

## **Item 1: Cover Page**

### **Goldfinch Partners LLC**

**1133 McGilvra Blvd E  
Seattle, WA 98112**

**September 2019**

Form ADV, Part 2A (the “Brochure”) provides information about the qualifications and business practices of Goldfinch Partners LLC and its affiliates (collectively “Goldfinch” or “Adviser”). For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting [www.sec.gov/rules/final/2010/ia3060.pdf](http://www.sec.gov/rules/final/2010/ia3060.pdf). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, William McNichols at (206) 321- 0332, or [bill@goldfinchpartners.com](mailto:bill@goldfinchpartners.com).

Additional information about Goldfinch is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Goldfinch is registered as an investment adviser with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2: Material Changes**

Goldfinch filed its initial application to register as an investment adviser with the Securities and Exchange Commission on September 17, 2019. This is the first Brochure compiled by Goldfinch to provide Clients with clearly written and meaningful disclosures of its business practices, conflicts of interest, and the background of its advisory personnel. All recipients of this Brochure are encouraged to read it carefully in its entirety.

In this Item, Goldfinch will periodically identify and discuss material updates to the Brochure. This is intended to inform current and prospective Clients of important developments that may take place in Goldfinch's business practices.

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## **Item 4: Advisory Business**

### **A. Description of Advisory Firm**

Goldfinch Partners LLC (“Goldfinch”) is an investment advisory firm organized as a limited liability company under the laws of the State of Delaware. William McNichols and Sean Collins are the principal owners of Goldfinch, founded Goldfinch on July 13, 2018, and intend to commence advisory services once its registration is declared effective.

Goldfinch will initially provide investment advisory services to private funds and may sponsor and /or advise additional private funds or other accounts in the future. As used herein, “Funds” or “Clients” refers to the existing private funds together with their related affiliates, any subsequently sponsored funds formed from time to time, and any similar pooled investment vehicles sponsored or managed by Goldfinch or its affiliates.

Please see Item 8 (Methods of Analysis, Investment Strategies, and Risk of Loss) for more information. Investments may be effected using a broad variety of investment types and structures, including direct or indirect private equity investments, secondary direct transactions, strategic investments, restructurings and recapitalizations. Asset holdings typically include cash, publicly or privately held common and preferred stock, limited Fund or limited liability company interests, debt investments or other types of investments typical of private equity investment funds.

### **B. Types of Advisory Services Offered**

Goldfinch’s advisory services to the Funds primarily consists of sourcing and executing private equity investments across a range of industries. Goldfinch’s offers services to its Clients on a discretionary basis. Goldfinch, on behalf of the Funds, sources investment opportunities, interacts with portfolio company managers, monitors portfolio performance, analyzes financial statements and reports, performs valuations of investments, determines possible catalysts for revaluation of assets, and determines the timing of exiting investments.

### **C. Services Tailored to Individual Needs of Clients**

Goldfinch tailors its advisory services to the specific investment objectives and strategy of the Clients it advises, in accordance with the investment objectives, policies, and guidelines set forth in the Funds’ offering materials and governing documentation.

### **D. Wrap Fee Programs**

Goldfinch does not participate in wrap fee programs.

### **E. Client Assets Under Management**

As of August 2019, Goldfinch has \$27,526,867 in discretionary and non-discretionary assets under management.

## **Item 5: Fees and Compensation**

### **A. Fees.**

Goldfinch, or its affiliates, generally receives compensation from its Clients based on a percentage of capital commitments and/or invested capital and performance-based compensation in the form of “carried interest” or a performance allocation. Goldfinch, or its affiliates, is generally entitled to receive a management fee quarterly, in advance, from the applicable Fund equal to a percentage of capital commitments to the Fund or, after the conclusion of the Fund’s investment period, a percentage of the Fund’s invested capital. Goldfinch typically receives or will receive a “carried interest” or performance allocation, in each case, from the respective Fund. Performance allocations are typically measured as a percentage of the profits of a Fund (and are typically subject to a preferred return and a catch-up to Goldfinch) and the rate for each Fund is determined separately for each Fund. Goldfinch may negotiate reductions from stated management fees and/or carried interest for large investors and/or investors of strategic importance. Limited investors affiliated with Goldfinch do not bear fees or carried interest allocations. The applicable fees and performance allocation for each Fund are disclosed to investors in the offering materials and governing agreements of each Fund. Goldfinch’s fees are negotiable and may vary depending on a Client’s investment objectives and limitations.

The aggregate amount of any fees (net of any related taxes and expenses) received by Goldfinch and its affiliates from portfolio companies, including director fees, monitoring fees, transaction fees and net break-up fees and litigation payments, if any, from broken deals, shall be applied 80% to reduce the amount of future management fees. Such fees will be reduced from the management fee on a dollar-for-dollar basis; provided that the management fees shall not, in any event, be reduced below zero.

### **B. How Fees Are Charged**

Management fees are typically payable by each Fund on a quarterly basis, in advance. The management fee is typically funded with capital contributions drawn for such purpose, but may also be funded with or withheld from proceeds from investments. Carried interest distributions generally will (if earned in accordance with a Fund’s governing documents) be distributed to Goldfinch or its affiliate upon the disposition of one or more investments of a Fund.

### **C. Other Fees and Expenses**

In general, Goldfinch pays its ordinary administrative and overhead expenses, incurred in connection with managing, originating and monitoring investments, such as employee salaries, rent and utilities.

In addition to the management fees and the carried interest described above, the Funds are subject to customary expenses associated with conducting a Fund's investment program, including, without limitation:

- (i) all expenses, fees and costs of the Funds incurred in connection with the ongoing administration and operation of the Funds, including the identification, sourcing, diligence, research, negotiation, consummation, acquisition, purchase, holding, monitoring, managing, sale or proposed sale or other disposition of any Fund investments (including travel (including the use of first or business class), meals, lodging, entertainment and communications expenses, legal, compliance, administrative and accounting fees), unless paid for by the company which is the subject of the investment; maintaining the existence of the Fund; all professional fees incurred in connection with the business or management of the Fund, including legal, tax, auditing, accounting, consulting, bookkeeping, record-keeping and clerical services, including all unreimbursed third-party out-of-pocket costs and expenses of operating investors, independent directors, custodians, broker-dealers, paying agents, registrars, counsel, independent accountants, and others, unless such expenses, fees or costs are paid for by a portfolio investment or any portfolio investments proposed in the future;
- (ii) (ii) management fees;
- (iii) (iii) all expenses, fees and costs incurred in connection with the preparation of, or relating to, financial and tax reports made to the investors and portfolio valuations (including Schedule K-1s or similar tax schedules), including all audit fees, appraisal fees, brokerage commissions, banking and investment fees, printing, preparing and distributing the reports and other communications to Investors, the advisory committee (as defined in governing documents) or government authorities, and costs incurred or paid by the tax Fund representative and the costs of any reporting software used by Goldfinch to prepare any such reports;
- (iv) (iv) All expenses, fees and costs related to the Fund's indemnification or contribution obligations to Goldfinch and its affiliates and the members of the advisory committee;
- (v) (v) Principal, interest on principal, fees, costs and any other obligations or expenses arising out of all permitted borrowings made by the Fund;
- (vi) The expenses, fees and costs of any litigation, director and officer liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Fund (including all amounts paid in connection with settlements, penalties, fines and judgments but excluding any indemnification claims that are finally determined to not be indemnifiable by the Fund);
- (vii) All unreimbursed expenses, fees and costs relating to investment or divestment transactions that are not consummated, including legal, accounting, brokerage, investment banking, advisory, financing and consulting fees, and all extraordinary professional fees incurred in connection with the business or management of the Fund, expenses of financing sources, lenders and investment banks incurred in connection with arranging financing for such unconsummated transactions, any deposits or down payments forfeited in connection with such unconsummated transactions and any travel, meal, lodging or similar expenses incurred in connection therewith;

- (viii) All expenses of dissolving, winding up and liquidating the Fund or any subsidiary thereof;
- (ix) All expenses, fees and costs of alternative investment vehicles and other special purpose entities through which investments are held or managed, including costs associated with establishing and administering such entities, maintaining a permanent residence in certain jurisdictions (such as rent for office space, related overhead, board of directors expenses and employee salaries and benefits) and dissolving, winding up and liquidating such entities;
- (x) All expenses, fees and costs relating to meetings of the advisory committee and/or the investors, including reasonable and documented professional and attorneys' fees incurred by the advisory committee in connection with the exercise of its responsibilities and approved by the majority of the advisory committee, including reasonable travel and other related expenses;
- (xi) All expenses, fees and costs incurred in relation to obtaining consents or approvals of the advisory committee or any investor;
- (xii) All expenses, fees and costs related to litigation involving or arising in respect of the Fund, directly or indirectly, including, without limitation, attorneys' fees incurred in connection therewith;
- (xiii) All expenses, fees and costs (including reasonable legal fees and expenses) incurred to comply with any law or regulation related to the activities of the Fund (including the offering of limited Fund interests in the Fund (in accordance herewith) and any "blue sky" filing fees and expenses) or incurred in connection with any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith;
- (xiv) Any taxes, fees or other governmental charges levied against the Fund (and not attributable to an investor) and all expenses, fees and costs incurred in connection with any tax audit, investigation, settlement or review of the Fund, including expenses incurred by the Fund representative in connection with the Fund; and
- (xv) All other costs and expenses of the Fund, its general partner and affiliates that are permitted under applicable governing documents.

The foregoing list of expenses is not intended to be exhaustive and is qualified in its entirety by the terms set out in the offering materials and governing agreements of each Fund.

#### **D. Refunds for Fees Charged in Advance.**

In the event of the termination of the investment advisory relationship between Goldfinch and a Fund, a portion of the management fee, pro-rated for the number of days remaining in the quarter after termination, will be returned to investors in the Fund.

#### **E. Compensation for Sales of Securities**

Neither Goldfinch nor its supervised persons accepts compensation for the sale of securities or other investment products.

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

### **A. Performance Based Fees**

As noted under Item 5 above, Goldfinch or one its affiliates may be entitled to receive carried interest distributions from the Funds. The carried interest distribution is effectively equivalent to a percentage of the Fund's net profits, subject to certain terms and conditions set forth in the offering materials and governing agreements of each Fund. Any share of a Fund's net profits paid to Goldfinch is separate and distinct from any management fees and other fees paid or borne by a Fund.

Carried interest distributions could motivate Goldfinch to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. Goldfinch generally attempts to mitigate conflicts of interest associated with carried interest distributions through (i) the requirement that invested capital, a preferred return when applicable and expenses be returned to the Client before Goldfinch is entitled to receive any carried interest distributions and (ii) the requirement that Goldfinch and/or its affiliates invest alongside the Client.

### **B. Side-by-Side Management.**

Goldfinch may, from time-to-time, invest its Clients' assets in securities alongside one or more accounts of its other Clients. Such situations may include (but are not limited to) co-investment vehicles, separate accounts, and predecessor/successor funds. While it is expected all such accounts will include a carried interest or performance allocation to a Goldfinch affiliate, not all such Clients may have the same carried interest percentage and other terms of such Clients may vary. Such side-by-side arrangements may create conflicts of interest in allocating investments. Goldfinch expects to follow a general allocation policy that is consistent with its fiduciary duties owed to its Clients. Such an allocation policy is based on certain factors that include such items as (1) relative committed capital and/or un-invested capital of each Client, (2) investment horizon(s), (3) investment objectives, (4) diversification requirements and/or (5) successor fund/predecessor fund preferences. Where applicable, limited partner or limited partner advisory committee guidance and/or approval may be sought for specific investment allocations among different Funds.

Goldfinch provides investment advice to the Funds, which are its only clients. Interests in the Funds are offered privately to a limited number of sophisticated investors, including institutional investors and high-net-worth individuals, subject to applicable legal and regulatory requirements as described in each Fund's offering materials and governing agreements.



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

Currently, Goldfinch provides investment advisory services to Clients which are structured as private funds. In the future, Goldfinch may have additional Clients, including co-investment vehicles.

Although Goldfinch does not impose a minimum dollar value of assets under management to accept a Fund as a client, Goldfinch does exercise discretion in setting a target amount to raise when establishing a new pooled investment vehicle. In addition, Goldfinch may establish minimum investment amounts for investors in the Funds. The offering materials and/or governing documents of the Funds will typically detail all of the foregoing for each Fund.

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

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

Set forth below are summaries of the strategies primarily employed by Goldfinch. The Clients' investment portfolios may participate in one or more of such asset categories and strategies as described in a Fund's offering materials and the governing agreements. The Clients' investment portfolios may differ based on whether they concentrate their investments in a single one of the strategies or all of the strategies. The Clients' investment portfolios may also differ based on geographical focus, liquidity needs and other considerations.

Goldfinch has as its investment strategy partnering with emerging enterprise technology companies with the objective of accelerating growth and market performance. Goldfinch believes that a thematic strategy with focused investments in enterprise applications of Cloud, Artificial Intelligence / Machine Learning ("AI" and "ML"), Internet of Things ("IoT"), Automation and Blockchain technologies may generate superior returns for investors.

Based on its observation of industry-wide trends, Goldfinch is of the view that this "next wave" shows similar characteristics to previous technology waves over past decades that transformed industry ecosystems and generated significant investment returns (e.g., transition from mainframe computing to client-server networks, emergence of Internet and web applications and ubiquitous mobile computing and communication technologies).

The investment strategies summarized above are not intended to be comprehensive and are qualified in their entirety by offering materials and the governing agreements of each Fund.

### **B. Material Risks and Conflicts of Interest**

Prospective Clients and/or limited partner investors in the Funds are subject to the following risk factors and potential conflicts of interest, among others. There can be no assurance that Goldfinch will achieve its investment objectives for a Client or otherwise be able to successfully carry out its

investment program. Investments in the Funds are suitable only for sophisticated investors capable of making an informed independent decision as to the risks involved. Prospective investors should consider the following risks set forth below in addition to risks included in the offering materials and/or governing documents of the Funds.

**Availability of Investment Opportunities.** The Fund's investment strategy is reliant on Goldfinch's ability to access investment opportunities that may be identified or presented to it by third parties or by Goldfinch. This access is itself reliant in part on the size, reputation and experience of Goldfinch and the principals in the venture capital and enterprise technology marketplace.

The availability and terms of investment opportunities will be subject to market conditions, prevailing regulatory conditions in regions where the Fund may invest, and other factors outside the control of the Fund. There can be no assurance that either Goldfinch or the Fund will be presented with, or be able to identify, investment opportunities that are suitable for the Fund or within the Fund's investment criteria or that the Fund will be able to invest fully its commitments.

Competition from other venture capital funds is substantial and the Fund will also be facing strong competition from other non-controlled venture capital funds, who are also seeking to provide capital to companies in furtherance of investment strategies similar to or in competition with that of the Fund. Some of these competitors may have access to greater amounts of capital and to capital that may be committed for longer periods of time or may have different return thresholds than the Fund, and thus these competitors may have advantages not shared by the Fund. In addition, no assurances can be made that additional financial market participants will not enter the same market as the Fund. As such, the number of potential investment opportunities for the Fund may be reduced and its potential returns may be adversely affected.

Moreover, identifying attractive investment opportunities is difficult and involves a high degree of uncertainty. The Fund may incur significant expenses in connection with the identification of investment opportunities and investigating other potential investments that are ultimately not consummated, including expenses relating to due diligence, transportation and legal, accounting and other professional services as well as the fees of other third-party advisers.

**Risk of Early-Stage Investments.** The Fund's investment strategy by its nature involves business, financial, market and legal risks. Among these risks are the general risks associated with investing in companies at the early- or growth-stage of development or with limited operating history, companies operating at a loss or with substantial variations in operating results from period to period, companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position and companies dependent on new or developing technology. There generally will be little or no publicly available information regarding the status and prospects of these companies. Such companies may face intense competition, including

competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable. There can be no assurance that Goldfinch will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Fund's activities. As a result, the Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

The portfolio companies may be unseasoned, unprofitable or have no established operating histories or earnings and may lack technical, marketing, financial and other resources. Less-established companies tend to have lower capitalization and fewer resources, and therefore, are often more vulnerable to financial failure. These companies may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of its manager or management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Although Goldfinch may seek to aid or influence certain of its portfolio companies, the Fund will generally not have an active role in the day-to-day management of the companies in which it invests. To the extent that the management of a portfolio company performs poorly, the Fund's investment in such company could be adversely affected. Furthermore, these companies may be more vulnerable to competition and to overall economic condition than larger, more established entities.

In early-stage enterprises, a major risk exists that a proposed service or product cannot be developed successfully with the resources available to the portfolio company. There is no assurance that the development efforts of any portfolio company will be successful or, if successful, will be completed within the budget or time period originally estimated. The services and products may also be subject to a high degree of technical obsolescence. There is no assurance that any portfolio company can successfully develop future generations of its services or products. Additional funds may be necessary to complete such development, and there is no assurance that such funds will be available from any particular source.

The receptiveness of potential acquirers to the Fund's portfolio companies will vary over time and, even if a portfolio company investment is disposed of pursuant to a merger, consolidation or similar transaction, the Fund's stock, security or other interests in the surviving entity may not be marketable. The public market for high technology and other emerging growth companies is volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the Fund to dispose of investments and the value of investment securities on the date of sale or distribution by the Fund. In particular, the receptiveness of the public market to initial public

offerings by the Fund's portfolio companies may vary dramatically from period to period. An otherwise successful portfolio company may yield poor investment returns if it is unable to consummate an initial public offering, and the Fund or the portfolio company's securities typically will be subject to contractual "lock-up," securities law or other restrictions which may, for a material period of time, prevent the Fund from disposing of such securities. There can be no guarantee that any investment will result in a liquidity event through a merger, acquisition, public offering or otherwise, and there is a significant risk that some or all of the Fund's investments will yield little or no return.

**Technology-Focused Investment Strategy.** The Fund currently intends to concentrate its portfolio companies in the enterprise technology sector rather than across a full range of sectors. Concentration in the technology sector may involve risks greater than those generally associated with more diversified funds and may experience significant fluctuations in returns. The enterprise technology sector is challenged by various factors, including rapidly changing market conditions and participants, new competing products and services and improvements in existing products and services. Some of the Fund's portfolio companies may compete in this volatile environment. There is no assurance that products or services sold by such portfolio companies will not be rendered obsolete or adversely affected by competing products and services, new technologies or other challenges, or that such portfolio companies or the Fund will be able to adequately enforce intellectual property rights. Instability, fluctuation or an overall decline within technology industries may not be balanced by investments in other industries not so affected, particularly as the Fund's portfolio companies are primarily expected to be headquartered in the U.S. with particular concentration in the California and Seattle sub-markets. Accordingly, the Fund will be particularly susceptible to economic and market pressures and trends within these geographic regions and adverse economic or market changes arising therein may have a disproportionate effect on the performance of the Fund. In the event that the technology sector declines, or the Fund is unable to adequately enforce its intellectual property rights, returns to investors may decrease.

**Dependence on Patents, Trademarks and Other Intellectual Property.** Certain of the Fund's portfolio companies may depend on intellectual property rights, including patents, trademarks and trade secret protection. The ability to effectively enforce patent, trademark and other intellectual property laws will affect the value of many of these portfolio companies. Within the technology industry, patent disputes are not infrequent and can preclude commercialization of products, and patent litigation is costly and could subject a portfolio company to significant liabilities to third parties. The presence of patents or other proprietary rights belonging to other parties may lead to the termination of the research and development of a portfolio company's particular product.

There can be no assurance that the Fund or any portfolio company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop technologies substantially equivalent or superior to a portfolio company's technologies. While piracy adversely affects portfolio company revenue, the impact on revenue from outside the U.S.

could be significant, particularly in countries where laws are less protective of intellectual property rights. The absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights. Reductions in the legal protection for intellectual property rights could adversely affect portfolio companies.

**Third-Party Infringement Claims.** The Fund or a portfolio company may, from time to time, receive notices from others claiming the Fund or such portfolio company has infringed their intellectual property rights. The number of these claims may grow because of the constant change in the technology industry, increased user-generated content, the extensive patent coverage of existing technologies and the rapid rate of issuance of new patents. Additionally, portfolio companies may use "open source" software in their products, or may use such software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses. Licensing authors or third parties may allege that a portfolio company has not complied with the conditions of one or more of these licenses. To resolve these and other intellectual claims, the Fund and/or portfolio companies may enter into royalty and licensing agreements on terms that are less favorable than currently available, stop selling or redesign affected products or pay damages to satisfy indemnification commitments with customers. These outcomes may cause operating margins to decline. In addition to money damages, in some jurisdictions plaintiffs can seek injunctive relief that may limit or prevent importing, marketing and selling products that have infringing technologies. In some countries, such as Germany, an injunction can be issued before the parties have fully litigated the validity of the underlying patents.

**Software Code Protection.** Source code is often critical to companies in high technology sectors. If an unauthorized disclosure of a significant portion of source code occurs, a company could potentially lose future trade secret protection for that source code. This could make it easier for third parties to compete with such company products by copying functionality, which could adversely affect revenue and operating margins. Unauthorized disclosure of source code could also increase security risks (e.g., viruses, worms and other malicious software programs that may attack company products and services). Costs for remediating the unauthorized disclosure of source code and other cyber-security branches, may include, among other things, increased protection costs, reputational damage and loss of market share, liability for stolen assets or information and repairing system damage that may have been caused. Remediation costs may also include incentives offered to company customers or other business partners in an effort to maintain the business relationships after a security breach.

**Laws and Regulations Governing the Internet.** The future success of many, if not all, portfolio companies, may depend upon the continued use of the internet as a primary medium for commerce, communication and business services. Changes in laws and regulations related to the internet or changes in the infrastructure of the internet itself may diminish the demand for portfolio companies' products, including software solutions. U.S. federal, U.S. state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations

affecting the use of the internet as a commercial medium. Portfolio companies may be required to modify their products in compliance with such changes in laws and regulations. Also, domestic and foreign government agencies and private organizations may begin to impose taxes, fees or other charges for accessing the internet or for the commerce conducted via the internet. Such charges and regimes could limit the growth of internet-related commerce or communications generally or reduce demand for internet-based products and business services, which may negatively impact the portfolio companies.

**Governmental Export and Import Controls.** Companies may be subject to U.S. export controls for software and for incorporating encryption technology into any customer service platforms enabled through mobile applications. Such products incorporating encryption technology may only be exported outside of the U.S. with the required export authorizations, including by license, a license exception or other appropriate government authorizations, for example the filing of an encryption registration. Also, various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit the ability of companies to offer or distribute their products. Further, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments and persons targeted by U.S. sanctions. Such governmental export and import controls could negatively impact the Fund by impairing the abilities of the portfolio companies to compete in international markets or subject them to liability for violations, including possible civil and criminal penalties and repercussions.

**Additional Capital Requirements of Portfolio Companies.** Many of the companies in which the Fund expects to invest could be in early stages of development, and require additional financing to satisfy their working capital requirement or growth strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each such round of financing (whether from the Fund or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including the Fund. In addition, the Fund may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial portfolio investment in such portfolio company in order to preserve the Fund's proportionate ownership when a subsequent financing is planned, or to protect the Fund's investment when such investment's performance does not meet expectations. To the extent a portfolio company in which the Fund has invested receives additional funding in subsequent financings and the Fund does not participate in such additional financing rounds, the interests of the Fund in such portfolio company would be diluted. The availability of capital is generally a function of capital market conditions that are beyond the control of the Fund or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately

the future capital requirements necessary for success or that additional funds will be available from any source.

**Equity Securities.** The Fund is likely to invest in common and preferred stock and other private equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities. The Fund may experience a substantial or complete loss on individual equity securities.

**Control Position Risk.** The Fund plans to make certain investments that allow the Fund to acquire control or exercise influence over management and the strategic direction of a portfolio company. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability characteristic of business operations may be ignored. The exercise of control over a portfolio company could expose the assets of the Fund to claims by the portfolio company, its shareholders and its creditors. The possibility of successful claims cannot be precluded.

**Minority Investments.** The Fund expects to be a minority investor in a majority of its portfolio companies. Additionally, the Fund may receive distributions in kind of investments in portfolio companies which have achieved a listing. Following such a distribution, the Fund is likely to be a minority shareholder in the relevant quoted company, and is unlikely to be able to exercise any, or any significant, control over such company. When the Fund is a minority investor or lacks control over portfolio company it may not always be in a position to protect its interests effectively, and its returns may be affected.

**Risk of Fraud in portfolio companies.** There can be no assurance that the Fund will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor a portfolio investment on an ongoing basis or that any risk management procedures implemented by the Fund will be adequate. In the event of fraud by any portfolio company or any of its managers or affiliates, the Fund may suffer a partial or total loss of capital invested in that portfolio company. There can be no assurance that any such losses will be offset by gains (if any) realized on the Fund's other investments. An additional concern is the possibility of material misrepresentation or omission on the part of the portfolio company or the seller. Such inaccuracy or incompleteness may adversely affect the value of the Fund's securities and/or instruments in such portfolio company. The Fund will rely upon the accuracy and completeness of representations made by portfolio companies and/or their current or

former owners in the due diligence process to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Illiquidity of Investments.** The Fund may invest in securities, loans, derivatives or other assets, for which no (or only a limited amount of) liquid market exists or that are subject to legal or other restrictions on the transfer of such assets. It is anticipated that it will take a number of years for the Fund to invest its capital, and that individual investments, to the extent that they have value at all, will likely not have realizable value for a significant period of time. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the stage of development of the portfolio company. Goldfinch may not be able to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of illiquid assets and restricted securities often requires more time and results in higher selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Moreover, during periods when the market for such assets is illiquid, Goldfinch may not be able to efficiently dispose of or accurately determine the value of the Fund's investments in such assets.

There is no active secondary market for the securities or options, warrants, or other assets of the kind the Fund intends to acquire. Such portfolio investments will be of a medium- to long-term nature. There are a variety of methods by which unlisted investments may be realized, such as the sale of investments on or after listing, or the sale or assignment of investments to joint-venture partners or to third parties subject to any necessary approvals or consents. However, there can be no guarantee that such realization can be achieved, and the portfolio investments may remain illiquid at the time the Fund intends to terminate, which could result in the portfolio investments being liquidated in a manner that could adversely affect the Fund.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a Client's or a prospective Client's evaluation of Goldfinch's advisory business or the integrity of Goldfinch's management.

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

### **A. Broker-Dealers**

Neither Goldfinch nor any of its management persons or affiliates are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.



## **B. Futures and Commodity Trading**

Neither Goldfinch nor any of its management persons or affiliates are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

## **C. Material Relationships**

Goldfinch and its respective affiliates form Funds to make investments in portfolio companies as described in Items 4 and 8. Goldfinch provides investment management services to such Funds, and in some cases affiliates of Goldfinch serve as the general investors of the Funds. These relationships and related management or other fees are disclosed in the offering materials and governing agreements in connection with the launch of such Funds.

Furthermore, Goldfinch may assign a portion of its entitlement to receive compensation to persons who are not involved in the investment advisory business of Goldfinch.

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

### **A. Code of Ethics**

Goldfinch has adopted a written Code of Ethics (the “Code”) predicated on the principle that the Adviser owes a fiduciary duty to its Clients. The Code is designed to address and avoid potential conflicts of interest, and is applicable to all officers, directors, members, investors or employees of Goldfinch (the “Employees”), each Employee’s spouse, minor children and other family members living in his or her household (the “Related Persons”), as well as each other individual designated in writing by a compliance officer as being subject to all or a portion of the compliance procedures or policies adopted by the Adviser (collectively the “Covered Persons”). The Code also covers policies and procedures to protect the confidentiality of Client information. A copy of Goldfinch’s Code is available upon written request to:

Name: William McNichols

Phone Number: (206) 321-0332      Email: bill@goldfinchpartners.com

### **B. Participation or Interest in Client Transactions**

Goldfinch and its employees may hold economic interests in its Funds and thus would have pecuniary interests in such investments made by the Funds, with such interests being on parity with the Funds. As noted in Item 5.A., investors affiliated with Goldfinch, including its employees, will bear no management fees or carried interest allocations.

### **C. Personal Trading**

The Adviser requires pre-clearance before purchasing an IPO or limited offering (i.e., private placement); requires periodic reporting of Covered Persons' personal securities transactions and all holdings; places other restrictions on Employee personal trading; and requires prompt internal reporting of Code violations. Goldfinch endeavors to maintain current and accurate records of all personal securities accounts of its Covered Persons in an effort to monitor all such activity.

Certain transactions in which Goldfinch engages may require, for either business or legal reasons that no Covered Person trade in the subject securities for specified time periods. Such securities will appear on a list (the "Restricted List") that will be circulated to all Covered Persons. No Covered Person may engage in any sort of trading activity with respect to a security or a derivative thereof on the Restricted List without obtaining prior written approval from the Chief Compliance Officer.

The principals and other members of the management team make capital commitments in each Fund. Such amounts may be invested pro rata with the limited partners of each Fund in all Fund portfolio investments. From time to time, principals may purchase securities alongside the Funds, including any co-investment vehicles. In addition to complying with certain restrictions in the governing documents, Goldfinch has policies and procedures in place to address any material conflicts of interest that may arise by disclosing them first to the CCO for review.

#### **D. Personal Trading Contemporaneous with Client Transactions**

Conflicts of interest may arise when Goldfinch or its employees (or a related person) buy or sell securities for Client accounts at or about the same time as it buys or sells the same securities for its own account. In these situations, Goldfinch addresses actual or potential conflicts of interest in the manner outlined in Items 11.B. and 11.C. above.

Goldfinch, in its sole discretion, may (but shall in no event be required to) offer co-investment opportunities to some or all Fund investors, subject to any commitments or limitations relating to such co-investments as described in the governing documents. The terms of any co-investment shall be agreed to by Goldfinch and the participating co-investors, which terms may include provisions for management fees and "carried interest" for the benefit of Goldfinch or its affiliates, which shall not offset the Management Fee. All expenses associated with a consummated co-investment in a Fund's portfolio investment (whether incurred prior to or following the consummation of such portfolio Investment) will be allocated between the applicable Funds and the relevant co-investment vehicle(s) managed by Goldfinch or its affiliates on the basis of their respective direct or indirect participation in the relevant portfolio company. Such expenses reasonably attributable to such portfolio investment consummated as a co-investment and one or more other portfolio investments in which the Funds own an interest will be allocated among the Funds as the Adviser reasonably determines to be applicable on the basis of a methodology reasonably selected by Goldfinch in its discretion (which may include an assessment of the relative

capital commitments, relative capital contributions, investment phase or other determining factors reasonably applicable to the participating Funds).

## **Item 12: Brokerage Practices**

### **A. Selection of Broker Dealers**

Goldfinch's advisory business generally involves privately negotiated transactions with the prospective sellers and prospective buyers. Accordingly, Goldfinch generally does not use, select or otherwise recommend broker-dealer or other counterparties in connection with the investment activities of the Client. When publicly traded securities are the subject of a trade and there is a broker selection opportunity, Goldfinch will endeavor to select a broker or other counterparty on the basis of best execution and in consideration of various factors deemed relevant or appropriate, including, without limitation: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the broker's risk in positioning a block of securities; and (v) the competitiveness of commission rates in comparison with other brokers satisfying the other selection criteria.

#### **1. Research and Soft Dollars Benefits**

In practice, the investment program of the Funds managed by Goldfinch typically does not include substantial investments in publicly traded securities. Accordingly, it is Goldfinch's policy not to enter into soft dollar arrangements or to accept soft dollars.

#### **2. Brokerage for Client Referrals**

Goldfinch does not consider whether it or a related person receives client referrals from a broker-dealer or a third party when selecting or recommending broker-dealers.

#### **3. Directed Brokerage**

Goldfinch determines the brokers to be used to execute securities transactions on behalf of the Funds, and does not solicit or accept directed brokerage instructions from any discretionary Client. For non-discretionary Clients, although the Funds managed by Goldfinch do not typically require the services of a broker-dealer, if one were required Goldfinch may use a broker-dealer specified by such Client.

### **B. Aggregation of Orders of Securities for Client Accounts.**

Although the investments of the Funds do not generally require the services of a broker-dealer, Goldfinch may seek to aggregate orders of securities for the accounts of the Funds where practicable.

## **Item 13: Review of Accounts**

### **A. Periodic Review of Accounts**

Each portfolio investment of the Funds is reviewed by Goldfinch's investment professionals on a regular basis when deemed appropriate based on the financial performance and communications and other developments related to the investment, but in no event less than on a quarterly basis. These investment professionals monitor operations, overall performance, financial performance and strategic direction of each portfolio investment owned by the Funds. Goldfinch's investment professionals perform periodic comprehensive reviews. In addition, the investment professionals of Goldfinch meet on a regular basis to review, among other, things, (i) market events and their effect on investments; (ii) investment ideas, economic developments and current events, and investment strategies, (iii) operations and financial condition of the portfolio companies; and (iv) any proposed investments or divestments of any portfolio companies. In addition, the Funds typically retain third party service providers to assist with fund administration, certain back-office functions, valuations, tax reporting and other similar functions. The offering materials and governing agreements for each Fund contain additional specific descriptions of the oversight and monitoring of the portfolio investments of such Fund.

### **B. Factors that Trigger a Review of a Client Account**

Goldfinch's investment professionals review the portfolio investments of Funds on a periodic basis as described above. There are no specific triggers to launch a portfolio review.

### **C. Reports to Clients Regarding their Accounts**

Goldfinch delivers, via its third-party administrator, written financial reports to the investors in the Funds on a quarterly basis. These reports include information relevant to the Fund's investments (and each investor's investment in such Fund). In addition, the investors in the Funds receive written audited annual financial statements of the applicable Fund on an annual basis to the extent required by the governing agreements of each Fund.

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

Goldfinch may enter into agreements with certain placement agents that provide for compensation to be paid to the placement agents for referring limited partners to the Funds. Under these agreements, the placement agents will typically receive a percentage of the capital commitments attributable to each prospective limited partner referred depending upon the specific circumstances. In such cases, details of the arrangement will be provided to the limited partner. All such arrangements will be in accordance with all applicable laws and regulations, including Rule 206(4)-3 of the Advisers Act.

## **Item 15: Custody**

Goldfinch is deemed to have custody of Fund's securities and cash for the purposes of Rule 206(4)-2 of the Advisers Act.

In order to comply with Rule 206(4)-2, Goldfinch intends to utilize the services of a bank and other qualified custodians (as defined under Rule 206(4)-2) to hold all cash and securities of the Funds (except with respect to privately offered securities). In accordance with Rule 206(4)-2, Goldfinch will also engage an independent public auditor to conduct annual audits of the Funds, distribute audited financial statements of the Funds that are prepared in accordance with United States generally accepted accounting principles to all investors in the Funds within at least 120 days after the end of the fiscal year and ensure that a qualified custodian provides quarterly statements to investors to the extent that a Fund is not subject to GAAP based audit.

## **Item 16: Investment Discretion**

Goldfinch generally has discretionary authority to manage the Clients' investments.

## **Item 17: Voting Client Securities**

In the event Goldfinch is called upon to vote proxies, it will vote such proxies in accordance with the proxy voting policies and procedures in Goldfinch's compliance manual. Pursuant to SEC Rule 206(4)-6, Goldfinch has established policies and procedures to address voting procedures and any conflicts of interests involved in a proxy vote between Goldfinch and the Clients. Goldfinch's proxy voting procedures are designed to ensure that proxies are voted in a manner that is in the best interest of the Client. Goldfinch will generally vote in favor of matters that follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices. Goldfinch addresses conflicts of interest involved in a proxy vote through the following three-step process of identifying potential conflicts of interest, determining material conflicts and establishing procedures to address material conflicts. Goldfinch may determine not to vote proxies in respect of securities of an issuer if it determines it would be in a Client's overall best interest not to vote. A Client may obtain copies of Goldfinch's proxy voting policies by contacting the Chief Compliance Officer.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Not applicable

### **B. Financial Condition Likely to Impact Contractual Commitments.**

Goldfinch is not aware of any financial condition that is likely to impair its ability to meet contractual commitments to Clients.

**C. Bankruptcy Petitions**

Goldfinch has not been subject to any bankruptcy proceeding during the past 10 years.