer and franchise taxes, any cost relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with a Fund and any other costs related to any structuring or

restructuring of Fund and/or its affiliated entities, all costs and expenses associated with operating a feeder fund of Fund, including all expenses associated with its management, operation, winding-up, liquidating and dissolution and with preparing and distributing such feeder fund's financial statements, tax returns and feeder fund limited partner reports, but not including any income-based or similar taxes, fees or other governmental charges levied against such Feeder Fund, the Funds' indemnification obligations under the limited partnership agreement; and extraordinary costs and expenses, if any. A complete list of Client Expenses is discussed in the relevant Fund Governing Documents.

### **Other Fees**

In certain situations, an affiliate of the Firm receives compensation for its services as the deal agent with respect to a loan originated by the Firm and participated out to co-lenders. Under those agreements, the affiliate receives a deal agent fee of approximately 2-3% for managing the transaction.

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

In addition to the compensation discussed in Item 5 – Fees and Compensation, CoVenture and/or its affiliates, may be eligible to receive performance-based compensation from certain Funds. As a result, CoVenture understands that there exist certain potential conflicts of interest associated with the presence of performance-based fees. Such a fee may create an incentive for CoVenture to cause the Funds to make investments that are riskier or more speculative than would be the case if there were no performance-based fees. However, this risk is mitigated to some extent due to the following: (1) in the case of Funds that invest in more than one asset, the payment of performance-based compensation will generally be based on the success of all investments made by the Fund and not any single investment, and, therefore, would be affected by any single unsuccessful investment; and (2) some of the Funds' Governing Documents provide that the performance-based

compensation paid to the Firm or affiliate may be required to be returned to the applicable Fund if (i) such Fund has not received its preferred return as of the date of the completion of the liquidation and winding down of the applicable Fund and/or (ii) CoVenture or its affiliate will repay any amount that exceeds the performance-based compensation specified in the Funds' Governing Documents (in some cases, net of taxes).

CoVenture advises each of the Funds in accordance with its investment strategy and guidelines as set forth in each Fund's Governing Documents so that underlying investors are aware of the applicable strategy, restrictions and risks.

Performance-based compensation, payable by a Fund to the Firm or its affiliate, may come in the form of carried interest, a performance allocation or performance fee, which will be paid in accordance with the Governing Documents and consistent with Section 205(3) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), or Rule 205-3 thereunder.

Potential conflicts of interest are expected to arise when and to the extent a Fund makes an investment in a portfolio company in which an investment is made by another Fund sponsored by the Firm or an affiliate of the Firm. For instance, one Fund may not invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as another Fund or an affiliate. This likely will result in differences in price, investment terms, leverage and associated costs between one Fund and any other Fund sponsored by the Firm or an affiliate. Where one Fund and another Fund or an affiliate invest in the same company at different times, the first party to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than the later party. Similarly, to the extent a transaction does not proceed, the first party to invest typically will bear the full amount of broken deal expenses relating to the transaction, regardless of whether other Funds or affiliates could or would have invested in the company in potential future transactions. The Firm and its affiliates may from time to time express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the Funds or affiliates will exit the investment at the same time or on the same terms, and there can be no assurance that a Fund's return on such an investment will be the



same as the returns achieved by any other Fund or an affiliate participating in the transactions. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to all Funds. In that regard, actions taken for one or more other Funds, or by an affiliate of the Firm, may adversely affect the other Funds.

Such conflicts would be exacerbated when one Fund and another Fund or other vehicles sponsored by an affiliate of the Firm invest in different levels of the capital structure of the applicable portfolio company. For example, the Fund may hold senior equity and junior debt securities of a portfolio company while another affiliated fund holds more junior securities of the same portfolio company. Questions may arise subsequently as to whether payment obligations and covenants, if present, should be enforced, modified or waived, or whether senior equity and junior debt securities should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly with respect to a Fund and other affiliated funds that may have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally would supply such additional capital in such amounts, if any, as determined by the applicable Fund manager in its sole discretion. Because of the different legal rights associated with different tranches of the capital structure of the same portfolio company, the Firm and the applicable Fund managers would face a conflicts of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus the other affiliated Funds (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If one Fund enters into any indebtedness with another affiliated Fund on a joint and several basis, the Firm may enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement.

## **Item 7 – Types of Clients**

The Firm’s clients currently consist only of the Funds.

The Funds offer interests only to certain qualified investors. Admission to the Funds is not open to the general public and Funds are expected to consist primarily of family offices, high net worth individuals, and institutions. Investors in the Funds are limited only to qualified investors who are “accredited investors” under Rule 501 of Regulation D of the Securities Act of 1933, as amended, and, depending on each Fund’s Governing Documents, either “qualified purchasers” as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended, or “qualified clients” as such term is defined in the regulations of the Advisers Act.

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

*The investment approaches and material risks described below for each investment strategy are not comprehensive. A particular investment strategy may involve additional investment selection criteria and be subject to additional risks not described below. The descriptions set forth in this brochure of specific advisory services that CoVenture offers to its Funds, and investment strategies pursued and investments made by CoVenture on behalf of its Funds, should not be understood to limit in any way CoVenture’s investment activities. CoVenture may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that CoVenture considers appropriate, subject to each Fund’s investment objectives and guidelines. Each Fund’s investment strategy is set forth in its respective Governing Documents.*

### **Investment Strategies**

CoVenture strategies primarily focus on providing financing to underlying lending companies. The Funds may invest in transactions that are typically structured in the form of an asset backed

lending facility that is bankruptcy remote. Some of CoVenture's Funds also focus on investments that combine varying elements of debt and equity features, like (but not limited to) preferred equity and convertible notes.

Additionally, certain fund strategies engage in the business of making investments in credit opportunities originated by third-party seller aggregators operating within the e-commerce ecosystem.

The strategies primarily aim to fund loans originated by underlying lending companies that have low default rates, and are offering rates to borrowers that are below market – due to the unique underwriting capability of the originators. Additionally, the Funds may lend to or invest in a variety of business types and sectors, and generally seek opportunities which CoVenture believes have strong management teams, robust collateral protections and, to the extent possible, are supported by rich data sets.

### **Risk Factors**

Investments in the Funds are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment. There can be no assurance that the investment objectives of any Fund will be achieved. An investment in a Fund should be made only after consulting with independent, qualified sources of investment, legal, tax, accounting and other advice.

The following risk factors do not purport to be a complete list or explanation of the risks involved in investments managed by CoVenture. These risk factors include only those risks that CoVenture believes to be material, significant or unusual and relate to particularly significant investment strategies or methods of analysis currently employed by the Firm. The associated risks for each Fund are described in such Fund's Governing Documents. Each investor or prospective investor should carefully review and consider the terms and conditions contained in the private offering memorandum or relevant Governing Documents.

**Risks Associated with Active Management.** The success of a Fund's account that is actively managed depends upon the investment skills and analytical abilities of the Firm to develop and effectively implement strategies that achieve the Fund's investment objective. Subjective decisions made by the Firm may cause a Fund's portfolio to incur losses or to miss profit opportunities on which it may otherwise have capitalized.

**Key Man Risk.** Key individuals responsible for investment decisions at the Firm may become incapacitated or unable to perform their duties.

**No Public Market.** There is no public market for the interests in the Fund, and they are therefore less liquid than publicly traded securities.

**Risk of Loss.** An investor could incur substantial, or even total, losses on an investment in the Fund. Investments are only suitable for persons willing to accept this high level of risk.

**Risks of Investments Generally.** All investments risk the loss of capital. No guarantee or representation is made that investment program will be successful. Certain investment techniques can, in certain circumstances, substantially increase the impact of adverse market movements to which the Fund may be subject. In addition, investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where assets are invested. The Firm's methods of minimizing such risks may not accurately predict future risk exposures. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

**Cybersecurity Risk.** The information and technology systems of the Firm and of key service providers to the Firm and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. For instance, cyber-attacks may interfere with the processing or execution of the Firm's transactions, cause the release of confidential information, including private information about clients, subject

the Firm or its affiliates to regulatory fines or financial losses, or cause reputational damage. Additionally, cyber-attacks or security breaches (e.g., hacking or the unlawful withdrawal or transfer of funds), affecting any of the Firm's key service providers, may cause significant harm to the Firm, including the loss of capital. Similar types of cybersecurity risks are also present for issuers of securities in which the Firm may invest. These risks could result in material adverse consequences for such issuers, and may cause the Firm's investments in such issuers to lose value. Although the Firm has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Firm to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Firm or its client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information, which may result in identity theft.

**Risk Management Failures.** Although the Firm attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Firm, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of clients may be incomplete or altogether ineffective. Similarly, the Firm may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to clients.

**Valuation of Portfolio Holdings.** There are various conflicts of interest in connection with the valuation of client assets, in particular, higher valuations of client assets may result in increased asset-based and performance-based fees, and in some cases, increased compensation for personnel. In addition, inflated valuations may result in better performance which may assist in marketing for the Firm. Conflicts of interest may be heightened in the case of assets that do not have readily

ascertainable market values. To address these conflicts, the Firm has adopted and implemented policies and procedures for the valuation of client securities, including the formation of a valuation committee to oversee the valuation process. The valuation committee shares the minutes from its meetings (along with all memos and any other support for valuation adjustments) with the fund administrator. Additionally, CoVenture engages a third-party valuation firm to perform a valuation analysis on one or more investments on a quarterly, semi-annual or annual basis depending on the nature and complexity of such investments.

**Concentration of Investments; Dependence on Originators.** A substantial portion of certain Funds' capital will be deployed for the purpose of supplying credit facilities. Such lack of diversification could magnify potential losses. Therefore, such Funds are dependent upon the success of originators and their ability to manage their debt and other financing obligations. Financial difficulty on the part of an originator would expose the relevant Fund to a greater risk of loss than would be the case if it were a "diversified company" holding a significant number of different types of investments.

**Lender Liability Considerations; Equitable Subordination.** A number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Although the Firm does not intend to engage in conduct that it expects would form the basis for a successful cause of action based upon lender liability, the potential for such a cause of action exists. The preceding discussion is based upon principles of United States federal and state laws. Insofar as subsidiaries of a Fund or investments are formed under the laws of foreign jurisdictions, the laws of such foreign jurisdictions may impose liability upon lenders or bondholders under factual circumstances similar

to those described above, with consequences that may or may not be analogous to those described above under United States federal and state laws. In the event that a Fund operates as a “venture capital operating company” (“VCOC”) and is required to exercise its management rights, the risk of liability under one or more of the foregoing causes of action may be increased. Any such claim, if determined adversely to a Fund, could have a material adverse effect on that Fund’s returns to its investors.

**Inability to Forecast Collections.** The inability to accurately forecast and estimate the amount and timing of future collections on loans by the Fund could have a material adverse effect on returns. There can be no assurance that forecasts will be accurate or that loan portfolio performance will be as expected. In periods with changing economic conditions, accurately forecasting performance is more difficult.

**Special Asset and Side Pocket Investments.** Capital invested in assets that the Firm designates as “special assets” or “side pocket investments” generally are not available for withdrawal until the respective special assets or side pocket investment is liquidated. An investor in the relevant Fund will be required to continue to participate in the special asset and side pocket investments irrespective of whether such investor has otherwise withdrawn from that Fund, and the Fund may be required to hold the applicable special asset or side pocket investments for several years, if not longer. Additionally, the Firm may designate a new special asset or side pocket investment after an investor has submitted a withdrawal request, but before the withdrawal date relating to such withdrawal request, which may reduce such withdrawing investor’s withdrawal proceeds if there is insufficient cash available to pay such withdrawal proceeds. Furthermore, although investors admitted to a Fund at a time when it already holds special asset or side pocket investments will generally not participate in such special asset and side pocket investments, because special asset and side pocket investments are part of that Fund’s portfolio, the Fund is subject to the risk that its jurisdiction of organization does not protect against creditors (including creditors relating primarily or solely to Special Asset or Side Pocket Investments) reaching all of the assets in that

Fund (i.e., both special asset and side pocket investments and non-special asset and non-side pocket investments) to satisfy any liability of the Fund.

**Investment in Junior Securities.** Certain Funds expect to invest in equity securities and junior debt that may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. With respect to such investments, there generally will be no collateral to protect the such Fund's investment once made.

**Cross Collateralization.** Certain Funds may engage in financings where several investments are cross collateralized, thereby subjecting multiple investments to the risk of loss. As a result, those Funds have the potential to lose their interests in performing investments in the event such investments are cross collateralized with poorly performing or non-performing investments.

**Nature of Investment in First Lien Senior Loans.** The assets of certain Funds' portfolios may include first lien senior secured debt, including term loans and may pay interest at a fixed or floating rate. Some of the senior secured loans acquired by a Fund may be rated below investment grade or may not be rated by a credit rating agency. Senior secured loans with no or low credit ratings may be more illiquid than other debt instruments; there can be no assurance that levels of supply and demand in senior secured loan trading will provide an adequate degree of liquidity.

Some first lien loans may not necessarily have priority over all other debt of an issuer. Issuers of first lien loans may have two tranches of first lien debt outstanding, each with first liens on separate collateral. Furthermore, any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. In the event of a chapter 11 filing by an issuer, title 11 of the United States Code (11 U.S.C. §§ 101 - 1532) authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a priority lien on the issuer's property, senior even to liens that were first in priority prior to the bankruptcy filing. The imposition of prior liens on a Fund's collateral would adversely affect the priority of the liens and claims held by that Fund and could adversely affect such Fund's recovery on its investments.



It is common for first lien debt to be repaid prior to its maturity; thus, the actual duration of such investments is typically shorter than their stated final maturity calculated solely on the basis of the stated life and repayment schedule. Consequently, the timing of prepayments cannot be predicted with any accuracy.

**Nature of Investment in Second Lien Senior Loans.** The assets of certain Funds' portfolios may include second lien senior secured debt, including term loans, which may pay interest at a fixed or floating rate. Investments in second lien senior loans may be unsecured and will rank behind the issuer's secured indebtedness, including first lien senior loans.

Second lien loans are subject to the same risks associated with loans in general described above under "Nature of Investment in First Lien Senior Loans." Second lien senior loans are also expected to be a more illiquid investment than senior secured loans for such reason. There also is less likelihood that a Fund will be able to sell participations in or assignments of second lien loans that it acquires, which would expose the Partnership to increased risk.

**Nature of Mezzanine and Other Subordinated Investments.** Certain of the Funds' investments may consist of loans, securities and/or other instruments, or interests in pools of securities and/or other instruments that are subordinated or may be subordinated in right of payment and ranked junior to other securities and/or instruments issued by, or loans made to, obligors. Although subordinated debt is senior to common stock and other equity securities in the capital structure, it may be subordinated to large amounts of senior debt and are often unsecured. In addition, the ability of the subordinated debt holders to influence a company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. Accordingly, a Fund may not be able to take the steps necessary to protect its investments in a timely manner or at all. Subordinated debt investments may increase a Fund's exposure to adverse economic factors such as significantly rising interest rates, severe downturns in the economy or deterioration in the condition of the portfolio investment. In the event that any portfolio investment on a mezzanine loan or other subordinated debt investment is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness, the

value of a Fund's investment in such loan could be significantly reduced or even eliminated. If a portfolio investment becomes subject to insolvency proceedings in any jurisdiction, the rights of holders of mezzanine and subordinated debt may be adversely affected. Such proceedings and related laws and remedies may vary substantially from jurisdiction to jurisdiction, may create the right of such portfolio investment to avoid certain unfavorable contracts or obligations and may result in significant delay and/or limitations on repayment of amounts owed to a Fund.

**Nature of Investment in Unitranche Debt.** A Fund may invest in unitranche debt, which is an instrument that combines senior secured debt and subordinated debt into a single debt instrument. Unitranche loans are subject to similar risks associated with loans in general described above under "Nature of Investment in First Lien Senior Loans," "Nature of Investment in Second Lien Senior Loans," and "Nature of Mezzanine and Other Subordinated Investments." In addition, because unitranche loans are a newer form of debt instrument and they have not been fully evaluated through a credit cycle, they may subject a Fund to risks that cannot be fully identified at this time. In particular, in a bankruptcy proceeding involving a unitranche loan, there is a risk that the entire unitranche loan will be viewed as a single secured claim. If the collateral is insufficient to secure the entire unitranche loan, it may be deemed as an unsecured claim in its entirety. The untested nature of unitranche loan arrangements also exposes a Fund to a heightened risk of litigation among the lender group in the event of bankruptcy.

**Effects of Health Crises and Other Catastrophic Events.** Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on clients' investments and the Firm's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and

valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

**Bankruptcy.** If a borrower were to file a petition for bankruptcy, either voluntarily or involuntarily, the right of the Fund to repossess or dispose of the collateral under a loan agreement may be significantly impaired. Under U.S. federal bankruptcy law, a secured creditor is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from a debtor, without bankruptcy court approval. Moreover, U.S. federal bankruptcy law permits a debtor to continue to retain and to use collateral, and the proceeds, products, rents, or profits of the collateral, even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given “adequate protection.” The meaning of the term “adequate protection” varies according to circumstance, but in general the doctrine of adequate protection requires a troubled debtor to protect the value of a secured creditor's interest in the collateral, through cash payments, the granting of an additional security interest or otherwise, if and at such time as the court in its discretion may determine during the pendency of the bankruptcy case. In view of the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments could be delayed following commencement of a bankruptcy case, whether or when the Fund could repossess or dispose of the collateral, or whether or to what extent the Fund would be compensated for any delay in payment or loss of value of the collateral through the requirements of adequate protection. Furthermore, in the event the bankruptcy court determines that the value of the collateral is not sufficient to repay all amounts due under the loan agreement, the Fund would have unsecured claims for the balance of the principal under the Loan Agreement.

**Security Interest.** The obligations of a borrower company under a loan agreement may be secured by a first priority perfected security interest in all assets of the borrower company, including without limitation, the receivables relating to a receivables purchase agreement. There is a risk that the collateral securing a loan agreement may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based on the success

of the borrower company and market conditions. In some circumstances, the Fund's liens on the collateral could be subordinated to claims of other creditors. In addition, deterioration in a borrower company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral.

**Volatility Risk.** Volatility in the global financial markets, together with heightened and prolonged declines in those markets, could lead to losses and diminished investment opportunities for a Fund, prevent the Fund from successfully executing its investment strategy, or require the Fund to dispose of investments at a loss.

**Origination.** The success of certain underlying investment targets, and ultimately a Fund's investment strategy, depends heavily on the ability of such underlying investment targets to originate loan opportunities with customers. Customer acquisition is very time and personnel intensive. The availability of customers generally will be subject to market conditions. There can be no assurance that such underlying investment targets will be able to originate a sufficient number of such loan opportunities, and an inability to do so could have a material adverse effect on a Fund.

**Risks Relating to Due Diligence of Investments.** When conducting due diligence and making an assessment regarding the investments, the Firm will rely on the resources available to it. The due diligence investigation that the Firm carries out may not be accurate and may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating each investment opportunity. Moreover, such an investigation will not necessarily result in any particular investment being successful. The Firm will rely upon the accuracy and completeness of representations made to it in the due diligence process to the extent reasonable, but cannot guarantee such accuracy or completeness.

**Affiliated Investment Vehicles.** CoVenture, as investment manager to a fund, may seek to achieve its investment objective by investing in other investment vehicles managed or advised by CoVenture or an affiliate. This investment strategy may present circumstances in which the Fund

would be presented with opportunities to make investments or follow-on investments, which are otherwise not advisable or which the Fund would not otherwise make, in order to continue the Fund's investment strategy with respect to such affiliated investment vehicles. In such circumstances, the Fund may face a conflict of interest in the course of implementing its investment strategy.

**Litigation Risk.** The Funds may be subject to a variety of litigation risks, particularly if they face financial or other difficulties during their respective terms. Legal disputes involving a Fund, the CoVenture affiliate that manages it, CoVenture or their respective affiliates may arise from the foregoing investment activities and any other activities relating to the operation of such Fund.

**Legal and Regulatory Environment for Private Investment Funds and their Investment Managers.** Increased regulation and regulatory oversight of private investment funds and their investment managers may impose administrative burdens on the Investment Manager, including, without limitation, responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert the Investment Manager's time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof). Regulatory inquiries often are confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

Additionally, the legal and regulatory environment worldwide for private investment funds (such as the Clients) and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of any Client to pursue their investment program and the value of investments held by such Client. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of each Client to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on such Client and the investors' investments therein. In addition, the Firm may, in its sole discretion, cause a Client

to be subject to certain laws and regulations if it believes that an investment or business activity is in such Client's interest, even if such laws and regulations may have a detrimental effect on one or more investor.

**Reliance on Regulatory Exemptions.** CoVenture typically relies on certain exemptions, exclusions and "safe harbors" ("Safe Harbors") from having to comply with additional regulatory requirements with respect to its Funds and the offering of their interests ("Interests"). A Fund and its offering, as applicable, usually need to meet initial requirements in order to take advantage of such Safe Harbors, and must generally also continue to meet ongoing requirements in order to maintain compliance with such Safe Harbors. If it is determined that a Fund or an offering did not meet any initial requirements, or either a Fund and/or such offering fail to meet ongoing requirements, this could result in potential legal and/or regulatory consequences to CoVenture or its affiliates or the relevant Fund and increased penalties or compliance costs to that Fund. Failure to meet the requirements for a Safe Harbor could also result in a change in the nature of a Fund investor's investment in such Fund.

**Russia-Ukraine Conflict.** The Russian invasion of Ukraine that commenced in February 2022 has resulted in complex, evolving and systemic economic effects that may influence financial benchmarks key to asset pricing, interest rates and lending availability, as well as financial and physical market liquidity, and the price and availability of essential commodities, in an unpredictable fashion for an uncertain duration. Acute effects to particular commodity and foreign securities markets are possible. Russia and Ukraine are major participants in certain commodities sectors, such as for agricultural (e.g., wheat) and energy (e.g., oil and natural gas) products. Furthermore, this conflict has also resulted in swift multilateral sanctions targeting Russia's financial sector and access to capital markets with designations of dozens of individuals and entities, including the Russian Central Bank, several large publicly-traded Russian banks and companies, Russia's sovereign wealth funds, and Russian oligarchs and other members of the Russian elite, including Russian Federation President Vladimir Putin. The sanctions imposed are complex and the prohibitions apply to various types of debt and equity transactions involving

sanctioned persons, including bonds, loans, loan guarantees, extensions of credit, letters of credit, stocks, share issuances, and depository receipts, among others. For example, U.S. persons have been, and in the future may continue to be, prohibited from transacting, financing or otherwise dealing in certain new debt and equity of certain financial institutions and companies critical to the Russian economy. In addition, certain imports, exports, the transfer of US dollar banknotes to Russia, and new investments involving the Russian energy sector have been, and in the future may continue to be, prohibited.

The unpredictable and evolving economic effects resulting from the Russia-Ukrainian conflict and the regulations, orders, and sanctions adopted by governments in response to this conflict may affect the value of a Client's investments or a Client's ability to acquire or dispose of such investments in an efficient manner. These factors may have negative consequences for the valuation of a Client's portfolio that the Firm may be unable to anticipate or hedge against.

#### **Item 9 – Disciplinary Information**

CoVenture does not have any material legal or disciplinary events to disclose with respect to itself or its employees.

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

Management and employees of CoVenture plan to dedicate substantially all of their professional efforts to CoVenture and its affiliates, and currently have no significant outside business interests. From time to time, certain employees of CoVenture may serve as board members in connection with underlying investments or otherwise. Prior to engaging in any outside business activities, employees will be required to pre-clear such activities with CoVenture's chief compliance officer ("Chief Compliance Officer") and chief executive officer.

Each of the limited partnerships or private funds for which CoVenture serves as general partner or investment manager has and/or may in the future enter into agreements, or “side letters,” with certain prospective or existing limited partners whereby such limited partners including such persons that may be affiliated with CoVenture or its related persons may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for a partnership or fund. For example, such terms and conditions may provide for special rights to make future investments in the partnership, other investment vehicles or managed accounts; special redemption rights, including those relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the limited partner or shareholder and/or other terms; rights to receive reports from the partnership on a more frequent basis or that include information not provided to other limited partners (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the partnership or fund and such limited partners. The modifications are solely at the discretion of the partnership or fund and may, among other things, be based on the size of the limited partner’s investment in the partnership or fund or affiliated investment entity, an agreement by a limited partner to maintain such investment in the partnership or fund for a significant period of time, or other similar commitment by a limited partner to the partnership or fund.

*Other Affiliated Entities and Strategic Partnerships*

- **CV-19 Venture Manager LLC (“CV 19”).** CV19 Venture Manager LLC is a small VC investment advisor (<\$20M committed capital) under common control with CoVenture Management. CV 19 is not actively raising assets or making new investments and has no plans to do so in the future.
- **Crossbeam Venture Partners, LLC (“Crossbeam”).** Crossbeam Venture Partners, LLC is a joint venture between CoVenture Holding Company, LLC and Moelis Asset Management LP, and is focused on venture capital equity investments primarily in “start-up” companies that operate in “fintech,” financing businesses, platform economy companies or that Crossbeam believes are novel asset classes or new internet economies.



The Firm and Crossbeam currently share office-space in accordance with the Firm's shared office-space policies and procedures. The Firm's managing member, Ali Hamed, is also a member of Crossbeam's investment committee.

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

CoVenture has adopted a Code of Ethics (the "Code") that obligates CoVenture and its employees to put the interests of Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients.

All CoVenture personnel are also required to comply with applicable federal securities laws. CoVenture and its related persons do not recommend to Funds, or buy or sell for Fund accounts, securities in which CoVenture or its related persons have a material financial interest unless CoVenture has obtained the requisite consent, from underlying investors or as required under the Governing Documents for the applicable Fund.

Subject to certain exceptions, trades made by employees are reviewed by the Chief Compliance Officer. CoVenture requires its employees to pre-clear transactions in their personal accounts with the Chief Compliance Officer who may deny permission to execute the transaction if such transaction is believed to have an adverse economic impact on one of its clients. Any approval will remain in effect for two business days. In addition, the Code prohibits CoVenture or its employees from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer.

No employee may acquire new issues or securities in a limited offering without first obtaining pre-clearance and approval from the Chief Compliance Officer.

All CoVenture's employees are required to disclose their securities transactions, if any, on a quarterly basis and their holdings upon commencement of employment with CoVenture and on an annual basis thereafter. All CoVenture's employees are also required to provide brokerage statements quarterly and an annual certification of transactions. Trading in employees' accounts will be reviewed by the Chief Compliance Officer and compared against the restricted securities list.

The Code of Ethics also sets forth CoVenture policy with respect to insider trading by providing (i) a detailed explanation of the rules and regulations that govern insider trading; and (ii) policies and procedures that should be carried out by CoVenture employees in the event that there is any question as to the applicability of the insider trading rules.

A copy of CoVenture's Code of Ethics is available to clients or investors and prospective clients or investors upon their individual request.

CoVenture is also committed to maintaining the confidentiality, integrity, and security of its investors' personal information. It is CoVenture's policy to collect only information necessary or relevant to its management business and to use only legitimate means to collect such information. CoVenture does not disclose any non-public, personal information about investors to anyone except for servicing and processing transactions or without a given investor's prior consent, and in all cases subject to and as required by law. CoVenture restricts access to non-public, personal information about its investors to those employees with a legitimate business need for the information. CoVenture maintains physical, electronic, and procedural safeguards to guard each investor's non-public, personal information.

CoVenture or its related persons may act as a general partner in a partnership in which the Firm may invest client assets in one or more unregistered pooled investment vehicles for which the CoVenture acts as investment adviser. This practice creates a conflict of interest because the Firm or related person may have an incentive to invest client assets based on its own financial interests, rather than solely the interests of a client.

In addition, the investment of client assets in one or more unregistered pooled investment vehicles for which the Firm acts as investment adviser could result in layering of fees for clients, who would typically be subject to fees imposed at the client account level and pooled investment vehicle level. The Adviser addresses these conflicts of interest by waiving investment advisory and performance fees associated with the underlying investment to avoid duplicative fees and by adopting the policies and procedures to ensure that the decision to invest client assets into the investment company is made on an independent basis and pursuant to the client's investment objectives and guidelines.

In addition, the Firm or its related persons invests in the same securities that the Firm or a related person recommends to Clients. The Firm or its related persons may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by the Firm on behalf of its Clients with respect to that same security. Such practices present a conflict when, because of the information the Firm has, the Firm or its related persons are in a position to trade in a manner that could adversely affect the Firm's Clients (e.g., place their own investments before or after Client investments are executed in order to benefit from any price movements due to the Clients' trades). In addition to affecting the Firm's or its related person's objectivity, these practices by the Firm or its related persons may also harm Clients by adversely affecting the price at which the clients' trades are executed.

## **Item 12 – Brokerage Practices**

Currently, CoVenture's Funds make investments that are privately placed without the use of a broker-dealer. In the event CoVenture requires the services of a broker-dealer to make investments that are traded on a public exchange, it will adopt policies and procedures designed to obtain best execution.

The Firm currently does not receive research and /or other soft dollar benefits from broker-dealers. The Firm does not recommend, request or require that a client direct the Firm to execute transactions through a specified broker-dealer.

### **Item 13 – Review of Accounts**

The Funds are continuously reviewed to ensure conformity with their investment objectives, the suitability of the investments used to meet policy objectives, cash availability, and risk parameters. CoVenture investment personnel periodically meet to evaluate each Fund's investment performance, the portfolio's sensitivity to market changes, and whether anything has changed after an initial investment decision that impacts the risk or potential return. Additionally, a review of a Fund account may be triggered by any unusual activity or special circumstances.

CoVenture will provide investors with statements regarding their investment as well as estimates of the Fund's performance and other information pursuant to its obligations under the relevant Fund's Governing Documents.

Underlying investors also receive annual financial statements audited by a third-party independent auditor to the Funds and, if applicable, the information necessary for an underlying investor to complete its annual federal income tax returns.

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

CoVenture does not receive economic benefits from non-clients for providing investment advice or other advisory services.

For certain Funds, CoVenture may enter into compensation arrangements with placement agents for introducing potential investors to the Fund. In such instances, CoVenture will comply with the

requirements of Section 206(4)-2 of the U.S Investment Advisers Act of 1940 in the event that cash compensation is made for client solicitations.

## **Item 15 – Custody**

CoVenture is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client’s account or otherwise withdrawing funds from a client’s account. Where applicable, account statements related to clients are sent by qualified custodians to the Investment Adviser.

The Firm is subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called “Pooled Vehicle Annual Audit Exception”, which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

Certain assets of the Funds are considered privately offered securities and are exempt from the requirement to be held by a qualified custodian where (1) the assets are acquired from the issuer in a transaction or chain of transactions not involving any public offering; (2) the assets are uncertificated, and ownership thereof is recorded only on the books of the issuer in the name of the client; and (3) the assets are transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer.

## **Item 16 – Investment Discretion**

CoVenture generally expects to provide its investment advisory services on a discretionary and, in limited circumstances, non-discretionary basis. CoVenture's authority will be established by the Governing Documents of each Client at the outset of the advisory relationship. Underlying investors may not place limits on CoVenture's investment authority with respect to a Fund beyond the agreed-upon limitations set forth in the Governing Documents for such Client. When selecting and determining amounts for investments, CoVenture observes the investment policies, limitations and restrictions of the Clients which it advises.

CoVenture's investment decisions and advice with respect to its Funds are subject to each Client's investment objectives and guidelines, as set forth in its Governing Documents.

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

CoVenture has adopted voting procedures pursuant to Rule 206(4)-6 of the Advisers Act designed to ensure that proxies are voted in the client's best interest, absent their specific voting guidelines. In the event CoVenture becomes aware of a material conflict of interest in connection with a vote, CoVenture will determine whether voting in accordance with CoVenture's voting procedures is in the best interests of the respective clients and whether it is appropriate to disclose the conflict to the affected clients. In all cases, proxies are voted in a manner consistent with CoVenture's fiduciary duties.

Investors may obtain a copy of the Firm's Proxy voting policies and proxy voting record upon request.

#### **Item 18 – Financial Information**

CoVenture does not require or solicit prepayment of any fees six months or more in advance and does not have any financial condition that would impair its ability to meet contractual commitments to its Funds.