

SUNTX CAPITAL MANAGEMENT CORP.  
(“*SunTx*”)

and

IXTHYS CAPITAL MANAGEMENT LLC  
(“*Ixthys*”)

FORM ADV, PART 2A  
(the “*Brochure*”)

March 29, 2018

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This Brochure provides information about the qualifications and business practices of SunTx and Ixthys (together, the “*Firm*”). If you have any questions about the contents of this brochure, please contact us at (972) 663-8900. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“*SEC*”) or by any state securities authority. Additional information about the Firm also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). SunTx or Ixthys may refer to itself as a “registered investment adviser” or “*RIA*”. You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

### **Important Note About This Brochure**

This Brochure is not:

- an offer or agreement to provide advisory services to any person;
- an offer to sell interests or a solicitation of an offer to purchase interests in any investment product or vehicle advised by the Firm;
- a complete discussion of the features, risks or conflicts associated with any account advised by the Firm; or
- to be relied on in determining whether to invest in a Private Fund (as defined herein) or establish an advisory relationship with the Firm.

As required by the Investment Advisers Act of 1940, as amended (the “*Advisers Act*”), the Firm provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a Private Fund, together with other relevant offering materials, prior to, or in connection with, such persons’ establishment or consideration of a client relationship or an investment in a Private Fund.

Persons who receive this Brochure (whether or not from the Firm) should be aware that it is designed solely to provide information about the Firm as necessary to respond to certain disclosure obligations under the Advisers Act. Therefore, the information in this Brochure may differ from information provided in the materials that govern an account or investor relationship such as an advisory contract or a Private Fund’s Governing Documents (as defined below).

More complete information about each Private Fund, as well as the Firm’s investment management services in general, is included in relevant Governing Documents, certain of which may be provided to current and eligible prospective clients or Investors (as defined below) only by the Firm or another designated party. To the extent that there is any conflict between discussions herein and similar or related discussions in any Governing Documents, the relevant Governing Documents shall govern and control.

**In no event should this Brochure be considered to be an offer of interests in a Private Fund or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.**

## ITEM 2: MATERIAL CHANGES

Following is a discussion of the material changes to this Brochure from the last annual amendment dated March 31, 2017:

### *Ixthys Capital Management, LLC*

- Consistent with SEC guidance regarding umbrella registration, we have updated the entire Brochure to add information regarding relying adviser, Ixthys Capital Management, LLC, which was previously provided in a separate Brochure.

### *Item 4 – Advisory Business*

- In 2017, pursuant to approval by a majority of investors, SunTx Fulcrum Dutch Investors, L.P. was merged into a new partnership, SunTx Fulcrum Dutch Investors Prime, L.P. (“Dutch Prime”). In connection with the merger, all limited partners in the former fund became partners in the new Dutch Prime, along with a new preferred investor. We have added Dutch Prime and noted the merger of the former fund.
- We have noted the Ixthys may provide investment management services on behalf of Sub-Advised Funds pursuant to an Investment Management Agreement with the Fund Manager for such Sub-Advised Funds.
- We have updated assets under management as of 12/31/17.

### *Item 5 – Fees and Compensation*

- We have noted that the new preferred limited partner in Dutch Prime will not pay a management fee or carried interest on their preferred interests.
- We have added information regarding potential management fees to Ixthys for Sub-Advised Funds.

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

- We added disclosure regarding an affiliated entity that has been established to serve as the general partner or managing member for investment opportunities that do not fit the SunTx investment parameters, as discussed in Item 11 below.

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

- We added disclosure regarding the allocation of investment opportunities that are too small or otherwise do not fit the investment parameters of the SunTx Funds.

### *Item 12 – Brokerage Practices*

- We have updated the prime broker listed for the Ixthys Funds, as the former prime broker, ConvergeX Prime Services, LLC was purchased by Cowen Execution Services, LLC.

*The information set forth in this brochure is qualified in its entirety by the applicable fund offering and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering and/or governing documents, such documents will control.*

*We encourage all clients and investors to carefully review this document in its entirety.*

### ITEM 3: TABLE OF CONTENTS

ITEM 2: MATERIAL CHANGES .....	3
ITEM 3: TABLE OF CONTENTS .....	4
ITEM 4: ADVISORY BUSINESS .....	5
ITEM 5: FEES AND COMPENSATION .....	8
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	13
ITEM 7: TYPES OF CLIENTS .....	14
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	15
ITEM 9: DISCIPLINARY INFORMATION .....	24
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	25
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	27
ITEM 12: BROKERAGE PRACTICES .....	30
ITEM 13: REVIEW OF ACCOUNTS .....	32
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	33
ITEM 15: CUSTODY .....	34
ITEM 16: INVESTMENT DISCRETION .....	35
ITEM 17: VOTING CLIENT SECURITIES .....	36
ITEM 18: FINANCIAL INFORMATION .....	37

## ITEM 4: ADVISORY BUSINESS

### *SunTx Overview*

SunTx is a private equity investment management firm that, since its inception in 2000, has pursued its investment strategy of making control investments in middle-market companies primarily in the Sunbelt region (the “**Sunbelt**” or the “**Region**”). SunTx was co-founded in 2000 by Ned N. Fleming III, Mark R. Matteson, Craig J. Jennings and Richard Boyle (collectively, the “**Principals**”). SunTx is wholly-owned by Ned N. Fleming III; SunTx Capital II Management Corp. (“**SunTx II**”) and SunTx Capital III Management Corp. (“**SunTx III**”), each an affiliate of SunTx and a Relying Adviser (as discussed below), are owned by Ned N. Fleming III, Mark R. Matteson and Craig J. Jennings. SunTx Capital SBIC Corporation (“**SunTx SBIC**,” also a Relying Adviser) is owned by Ned N. Fleming III.

SunTx, SunTx II, SunTx III and SunTx SBIC provide investment management services on a discretionary basis to private equity investment funds (the “**Private Equity Funds**”), including the following: SunTx Fulcrum Fund Prime, L.P., into which former SunTx Fulcrum Fund, L.P. was merged in March 2017 (“**Fulcrum Prime**”), SunTx Fulcrum Dutch Investors Prime, L.P., into which former SunTx Fulcrum Dutch Investors, L.P. was merged in March 2017 (“**Fulcrum Dutch Prime**”), SunTx Fulcrum Fund II-SBIC, L.P. (“**SBIC Fund**” and together with Fulcrum Prime and Fulcrum Dutch Prime referred to as “**Fund I**”), SunTx Capital Partners II, L.P. (“**Capital II**”), SunTx Capital Partners II Dutch Investors, LP (“**Dutch II**” and together with Capital II referred to as “**Fund II**”), SunTx Capital Partners III, L.P. (“**Fund III**” and together with Fund I and Fund II, the “**SunTx Funds**”). Certain of SunTx’s affiliates (and not SunTx) serve as general partners to the SunTx Funds.

SunTx or a SunTx affiliate also serve as general partner and/or investment manager to single purpose private investment funds established for the purpose of acquiring a Portfolio Company (“**Acquisition Vehicles**”). Each Acquisition Vehicle that has one or more third party co-investors in addition to SunTx or a SunTx Fund are deemed to be an investment advisory client. Such Acquisition Vehicles include, SunTx Interface, LP, SunTx NBIS Holdings, LP, SunTx LBC Holding, LP, SunTx CPI Expansion Fund, LP, Southern Belle Holdings, LLC, and SunTx Big Outdoor Holdings, L.P. These Acquisition Vehicles together with the SunTx Funds, are referred to as “**Clients**” or “**Accounts**”. SunTx II, SunTx III and SunTx SBIC, together with those affiliates that serve as general partner to the SunTx Funds are together referred to in this Brochure as “**SunTx Affiliates**”. Companies in which the SunTx Funds invest are referred to as “**Portfolio Companies**”.

SunTx, SunTx II, SunTx III and SunTx SBIC have together filed a single Form ADV. SunTx II, SunTx III, and SunTx SBIC are each a “**Relying Adviser**” of SunTx. SunTx, SunTx II, SunTx III, and SunTx SBIC are subject to a unified compliance program administered by a single Chief Compliance Officer (“**CCO**”) and hold themselves out to current and potential investors as conducting a single advisory business. References in this Brochure to SunTx shall include the Relying Advisers and all SunTx Affiliates, as appropriate.

As of December 31, 2017, SunTx had approximately \$1,219,999,006 in discretionary gross assets under management, which amount includes uncalled capital commitments as of that date. SunTx does not currently manage any assets in a non-discretionary manner.

### *Nature of SunTx’s Clients and Investors*

The SunTx Funds are SunTx’s Clients. SunTx does not have a separate client relationship with investors in the SunTx Funds, which are referred to throughout this Brochure as “**Investors**.” The SunTx Funds are typically U.S. limited partnerships and other investment vehicles (“**Private Funds**”) that are not registered or required to be registered under the U.S. Investment Company Act of 1940 (the “**Investment Company**

*Act*”) or the U.S. Securities Act of 1933 (the “**Securities Act**”) and are privately placed to qualified investors in the United States and elsewhere. See, also Item 7 below. Investors in the SunTx Funds are typically domiciled in the U.S., Europe or Asia and include public and private defined benefit retirement plans, endowments and foundations, family offices, wealth management firms, healthcare entities, financial institutions and high net worth individuals that are accredited investors and qualified clients.

### ***SunTx’s Investment Mandates***

The SunTx Funds are managed in accordance with the investment objectives, strategies and guidelines as set forth in the relevant Fund’s confidential offering memorandum, organizational documents and other related documents (collectively “**Governing Documents**”) or investment agreement, and in all cases investments are selected on the basis of the Client’s investment needs and objectives.

The SunTx Funds are not tailored to the individualized needs of any particular Investor, though certain SunTx Funds may take into consideration the general characteristics (*e.g.*, tax status) of its target Investors when structuring its operations. An investment in a SunTx Fund does not, in and of itself, create an advisory relationship between the Investor and SunTx and SunTx typically does not enter into separate advisory arrangements with any Investor. Therefore, each Investor must consider for itself whether any SunTx Fund meets the Investor’s investment objectives and risk tolerance before investing in the Fund. Information about each SunTx Fund is set forth in its Governing Documents, which will be available to current and eligible prospective Investors only through SunTx or another authorized party.

In conjunction with the establishment of Fulcrum Prime, a new investor was admitted who made a preferred equity investment into the Fund, along with certain other Fund Investors (the “**Preferred Limited Partners**”). The terms of the preferred transaction and of Fulcrum Prime were based on negotiations with the Preferred Investor, and were approved by consent of other Fund Investors to the merger.

### ***Ixthys Overview***

Ixthys Capital Management, LLC (“**Ixthys**”) is a hedge fund investment management firm that was formed in 2013 to manage hedge funds. Ixthys currently manages, Ixthys Liquid Alpha Fund, LP (f/k/a Ixthys Premium Alpha, LP) (the “**Fund**”) and may in the future manage other hedge funds or parallel funds, (collectively, the “**Ixthys Funds**”). Ixthys Premium Alpha GP, LP, serves as the general partner to the Ixthys Funds. Ixthys GP, LLC serves as the general partner to Ixthys Premium Alpha GP, LP.

Ixthys may also provide investment management services to one or more other Private Funds (“**Sub-Advised Funds**”) that are managed and administered by a separate investment adviser (“**Fund Manager**”) pursuant to an Investment Management Agreement with such Fund Manager.

Ixthys is owned by SunTx Alternative Asset Management Corp., which is owned by Ned N. Fleming III, Mark R. Matteson and Craig J. Jennings. Ixthys and SunTx have together filed a single Form ADV, and Ixthys is a Relying Adviser of SunTx. Ixthys and SunTx are subject to a unified compliance program administered by a single CCO and hold themselves out to current and potential investors as conducting a single advisory business.

The Ixthys Funds provide a complementary investment alternative to the SunTx Funds, focused on a low-volatility quantitative investment strategy using shorts and straddles on S&P 500 contracts. Ixthys serves as the investment manager to the Ixthys Funds, while Ixthys Premium Alpha GP, LP, an affiliate of SunTx and Ixthys, serves as the general partner to the Ixthys Funds.

As of December 31, 2017, Ixthys had approximately \$3,090,982 in discretionary gross assets under management. Ixthys does not currently manage any assets in a non-discretionary manner.

### ***Nature of Ixthys's Clients and Investors***

The Ixthys Funds and the Fund Manager to any Sub-Advised Funds are the Clients of Ixthys. Ixthys does not have a separate client relationship with Investors in the Ixthys Funds or any Sub-Advised Funds. The Ixthys Funds are U.S. limited partnerships that are not registered or required to be registered under the Investment Company Act of 1940 or the Securities Act and are privately placed to qualified investors in the United States and elsewhere. See also Item 7 below. Investors in the Funds generally may include high net worth individuals, wealth management firms, family offices, endowments and foundations, private retirement plans, financial institutions and other accredited investors and qualified clients.

### ***Investment Mandates***

The Ixthys Funds and any Sub-Advised Funds are managed in accordance with the investment objectives, strategies and guidelines as set forth in the Funds' Governing Documents and/or investment agreement, and in all cases investments are selected on the basis of the Client's investment needs and objectives. Sub-Advised Funds are managed in accordance with an Investment Management Agreement with the Fund Manager.

The Ixthys Funds are not tailored to the individualized needs of any particular Investor, though the Funds may take into consideration the general characteristics (*e.g.*, tax status) of its target Investors when structuring their operations. An investment in an Ixthys Fund or Sub-Advised Fund does not, in and of itself, create an advisory relationship between the Investor and Ixthys and Ixthys typically does not enter into separate advisory arrangements with any Investor. Therefore, each Investor must consider for itself whether an Ixthys Fund meets the Investor's investment objectives and risk tolerance before investing in the Fund. Information about the Ixthys Funds is set forth in the Funds' Governing Documents, which will be available to current and eligible prospective Investors only through Ixthys or another authorized party. Information about any Sub-Advised Fund is set forth in that Fund's Governing Documents, which are made available to current and prospective investors by the Fund Manager.

## ITEM 5: FEES AND COMPENSATION

### *SunTx Management Fees & Carried Interest*

SunTx and its affiliated entities that serve as general partners to the SunTx Funds (the “**SunTx General Partners**”) receive various fees from the Clients for their services at a negotiated rate based on each Client’s particular circumstances. Fees for these services are set forth in the Governing Documents or applicable investment management agreement.

SunTx’s management fees for its Private Equity Funds are initially generally charged as a percentage of the Fund’s aggregate capital commitments, but this calculation is transitioned to a percentage of the Fund’s funded capital commitments after the Investment Period, as defined in the Fund’s Governing Documents (the “**Management Fee**”). Management Fees generally decline after the Investment Period, or earlier based upon the formation and requisite capital commitments of a new Fund, as described in the Governing Documents of each Fund. However, the degree and pace of deceleration varies per Fund. Management Fees are generally billed quarterly in advance as of the beginning of the quarter and are paid through a drawdown from a Fund’s available line of credit (“**LOC**”), a “capital call” by which the Investor is required to pay the required amount from its undrawn capital commitment to the SunTx Fund, or deduction from available cash. Assets in the SunTx Funds are generally subject to a lockup. Investors that fail to meet a capital call are subject to a forfeiture of a portion of their capital accounts, pursuant to the Governing Documents of each Fund. Investors who transfer their interests prior to the end of a quarter do not receive a refund of any portion of their Management Fees.

The SunTx General Partners or an affiliate generally are entitled to receive a carried interest distribution (typically 20%) of the net profits derived from the disposition of investments, after the return of capital contributions and a preferred rate of return to Investors, (the “**Carried Interest**”), as defined in the Governing Documents for each Fund. Upon final dissolution of the Fund, the SunTx General Partner or affiliate is generally required to return Carried Interest distributions to the extent that such distributions exceed the amounts that would have been distributed if such Carried Interest distributions were calculated on the aggregate basis covering all Funds transactions (subject to terms and limitations set forth in the applicable Fund’s Governing Documents.) Carried Interest distributions are calculated from time to time upon the disposition of portfolio investments and are allocated or distributed to the General Partner or affiliate following the return of capital contributions and preferred return to Investors.

The Preferred Limited Partners in Fulcrum Prime and Dutch Prime are not subject to a management fee or carried interest on their preferred interests. SunTx may waive or reduce Management Fees or Carried Interest for certain Investors or classes of Investors, in its discretion. Thus, different Investors in the same SunTx Fund may pay different Management Fees based on, among other things, waivers. Acquisition Vehicles generally do not pay a Management Fee and may not be subject to Carried Interest. Additionally, the SunTx General Partner’s capital account will generally not be subject to Management Fees or Carried Interest. Except as otherwise agreed, SunTx is not obligated to waive or reduce Management Fees for any other Investor when offering waivers or reductions to a particular Investor.

### *Portfolio Company Fees*

SunTx or a SunTx affiliate may receive advisory fees, directors fees, monitoring fees, investment banking or closing fees, commitment fees, break-up, “topping” or similar fees from Portfolio Companies in which the SunTx Funds invest and/or in connection with Portfolio Company investments (“**Special Income**”). Pursuant to terms set forth in the Governing Documents for each SunTx Fund, such Special Income, after deduction of unreimbursed expenses and costs of SunTx and its affiliates (“**Net Special Income**”), generally reduces the Management Fees payable to SunTx and/or offsets expenses of the SunTx Fund, as described below. In the event SunTx or a SunTx Affiliate receives Net Special Income in connection with



investments made by a Fund in which there are co-investors, Management Fees for the Fund will be offset only by the Fund's allocable share of any Net Special Income paid to SunTx or a SunTx Affiliate in connection with investments made by the Fund but will not be offset with respect to co-investors' share of any Net Special Income. Net Special Income for any such investment generally will be allocated among the Fund and any co-investors pro rata in proportion to the Fund and such co-investors' investment as a percentage of the total investment.

SunTx related persons may receive options, shares or units of a Portfolio Company as compensation for services provided to the company. All such options, shares or units issued to a SunTx related person will be assigned to the relevant Fund(s) in proportion to the Fund's interest in the Portfolio Company.

### ***Other Expenses***

In addition to the Management Fee, each SunTx Fund typically pays its own operating expenses, or otherwise reimburses SunTx or a SunTx Affiliate, for these and other services as well as for certain organizational and offering expenses related to the Fund ("***Partnership Expenses***"). Partnership Expenses are described more fully in the Fund's Governing Documents. If any fees, costs or expenses are incurred jointly for any Fund, Acquisition Vehicle, and/or any other account or entity sponsored or managed by SunTx or our affiliates, those expenses will be allocated among such Funds or entities in a manner as we reasonably determine to be fair and equitable under the circumstances.

Partnership Expenses typically include all reasonable out-of-pocket costs of administration of each SunTx Fund, including consulting and accounting, audit, custody, surprise examination, tax return preparation and legal expenses, administrators' fees, annual meeting costs, liability insurance, and limited partner reporting expenses. Partnership Expenses also include out-of-pocket costs and expenses directly related to portfolio investments or prospective investments (whether or not consummated), such as legal, accounting and other professional or third-party costs, travel, entertainment and other costs, which may include coach, business or first class travel on commercial transportation services, private aircraft or other public or private transportation services, brokerage commissions and transaction costs, custody fees and fees of professional advisors and consultants ("***Deal Expenses***"), as well as expenses incurred in obtaining systems, research and other information utilized in SunTx's investment program. Portfolio Companies may pay, or reimburse SunTx or a SunTx Affiliate, for consulting fees or other expenses paid to Operating Partners and/or Consultants with which SunTx has a business relationship and who share SunTx's office space.

SunTx seeks to structure Portfolio Company investments so that Deal Expenses are absorbed or reimbursed by the relevant Portfolio Company, whenever practicable. Deal Expenses that are not absorbed or reimbursed by a Portfolio Company, such as when a deal is not consummated (i.e., "***Dead Deal Expenses***") or when a security is purchased from someone other than the issuer, are deemed Partnership Expenses and to the extent such expenses relate to a specific investment are generally capitalized as part of the cost of the investment. To the extent any SunTx affiliate earns any break-up, "topping" or similar fee, such fees offset such expenses.

Any co-investment entities that are established to participate side-by-side with a SunTx Fund in multiple deals, will pay a proportionate share of Dead Deal Expenses or other Deal Expenses that are not charged directly to a Portfolio Company but are instead treated as Partnership Expenses. Co-investment entities that are established as a single-purpose entity to invest in a single Portfolio Company, or other co-investors who participate individually in a single Portfolio Company investment, will only pay any Dead Deal Expenses or other Deal Expenses related to that specific Portfolio Company.

In addition, Portfolio Companies will pay directly, or reimburse SunTx or an affiliate, for consulting fees or other expenses paid to operating partners or consultants, including those with whom the Investment

Manager has a business relationship and who share SunTx's office space, for services provided to such Portfolio Companies, provided, the terms of any such payments shall be fair to the Portfolio Company and represent a cost-savings to the terms that would be obtained in an arm's-length basis, taking into account the nature of the transaction and the services, from a nationally recognized consulting firm for the same engagement. SunTx contemplates that such operating partners and consultants will include operating partners and consultants who on a long-term basis spend a majority of their business time and attention providing services for the Partnership's Portfolio Companies. Fees paid to such operating partners and consultants will not reduce Management Fees.

Partnership Expenses also include expenses incurred in the registration or exemption of the Fund; unreimbursed expenses incurred in connection with the collection of amount due to the fund from any person; expenses incurred in connection with alterations and amendments to Governing Documents; out of pocket expenses of the Limited Partner Advisory Committee and Board of Governors, if any, including compensation of the members of the Board; expenses incurred in connection with any fund litigation and/or any indemnity or payment to any person; all expenses in connection with the dissolution and liquidation of the fund; all expenses incurred on account of taxes, fees or other governmental charges ; and all expenses incurred in connection with dissolution and liquidation of the Fund.

Fulcrum Prime is responsible for expenses incurred in connection with the organization and structure of the new fund entity and the sale and issuance of preferred limited partner interests, as described in disclosures to all Fund partners. Such expenses include placement agent fees, legal fees and other expenses, as well as the reimbursement of certain expenses incurred by the new preferred investor.

The General Partner for each Private Fund is responsible for all administrative and overhead expenses associated with the operation of the General Partner and Investment Manager, fees and expenses of any placement agent retained in connection with the offering of fund interests, and organizational expenses in excess of an amount that is set forth in the Governing Documents for each Private Equity Fund ("**General Partner Expenses**").

Investors are charged for Partnership Expenses either through a drawdown from a Fund's available LOC, a capital call, through a deduction from available cash held by the Fund, as selected by SunTx. As noted above, Portfolio Companies may reimburse SunTx or a SunTx Affiliate for expenses incurred in connection with such investment. SunTx discloses certain information about the amount and nature of Partnership Expenses in capital call notices and Fund financial statements. However, Fund Investors generally do not receive detailed information regarding specific Partnership Expenses paid. In addition, Investors generally receive limited or no information about the expenses paid or reimbursed by Portfolio Companies.

This section provides an overview of the general fees and expenses to which SunTx Fund Investors are subject but is not an exhaustive list of all Partnership Expenses. Partnership Expenses are described more fully in the Governing Documents for each Fund.

### ***Ixthys Management Fees & Performance Allocation***

For its services to the Ixthys Funds, Ixthys is generally entitled to Management Fees at an annual rate of 1.5% of each Investor's capital account balance, calculated each calendar quarter and paid quarterly in arrears. The Management Fee is calculated separately with respect to each Investor and is debited from each Investor's capital account. Capital contributions accepted after the commencement of a calendar quarter will be subject to a prorated Management Fee. Management Fees for the Ixthys Funds are set forth in each Fund's Governing Documents and investment management agreement. Ixthys may agree to a different negotiated Management Fee with any Investor or may, at its discretion waive Management Fees for certain Investors.

The general partner of the Ixthys Funds is entitled to a 20% performance-based profit allocation at the end of each calendar quarter equal to 20% per quarter of the amount by which each Fund's net profits allocated to the Investor's capital account for the current calendar quarter (after management fees) exceed the balance in such Investor's loss carry forward account for the then current calendar year (the "**Performance Allocation**"). Each Investor's loss carry forward account resets at the end of each calendar year, as further described in the Funds' Governing Documents. Net profit includes unrealized appreciation or depreciation of both marketable and non-marketable investments. The Performance Allocation is described in more detail in the Governing Documents for the Ixthys Funds. Ixthys may reduce or eliminate the Performance Allocation with respect to any Investor at its sole discretion.

### ***Sub-Advised Funds Fees***

Ixthys generally is entitled to a Management Fees with respect to any Sub-Advised Fund based on a percentage of the Fund Manager's compensation from the Sub-Advised Fund, or as otherwise described in the Investment Management Agreement with such Fund Manager. Ixthys may also be entitled to a Performance Allocation from such Sub-Advised Fund or a percentage of the Performance Allocation paid to the Fund Manager.

### ***Other Expenses***

In addition to the Management Fee and Performance Allocation, the Ixthys Funds bear other costs and expenses ("**Fund Expenses**") as described in the Funds' Governing Documents. If any fees, costs or expenses are incurred jointly for any Fund, and/or any other account or entity sponsored or managed by Ixthys, SunTx or our affiliates, those expenses will be allocated among such Funds or entities in a manner as we reasonably determine to be fair and equitable under the circumstances.

Fund Expenses may include, but are not limited to, the expense of fund organization and offering fund interests, including legal and accounting fees, printing costs, travel, "blue sky" filing fees and all costs, fees and expenses associated with the ongoing offering of Fund interests, provided that the Management Fee shall be reduced (but not below zero) by the amount of any placement or solicitation fees borne by the Fund. The Funds also are responsible for all costs and expenses directly related to the investment program, including research and due diligence costs; brokerage commissions and other execution and transaction costs; interest on and expenses arising out of debit balances or borrowings; exchange, clearing and settlement charges; fees and expenses of any third-party providers of "back-office" and "middle-office" services related to trade settlement; appraisal fees; investment banking fees and expenses; borrowing charges on investments sold short; prime brokerage expenses and custody fees; expenses related to proxies, underwriting and private placements; and fees of consultants and finders relating to investments or prospective investments of the Fund. The Funds are responsible for subscription fees, service contracts, related hardware, software, phone and internet charges and other expenses incurred in obtaining and maintaining performance, research, accounting and other information systems, including without limitation portfolio management, valuations, statistics, pricing and quotations services. The Funds are further responsible for all out-of-pocket costs related to Fund administration, including financial and tax accounting, bookkeeping and reporting services, audit expenses; and expenses associated with Investor reporting and meetings. The Funds are responsible for legal, governmental, regulatory, compliance, licensing, filing or registration fees or expenses incurred by the Fund, general partner or investment manager; costs of any litigation or investigation involving the Fund's activities; costs associated with maintaining liability insurance for the benefit of the Fund, general partner, investment manager or other indemnified person; withholding or transfer taxes imposed on the fund.

The Ixthys Funds may pay Fund Expenses directly or may reimburse Ixthys or an affiliate for out-of-pocket expenses incurred on behalf of the Funds, including, among other things, travel, entertainment and

other costs, including coach, business or first-class travel on commercial transportation services, private aircraft or other public or private transportation services. The General Partner is responsible for salaries, office rent and other general overhead costs of the General Partner and Investment Manager.

Fund Expenses are charged to the capital account of each Investor as of the fiscal period during which such expenses were accrued by the Fund. Fund Expenses are generally borne pro rata by Investors in accordance with their respective capital account balances. Fund Expenses that are applicable only to certain Investors are only charged to the capital accounts of those Investors, pursuant to the terms of the Fund Governing Documents.

This section provides an overview of the general fees and expenses to which Ixthys Fund Investors are subject but is not an exhaustive list of all Fund Expenses. Fund Expenses are described more fully in the Ixthys Fund Governing Documents.

Sub-Advised Funds will be responsible for any Fund Expenses as set forth in the relevant Fund Governing documents, and generally the Fund Manager, rather than Ixthys, will be responsible for determining the allocation of Fund Expenses with respect to such Sub-Advised Funds.

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

As noted above, the SunTx Funds generally pay Carried Interest or performance-based fees to SunTx that are tied to the performance of the relevant Fund. Ixthys Fund Investors generally pay a Performance Allocation to Ixthys that is tied to the performance of the relevant Investor's capital account. The Firm's receipt of performance-based fees raises certain conflicts of interest, which are described below.

**Investment Selection.** Performance-based fees and other arrangements where the incentive to achieve gains may exceed the disincentive to suffer losses may cause the Firm to choose investments that are riskier or more speculative than might otherwise have been chosen.

To mitigate these conflicts, Firm management has invested substantial personal funds in the Private Funds managed by the Firm, and the Firm's policies and procedures seek to provide that investment decisions are made in accordance with the fiduciary duties owed to the Clients and without consideration of the Firm's (or its personnel's) pecuniary, investment or other financial interests.

**Use of Line of Credit.** SunTx Funds may, and newer funds are expected to, utilize a LOC to fund portfolio company investments and Fund expenses, as described in Item 5 above. The use of the LOC will delay and may reduce the amount of capital called from investors, which may have the effect of increasing a Fund's IRR but will result in additional borrowing costs to the Fund.

**Side-by-Side Management.** Different SunTx Funds may have different Carried Interest provisions or may be eligible for different Carried Interest allocations based on the investment returns of the Fund. Such differences could incent SunTx to favor one fund over another in its investment allocations, make investments in subsequent Funds that are intended to prop up investments in a prior Fund, or manipulate the sequence of dispositions. These potential conflicts are mitigated to some extent by the Fact that SunTx and its affiliates invest alongside the SunTx Funds and have a shared interest with Fund Investors in maximizing Fund returns. These potential conflicts are further mitigated by the fact that subsequent Funds generally are not launched until the Investment Period for prior Funds has expired; therefore multiple Funds are generally not making new investments concurrently. Parallel Investment Vehicles generally invest in the same securities, at the same time and on the same economic terms. Investments by the SunTx Funds in a Portfolio Company owned by another SunTx Fund or SunTx Affiliate generally must be disclosed to and approved by the Limited Partners Advisory Committee for each relevant Fund to address potential conflicts of interest.

The performance-based fees paid by the SunTx Funds differ from the performance-based fees paid by the Ixthys Funds. Such differences in fee structure could theoretically incent the Firm to favor one Fund over another in its investment allocations. This potential conflict is mitigated by the fact that the investment objective and strategy for the SunTx Funds and the Ixthys Funds are inherently different. Therefore, investments that are appropriate for the SunTx Funds will generally not be appropriate for the Ixthys Funds and vice versa. The investment objectives, strategy and guidelines for each Fund are set forth in the Fund's Governing Documents.

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

The provides investment management services solely to Private Funds exempt from registration under the Investment Company Act and Securities Act. Investors in the Private Funds are generally institutional investors and certain high net worth investors that are “accredited investors,” “qualified clients” and “qualified purchasers” (if required pursuant to the fund’s exemption), within the meaning of the Securities Act, the Advisers Act and the Investment Company Act, respectively.

The Private Funds have a specified minimum investment as set forth in their Governing Documents. This minimum investment is subject to discretion, and the Firm or its affiliates may permit investments of a smaller amount generally or with respect to any Investor.

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

Following is a summary of the investment strategies and risks involved in the Firm's investment activities. Investors and potential investors should review the applicable Governing Documents for the particular Private Fund(s) in which they are considering investing for a more comprehensive discussion of the relevant risks associated with investing in that Fund.

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

SunTx focuses on manufacturing, services and distribution businesses headquartered, or with significant operations, in the Sunbelt. SunTx believes the Region offers a large number of compelling investment opportunities given the size and strength of its economy, the strong foundation for further economic growth and capital investment, and the comparatively fewer private equity firms focusing on lower-middle market businesses.

A significant part of SunTx's strategy is to proactively identify investment opportunities and bypass the auction market for companies. Accordingly, SunTx has created a multi-faceted approach to developing investment ideas and sourcing investments, including the following key elements: (i) identifying promising areas of investment through a rigorous research and industry analysis; (ii) leveraging the SunTx's reputation and presence in the Sunbelt to source proprietary opportunities; (iii) backing experienced industry executives or management teams to pursue build-ups and other acquisition opportunities in a particular industry sector; and (iv) avoiding competition by investing in sectors or niches that SunTx believes are either ignored or misunderstood, or businesses that involve significant analytical complexity.

### ***SunTx Investment Risks***

SunTx's investment activities involve a significant degree of risk. The securities in which a SunTx Fund may invest are highly illiquid and, although these investments may occasionally generate some current income, the return of capital and the realization of gain, if any, from an investment generally will occur only upon the partial or complete disposition of an investment. It is unlikely for there to be a public market for most of the securities recommended by SunTx on behalf of the SunTx Funds, and these securities may require a substantial period of time to liquidate. There can be no assurance that the SunTx Funds will be able to realize returns on its investments it manages or that the returns will be commensurate with the risks of investing in the type of companies and transactions described in the applicable Governing Documents. Accordingly, an investment in the SunTx Funds should only be considered by persons who can afford a loss of their entire investment. Private equity investments made by SunTx involve a number of material risks including (but not limited to) the following:

*Possible Lack of Diversification.* The SunTx Funds may not be subject to any comprehensive diversification or asset allocation requirements or be limited to a particular investment strategy. To the extent an Account concentrates investments in a particular geographic region, security, investment sector or stage of investment, investments may become more susceptible to fluctuations in value resulting from adverse economic or business conditions applicable to that region, type of security, sector or stage of investment. In addition, a SunTx Fund may participate in a limited number of investments in which case the investment returns of the SunTx Fund could be substantially adversely affected by the unfavorable performance of a single investment.

*Competition for Investment Opportunities.* The activity of identifying, completing and realizing attractive investments is competitive and involves a high degree of uncertainty. The SunTx Funds may compete with other potential investors including private funds, hedge funds, other financial institutions or other corporate or strategic buyers for limited investment opportunities. As a result, there can be no assurance that a SunTx Fund will be able to locate and complete portfolio investments that satisfy the SunTx Fund's

return objectives or realize their potential values or that the Private Equity Fund will be able to become fully invested for a significant period of time, if at all.

*Reliance on SunTx Professionals.* The success of SunTx Funds may depend, in substantial part, upon the skill and expertise of the investment professionals of SunTx. There can be no assurance that these SunTx investment professionals will continue to be associated with SunTx throughout the life of a particular SunTx Fund.

*Passive Investment in Interests.* Investors do not control the day-to-day operations, including investment and disposition decisions, of any SunTx Fund and generally must rely entirely on SunTx, among others, to conduct and manage the affairs of a SunTx Fund.

*Market and Economic Risks.* Private equity investments in Portfolio Companies may be materially and adversely affected by market, economic, and political conditions globally and in the jurisdictions and sectors in which the investments are made or the portfolio companies operate, including factors affecting interest rates, the availability of credit, currency exchange rates, and trade barriers.

*Distribution of Portfolio Companies.* The SunTx Funds may receive security positions from a Portfolio Company as part of a distribution or liquidation. These positions will be subject to market risk until liquidated.

*Uncertain Nature of Investments.* The SunTx Funds may enter into high-risk investment opportunities. Companies in which the SunTx Funds invest may not achieve their expected operational objectives and might experience substantial fluctuations in their operating results. In all these cases, SunTx Funds are subject to the risks associated with the underlying businesses engaged in by Portfolio Companies, including market conditions, changes in regulatory environment, general economic and political conditions, the loss of key management personnel and other factors. Potential Investors should realize that realization events could be delayed as a result of general economic conditions, illiquidity of portfolio investments, contractual prohibitions or other reasons mentioned in this Brochure or the applicable Governing Documents.

*Illiquid Investments.* Although investments by the SunTx Funds occasionally may generate some current income, the return of capital and the realization of gains, if any, from an investment primarily will occur upon the partial or complete disposition of the investment. It generally is expected that the sale of most of the investments will not occur for a number of years after the investments are made. Generally, no public market exists for most of the securities initially held by a SunTx Fund and these securities may require a substantial length of time to liquidate.

*Insufficient Capital for Follow-On Investments.* From time to time, a Portfolio Company may require additional capital. There is no assurance that a SunTx Fund will make follow-on investments or that the Account will have sufficient resources to, or be permitted to, make these follow-on investments. A decision to not make follow-on investments or its inability to make them may have a substantial negative impact on a Portfolio Company, may result in missed opportunities for a SunTx Fund or may result in dilution of the SunTx Fund's investment.

*Investments Longer than Term.* The SunTx Funds may make investments that, due to various reasons, may not be capable of an advantageous disposition prior to the date a SunTx Fund is required to be dissolved, either by expiration of the Fund's term or otherwise. Therefore a risk exists that a SunTx Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.



*Regulatory Approvals.* There can be no assurance that a Portfolio Company targeted by SunTx or a SunTx Fund will be able to (i) obtain all required regulatory approvals that it does not yet have or that it may require in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility owned by a Portfolio Company, the completion of a previously announced acquisition or sales to third parties, or could otherwise result in additional costs to a Portfolio Company.

*Inflation Risk.* If a Portfolio Company is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. Some Portfolio Companies may have long-term rights to income linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. Typically, as inflation rises, a Portfolio Company will earn more revenue, but will incur higher expenses. As inflation declines, a Portfolio Company may not be able to reduce expenses in line with any resulting reduction in revenue. Many businesses rely on concessions to mitigate the inflation risk to cash flows through escalation provisions linked to the inflation rate. While these provisions may protect against certain risks, they do not protect against the risk of a rise in real interest rates, which is likely to create higher financing costs for these businesses and a reduction in the amount of cash available for distribution to investors.

*Leverage.* SunTx's private equity investments typically include investments in companies whose capital structures may have leverage. These types of investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. A highly leveraged entity may be subject to restrictive covenants imposed by lenders restricting its activity, or may be limited in making strategic acquisitions, or obtaining additional financing, and will have increased exposure to adverse economic factors such as downturns in the economy or deterioration in the condition of the Portfolio Company or its industry. Securities acquired by SunTx for a SunTx Fund, either directly or indirectly through a Portfolio Company, may be the most junior in what will typically be a complex capital structure, and thus subject to the terms of the relevant financing and a lender decides to enforce its creditor rights. Events of default may in some cases be triggered by events not related directly to the borrower itself, such as the insolvency of a guarantor. SunTx's and a SunTx Fund's ability to achieve attractive rates of return will depend on its ability to access sufficient sources of indebtedness at attractive rates. An increase in either interest rates or risk spreads demanded by leverage providers could make it more expensive to finance SunTx's or a SunTx Fund's investments and could make it more difficult to compete for new investments with other potential buyers who have a lower cost of capital. In addition, a portion of the indebtedness used to finance investments may include high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when SunTx or a SunTx Fund may not be able to access those markets at attractive rates, or at all, when completing an investment.

*Minority Investment Positions.* Investments may be made by SunTx in Portfolio Companies in conjunction with one or more other investors. Although SunTx typically will negotiate shareholder rights that give it significant influence over the direction of the Portfolio Company, certain major decisions generally may require the consent of other investors, thereby lessening SunTx's control and, therefore, its ability to protect the position of the relevant SunTx Fund.

*Cybersecurity Risks.* We, the Funds and our respective affiliates and service providers depend on information technology systems and, notwithstanding the diligence that we or our affiliates may perform on its or the Fund's (or any other clients) service providers, it may not be in a position to verify the risks or reliability of such information technology systems. We, the Funds and our respective affiliates and service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks,

systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. We, our affiliates and our information and technology systems are vulnerable to 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. Although we have implemented various measures 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, we or an affiliate may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our, a Fund's or any of our respective affiliates' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm our or our affiliates' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Funds or individual investors by interfering with the operations of us and our affiliates (or their service providers). The Funds may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Funds us and our respective affiliates to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and the Funds may be required to indemnify us and our affiliates against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

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

The Ixthys Funds utilize quantitative investment analysis. The investment objective of the Ixthys Fund is to both buy and sell put and call options simultaneously, with the primary emphasis on selling, so that at any point in time either the put or the call will be profitable. This strategy seeks to limit the Funds' risk of price moves in the underlying security and take advantage of the historic overpricing of these instruments over time. Most of the derivative positions will be 30 days or less.

Depending on conditions and trends in the securities markets and the economy in general, the General Partner and the Investment Manager may pursue any objectives, employ any investment techniques or purchase any type of security that they consider appropriate and in the best interests of the Funds.

### ***Ixthys Investment Risks***

The Ixthys Funds' investment activities involve a significant degree of risk. The investment strategy is based upon numerous assumptions and opinions of the General Partner and Investment Manager concerning world financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that the Ixthys Funds investment strategy will achieve profitable. Accordingly, an investment in the Ixthys Funds should only be considered by persons who can afford a loss of their entire investment. Investments in the Ixthys Funds involve a number of material risks including (but not limited to) the following:

*Limited Operating History.* The Ixthys Funds each were newly-formed entities at the time of initial investment that did not have operating histories for prospective investors to evaluate prior to making an investment.

*Investment Judgment; Market Risk.* The profitability of a significant portion of the Ixthys Funds' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Investment Manager will be able to predict accurately these price movements. With respect to the investment strategy utilized by the Ixthys Funds, there is always some, and occasionally a significant, degree of market risk.

*Reliance on Ixthys Professionals.* The success of the Ixthys Funds may depend, in substantial part, upon the skill and expertise of the investment professionals of Ixthys. There can be no assurance that these Ixthys investment professionals will continue to be associated with Ixthys throughout the life of the Ixthys Funds.

*Short Sales.* The Ixthys Funds may enter into transactions, known as "short sales," in which they sell securities they do not own in anticipation of a decline in the market value of the security. Short sales by the Ixthys Funds that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. The Ixthys Funds may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Ixthys Funds might have difficulty purchasing securities to meet their short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet their short sale obligations at a time when fundamental investment considerations would not favor such sales.

*Derivatives.* Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Funds contract for the purpose of making derivative investments (the "**Counterparty**"). In the event of the Counterparty's default, the Ixthys Funds will only rank as an unsecured creditor and risks the loss of all or a portion of the amounts they are contractually entitled to receive.

*Foreign Securities.* Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Funds are maintained) and the various foreign currencies in which the Funds' portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

*Leverage.* Subject to applicable margin and other limitations, the Ixthys Funds may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss.

Consequently, the effect of fluctuations in the market value of the Funds' portfolio would be amplified. Interest on borrowings will be a portfolio expense of the Funds and will affect the operating results of the Funds. Also, the Funds could potentially create leverage via the use of instruments such as options and other derivative instruments.

*Options.* Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

*Futures Contracts.* A portion of the Ixthys Funds' capital may be invested in futures contracts or other commodities interests. Futures prices are highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested.

*Index Contracts.* The Ixthys Funds may, but are not required to, utilize various other instruments to hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of securities. These hedging strategies may be executed through the use of exchange-traded equity index options or futures contracts or options thereon, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts (collectively, "*index contracts*").

Index contracts have risks associated with them including possible default by the other party to the transaction, illiquidity and, to the extent the Manager's views as to certain market movements is incorrect, the risk that the use of such index contracts could result in losses greater than if they had not been used. Moreover, the lack of complete correlation between price movements of index contracts and price movements in the Funds' portfolios creates the possibility that losses in the value of such portfolios may be greater than the gain on the hedging instrument (or that a gain in the Funds' portfolio positions may be less than the loss on the hedging instrument). In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter index contracts may have no markets. As a result, in certain markets, the Ixthys Funds might not be able to close out a transaction without incurring substantial losses, if at all. Although the successful use of index contracts for hedging should tend to reduce the risk of loss due to a decline in the value of the hedged position, at the same time such transactions would tend to limit any potential gain, which might result from an increase in value of such position.

*Exchange Traded Funds and Other Similar Instruments.* Shares of exchange traded funds ("*ETFs*") and other similar instruments may be purchased or sold short by the Ixthys Funds. An ETF is an investment company that is registered under the Investment Company Act that holds a portfolio of common stocks designed to track the performance of a particular index. ETFs sell and redeem their shares at net asset value in large blocks (typically 50,000 of its shares) called "creation units." Shares representing fractional interests in these creation units are listed for trading on national securities exchanges and can be purchased and sold in the secondary market in lots of any size at any time during the trading day.

Instruments the Ixthys Funds may purchase that are similar to ETFs represent beneficial ownership interests in specific "baskets" of stocks of companies within a particular industry sector or group. These

securities may also be listed on national securities exchanges and purchased and sold in the secondary market, but unlike ETFs, are not registered as investment companies under the Investment Company Act.

Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including the risk that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument. In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held. Because ETFs and pools that issue similar instruments bear various fees and expenses, the Funds' investment in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. The Investment Manager considers the expenses associated with an investment in determining whether to invest in an ETF or other instrument.

*Costs Associated with ETF Investments.* Investment managers of ETFs selected by the Investment Manager will generally be entitled to a fee based on net assets under management. Any such fees charged by an investment manager of an ETF in which the Funds invest are in addition to the Management Fee of the Investment Manager and the Performance Allocation of the General Partner and will reduce the Funds' assets accordingly.

*Turnover.* The Ixthys Funds may invest on the basis of short-term market considerations. The portfolio turnover rate of the Funds may be significant, potentially involving substantial brokerage commissions and fees.

*Investment Authority.* Substantially all decisions with respect to the management of the Ixthys Funds are made by the General Partner and the Investment Manager. Limited Partners have no right or power to take part in the management of the Ixthys Funds. In the event of the withdrawal or bankruptcy of the General Partner, generally the Ixthys Funds will be liquidated.

*Withdrawal Restrictions.* There are severe restrictions on withdrawals from the Ixthys Funds (which may be settled in securities rather than cash) and on transfers of Interests. The prior written consent of the General Partner is required for a transfer of the Interest of any Limited Partner. Because of the restrictions on withdrawals and transfers, an investment in the Ixthys Funds is a relatively illiquid investment and involves a high degree of risk. A subscription for Interests should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.

*No Distributions.* Since the Ixthys Funds do not generally intend to pay distributions, an investment in a Fund is not suitable for an investor seeking current distributions of income. Moreover, an Investor is required to report and pay taxes on its allocable share of income from the Ixthys Funds, even though no cash is distributed by such fund.

*In-Kind Distributions.* The Governing Documents authorize the General Partner to make distributions in-kind of securities in lieu of or in addition to cash. In the event the General Partner makes distributions of securities in-kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer.

*Diversification.* Since the Ixthys Funds' portfolios will not necessarily be widely diversified, the portfolios may be subject to more rapid changes in value than would be the case if the Funds were required to maintain a wide diversification among companies, securities and types of securities.

*Valuations.* From time to time, certain situations affecting the valuation of the Ixthys Funds' investments could have an impact on the net asset value of the Ixthys Funds, particularly if prior judgments as to the

appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The Funds are not required to make retroactive adjustments to prior subscription or withdrawal transactions or Management Fees or Performance Allocations based on subsequent valuation data.

*Non-Public Information.* From time to time, the Investment Manager may come into possession of non-public information concerning specific companies. Under applicable securities laws, this may limit the Investment Manager's flexibility to buy or sell portfolio securities issued by such companies. The Ixthys Funds' investment flexibility may be constrained as a consequence of the Investment Manager's inability to use such information for investment purposes.

*Commodities and Futures Regulation.* The Ixthys Funds may trade on a limited basis in commodities and futures. Such trading activity is regulated by the Commodity Futures Trading Commission (the "**CFTC**"). Pursuant to an exemption from registration under CFTC regulations, the General Partner is not required to register, and is not registered, with the CFTC or the National Futures Association ("**NFA**") as a commodity pool operator (a "**CPO**") or as a commodity trading advisor ("**CTA**"). To comply with the exemption, the General Partner is subject to specific limitations on the amount of commodities and futures that it can trade on behalf of the Ixthys Funds. Should the Ixthys Fund's investments in commodities or futures instruments exceed the limits provided by the applicable exemption from registration, the General Partner will either have to register with the NFA or cease providing commodity interest trading advice to such fund and liquidate such fund's holdings of commodities and futures which could result in losses and additional costs to such fund.

*Broker Insolvency Risk.* Transactions entered into by the Ixthys Funds may be executed on various U.S. and non-U.S. exchanges, and may be cleared and settled through various clearing houses, custodians, depositories, broker-dealers and prime brokers throughout the world. While U.S. rules and regulations applicable to these brokers may offer significant protections to the assets of their clients if one of them were to become insolvent, the assets of the Ixthys Funds held at such broker could be at risk.

The assets of the Funds also may be held by non-U.S. brokers. Although certain non-U.S. jurisdictions provide similar protections to client assets, there can be no assurance that the Funds will not experience losses in any insolvency of such a non-U.S. broker. The Investment Funds will attempt to execute, clear and settle transactions through entities that the Investment Manager believes to be sound, but there can be no assurance that a failure by any such entity will not lead to a loss to the Ixthys Funds. In addition, the Securities and Exchange Commission, other regulators, self-regulatory organizations and exchanges in the United States and other countries are authorized to take extraordinary actions in the event of market emergencies. Such actions could lead to a loss as a result of delay in settling transactions or other circumstances.

*Counterparty Risk.* The Ixthys Funds are subject to the risk that counterparties of derivative contracts and other instruments in which they invest and trade may default on their obligations under those instruments and that certain events may occur that have an immediate and significant adverse effect on the value of those instruments. Some of the markets in which the Ixthys Funds effect their transactions are over-the-counter or inter-dealer markets. The participants in such markets are typically not subject to credit evaluation by an exchange or clearing organization and regulatory oversight, as are members of exchange-based markets. The Ixthys Funds therefore are exposed to a greater risk that a counterparty will not timely settle a transaction or otherwise perform its obligations in accordance with contractual terms and conditions because of a dispute over the terms of the contract (whether or not bona fide), or because of a credit or liquidity problem, thus causing the Ixthys Funds to suffer a loss. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Ixthys Funds have concentrated their transactions with a single or small group of counterparties. These risks may differ materially from those entailed in exchange-traded transactions,

which generally are backed by clearing organization guarantees, daily marking-to-market and settlement of positions and segregation and minimum capital requirements applicable to intermediaries. Although the Ixthys Funds intend to enter into transactions only with counterparties that the Investment Manager believes to be creditworthy, will attempt to reduce the Ixthys Funds' exposure by obtaining collateral in appropriate cases and will pursue any available remedies under any of these contracts, there can be no assurance that a counterparty will not default and that the Funds will not sustain a loss on a transaction as a result. The Ixthys Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Concentration of transactions with a limited number of counterparties could increase the potential for losses. The Ixthys Funds are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses.

*Cybersecurity Risks.* We, the Funds and our respective affiliates and service providers depend on information technology systems and, notwithstanding the diligence that we or our affiliates may perform on its or the Fund's (or any other clients) service providers, it may not be in a position to verify the risks or reliability of such information technology systems. We, the Funds and our respective affiliates and service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. We, our affiliates and our information and technology systems are vulnerable to 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. Although we have implemented various measures 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, we or an affiliate may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our, a Fund's or any of our respective affiliates' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm our or our affiliates' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Funds or individual investors by interfering with the operations of us and our affiliates (or their service providers). The Funds may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Funds us and our respective affiliates to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and the Funds may be required to indemnify us and our affiliates against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE INVESTMENT STRATEGIES OF, OR THAT ARE APPLICABLE TO, THE FUNDS.**

## **ITEM 9: DISCIPLINARY INFORMATION**

The Firm is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of management.

The Firm has no information to disclose in response to this Item.



## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

**Firm Affiliated Entities.** SunTx is affiliated with SunTx II, SunTx III and SunTx SBIC, which are private equity fund managers to the SunTx Funds, and with Ixthys, which is a hedge fund manager to the Ixthys Funds. SunTx II, SunTx III, SunTx SBIC and Ixthys are each “Relying Advisers” of SunTx and their activities and the activities of their employees and the persons acting on their behalf are subject to SunTx’s supervision and control. SunTx and each Relying Adviser are subject to the Advisers Act and operate under a unified compliance program administered by a single compliance officer in accordance with the Advisers Act. SunTx and each Relying Adviser share the same office space and personnel. Therefore, certain employees will share their time between SunTx and Ixthys activities.

**General Partners.** As described in Item 4, certain Affiliates of the Firm serve as general partners to the SunTx Funds and Ixthys Funds and general partners to such general partners.

**Private Funds.** Each of the SunTx Funds and Ixthys Funds are affiliated Funds. Investors may invest in more than one SunTx Fund and Investors in the SunTx Funds may also invest in the Ixthys Funds, to the extent that they are eligible. The Firm is under no obligation to make these types of investments available, investments may not be appropriate for every Investor, and persons offered the opportunity to invest in multiple Private Funds recognize that the Firm is making the opportunity available based solely on its knowledge of the Investor’s eligibility for such Fund. The Firm will not consider whether the investment is appropriate for the Investor and neither is providing investment advice in making the opportunity available. Investors should consider all available information about such Funds, in light of their particular circumstances, prior to making an investment and, as a result, not all persons offered this opportunity will choose to invest. Further information about the SunTx Funds and the Ixthys Funds, and their investments, can be found in the Governing Documents, which are made available to current and qualified prospective Investors.

**Co-Investments.** In connection with any SunTx Fund investment where the transaction requires or permits a larger investment than appropriate for the Fund, SunTx may in its sole discretion (but shall not be required to), offer to certain Fund Investors or other strategic third parties, the opportunity to co-invest with the fund on such terms and conditions as set forth in Fund Governing Documents or otherwise as the General Partner or Investment Manager determines (“**Co-Investment Opportunities**”). Certain of the SunTx Funds have entered into and may in the future enter into co-investment arrangements and have made or may make investments with these Investors or other third-party investors in Acquisition Vehicles managed by SunTx that were created solely for purposes of the co-investment arrangement. Pursuant to its Governing Documents, Fund III will generally allocate Co-Investment Opportunities to Eligible Limited Partners (i.e., those with commitments in excess of \$30 million) on a pro rata basis based on their respective capital commitments. Except as otherwise provided in Fund Governing Documents, SunTx is under no obligation to make Co-Investment Opportunities available to Investors. SunTx identifies potential co-investors, including SunTx Fund Investors and other third-party investors, based upon its knowledge of the potential co-investor’s knowledge and expertise, resources, interest and ability to make such co-investments in a timely manner.

**Portfolio Company Activities.** Certain Firm employees, officers and/or affiliates serve (and may in the future serve) as directors, officers or committee members of various SunTx Portfolio Companies. Such persons could face conflicts of interest between discharging their duties to the Portfolio Companies and acting in the best interest of the SunTx Funds. While SunTx does not generally charge director fees for SunTx employees serving on portfolio company boards, any compensation received in such capacities as directors, officers or committee members generally will offset Management Fees and/or other Partnership Expenses as discussed in Item 5 above.

***Other Activities.*** Employees are generally expected to devote their full professional time and efforts to the business of the Firm and its affiliates and avoid activities that could present actual or perceived conflicts of interest. Employees must generally obtain prior approval from the CCO for outside activities. Firm principals and employees may have personal and family investment entities and may invest in public or private investments, which are unrelated to the investment activities of the Firm or the SunTx or Ixthys Funds. Any personal investment activities must be consistent with the Firm's Code of Ethics. Please refer to Item 11 - Code of Ethics for a further discussion on potential conflicts of interest.

***Other Registrations.*** Ixthys has filed an exemption from registration as a commodity pool operator or commodity trading advisor with the Commodities Futures Trading Commission ("***CFTC***"). Neither the Firm, any affiliate, nor any management person is registered, or has an application pending to register as a securities broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator or commodity trading advisor.

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

### ***Investments or Other Interest in Private Funds & Portfolio Companies***

The Firm advises multiple Private Funds that have various investment objectives, guidelines and strategies, as set forth in the Governing Documents for each Fund. In performing its advisory services, the Firm or an affiliate may give advice and take action with respect to any of the Private Funds that may differ from actions taken by the Firm or an affiliate on behalf of other Private Funds. The Firm is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling for any Client Account any security that the Firm or a related person may buy or sell for its or their own accounts or for any other Clients the Firm manages.

The Firm and its affiliates, along with their respective personnel, may invest or otherwise have an interest, either directly or indirectly, in the SunTx Funds, the Ixthys Funds and/or securities held by the such Funds, including investments in Co-Investment Opportunities, as further discussed in Item 10 and below. The Firm and its affiliates may enter into transactions with Portfolio Companies, and SunTx Funds may invest in the same Portfolio Companies as other SunTx Funds, which could lead to potential conflicts of interest. In addition, employees may invest in the Ixthys Funds and securities in which the Ixthys Funds invest or are eligible to invest, which could result in potential conflicts. The Firm has implemented policies and procedures relating to personal securities transactions and insider trading that are designed to identify potential conflicts of interest, to prevent or mitigate actual conflicts of interest and to resolve conflicts appropriately, if they do occur.

### ***Investment & Co-Investment Allocations***

The Governing Documents of the SunTx Funds limit investments by the Firm and its affiliates outside the Fund in privately negotiated equity investments of the types to be made by the Fund. The Firm must promptly disclose to the Limited Partner Advisory Committee all investment opportunities in which the Firm or an affiliate invests consisting of privately negotiated equity investments that meet the investment parameters of, but are not invested in by the fund.

As noted in Item 10 above, pursuant to the Governing Documents of the SunTx Funds, in connection with any SunTx Fund investment where the transaction requires or permits a larger investment than appropriate for the Fund, the Firm may in its sole discretion (but shall not be required to), offer to certain Investors the opportunity to co-invest with the fund on such terms and conditions as set forth in Fund Governing Documents or otherwise as the General Partner or Investment Manager determines. Employees do not participate in Co-Investment Opportunities.

Co-Investment Opportunities are generally allocated to Limited Partners and/or other third parties based on their desire and ability to participate in co-investments, and the specific nature and type of each co-investment. For Fund III, when a Co-Investment Opportunity is identified, we will determine the expected dollar amount of such co-investment. At least 60% of such co-investment will be first offered to Eligible Limited Partners, as defined in Fund governing documents, pro rata based on their respective capital commitments. The remaining 40% of such Co-Investment Opportunity, in addition to any unsubscribed portion of the 60% (or other amount) offered to Eligible Limited Partners, will be allocated by the General Partner at its discretion.

To the extent that investment opportunities are identified that are too small or otherwise do not fit the investment parameters and guidelines of the SunTx Funds, such opportunities may be offered to the Firm, its affiliates, related persons or other potential investors identified by the Firm. The Firm will not be required to disclose such investments or make such investment opportunities available to SunTx Fund

Investors or the Limited Partner Advisory Committee unless otherwise specifically required by a Fund's Governing Documents.

In conjunction with the Fulcrum Prime and Dutch Prime mergers, existing partners were offered the opportunity to co-invest alongside the new Preferred Limited Partner in the preferred interests of Fulcrum Prime and Dutch Prime based on their relative pro rata interests in the existing Fulcrum Fund and Fulcrum Dutch Fund.

### ***Related Party Transactions***

Neither the Firm nor any affiliate may engage in any principal transaction with a Client unless it complies with applicable law and relevant policies and procedures. In order to ensure that it obtains requisite consent required by Section 206(3) of the Advisers Act, the Firm will not engage in any principal transaction with any SunTx Fund without the prior approval of the Fund's Limited Partner Advisory Committee, or with any Ixthys Fund without the prior approval of Investors, except as otherwise permitted by the relevant Fund's Governing Documents.

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

The Firm's Code of Ethics was adopted to govern personal transactions by supervised persons and to assure that their interests do not conflict with the interests of Clients or, as applicable, Investors in the SunTx Funds and Ixthys Funds. As such, the Firm's Code of Ethics includes: (i) standards of business conduct, requiring that supervised persons comply with relevant provisions of the federal securities laws and the fiduciary duties an investment adviser owes to its clients; (ii) personal securities transaction policies governing the personal investment activities of relevant personnel and requiring the submission by access persons of reports regarding their personal trading accounts and activities; and (iii) an insider trading policy.

Currently, all employees, officers, directors and principals of the Firm are considered to be "Access Persons" for purposes of the Code of Ethics. Personnel who fail to observe the Code of Ethics and related compliance policies risk serious sanctions, including dismissal and personal liability.

### ***Personal Securities Transactions Policy***

The Firm's Code of Ethics also includes a personal securities transactions policy, which imposes certain requirements and restrictions with respect to personal trading and investment activity by Access Persons. In particular, the Code requires Access Persons to obtain the approval of the CCO prior to investing in initial public offerings ("*IPOs*") and private placements. The Firm maintains and periodically updates a Restricted List, to reflect actual or potential investment activities of the Clients or other receipt of potential material non-public information. Access Persons are also prohibited from investing in securities listed on the firm's Restricted List without prior approval by the CCO. Access Persons are prohibited from buying or selling any security that is held by or under consideration for purchase or sale by the Ixthys Funds. In appropriate circumstances the CCO may grant waivers to the Code's restrictions.

### ***Insider Trading Policy***

The Firm and its related persons may, from time to time, come into possession of material nonpublic and other confidential information, which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Firm may be prohibited from improperly disclosing or using such information for its personal benefit or for the benefit of any other person, regardless of whether that other person is a Client. Accordingly, should the Firm come into possession of material nonpublic or other confidential information with respect to any company, it may be prohibited from communicating that

information to, or using that information for the benefit of its Clients, and have no obligation or responsibility to disclose such information to, nor responsibility to use that information for the benefit of, the Clients when following policies and procedures designed to comply with law. Accordingly, the Firm's Code establishes procedures to prevent the misuse of material nonpublic information by Firm supervised persons.

### ***Reporting Requirements under the Code***

To assist the Firm in monitoring personal trading activities in order to detect potential conflicts of interest or violations of the Code, fiduciary duty or applicable law, Access Persons must provide periodic reports with respect to personal securities transactions, holdings and accounts, including annual reports of holdings in certain, reportable securities and quarterly reports of their personal transactions in reportable securities. These reports are submitted to and reviewed by the CCO or the CCO's designee.

### ***Gifts and Entertainment***

Employees may on occasion accept gifts or invitations to entertainment but must always act in the best interest of the Firm and its Clients and avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of the Company's business relationships. The Firm's gifts and entertainment policy implements internal controls to monitor such activity, which include (among others):

- Requiring employees to report or obtain pre-clearance from the CCO before accepting gifts and entertainment of significant value; and
- Prohibiting more than four gifts or entertainment given or sponsored by the same person or entity without pre-approval from the CCO.

### ***Political Contributions***

Employees may on occasion make political or charitable contributions. Employees are required to seek prior approval before making political contributions to any political official, candidate for political office, political party or political action committee ("**PAC**"). Political contributions are generally permitted except where such contributions may raise issues under the pay-to-play rule.

## ITEM 12: BROKERAGE PRACTICES

### ***SunTx Brokerage Practices***

SunTx does not typically use brokers to transact for the SunTx Funds. On occasion, the SunTx Funds may receive public security positions from a Portfolio Company as part of a distribution or liquidation of that Portfolio Company. In situations where SunTx chooses the broker-dealer to liquidate these positions, SunTx, consistent with its duty to seek best execution, selects brokers and dealers based upon their reputation, quality of service, and ability to liquidate the particular security.

When selecting a broker or dealer, SunTx will take into account factors such as execution capabilities, commission rates, responsiveness and financial responsibility. In applying these factors, SunTx recognizes that different brokers may have different execution capabilities with respect to different types of securities and transactions, and that no one broker will likely be judged the best at every relevant factor as a general matter or with respect to any particular transaction.

***Soft Dollars.*** SunTx's current policy is not to use commissions generated by trading for the SunTx Funds to pay for third party research services.

***Brokerage for Client Referrals.*** SunTx does not use brokerage relationships for client referrals.

### ***Ixthys Brokerage Practices***

The Ixthys Funds have engaged Cowen Execution Services, LLC ("***Cowen***") to provide prime services including clearing, trading, and brokerage to Ixthys. Cowen is an introducing broker that has clearing arrangements with to Goldman Sachs, ("***Goldman***") the custodian of Fund assets. Ixthys is responsible for the placement of portfolio transactions for the Ixthys Funds and the negotiation of any commissions or spreads paid on such transactions. Ixthys has sole discretion for selecting broker-dealers to execute portfolio transactions. Until the Ixthys Funds are of sufficient size to generate substantial trading volumes and negotiate commission rates and other brokerage services, generally all portfolio transactions will be executed through Cowen as the prime broker. Portfolio transactions normally will be effected through the prime broker on securities exchanges or directly with the issuer, or through an underwriter, or market maker or other dealer for the investments. Portfolio transactions through brokers involve a commission to the broker. Portfolio transactions with dealers typically are priced to include a spread between the bid and the asked price to compensate the dealer.

For any Sub-Advised Fund, Ixthys may have discretion to select the broker-dealer to execute portfolio transactions or may be expected to enter all transactions with the prime broker for such Fund, depending on the Investment Management Agreement and/or other Fund Governing Documents. To the extent that Ixthys has discretion to select the broker with respect to Sub-Advised Funds, it will abide by the following guidelines.

In determining which broker-dealer generally provides the best available price and most favorable execution, Ixthys will consider a totality of circumstances, including the broker-dealer's research capabilities and the success of prior research recommendations, ability to efficiently execute difficult trades (such as those in illiquid markets or trades of substantial size), the broker's risk in positioning a block of securities, commitment of capital, nature and frequency of sales coverage, depth of services provided, including economic or political coverage, arbitrage and option operations, back office and processing capabilities, financial strength, stability and responsibility, efficiency, reputation, access to markets, confidentiality, commission rate, responsiveness to Ixthys and the value of research and brokerage and research products and services provided by such brokers.

Ixthys may execute trades with brokers and dealers with which Ixthys or the Ixthys Funds have other business relationships, including prime brokerage, credit relationships and capital introduction or investments by affiliates of the broker-dealers in an Ixthys Fund. Ixthys may also execute trades with brokers and dealers with which a SunTx Entity or the SunTx Funds have other business relationships, including investment banking, placement agent, or other services on behalf of the SunTx Funds and/or Portfolio Companies.

***Soft Dollars.*** Cowen provides an online trading system that Ixthys utilizes on behalf of the Ixthys Funds to place trades and maintain trading records. Ixthys does not pay a separate fee for this trading system; the cost of such service is paid through brokerage commissions and trading costs for trades executed with Cowen.

Cowen and other broker-dealers may provide research, including written or oral proprietary research. Broker-dealers may also provide research products that include software and related support services for use in research and trading, quotation boards, computer databases and quotation equipment, in each case to access research or which provide research directly. Research services may include, among other things, research concerning market, economic and financial data, statistical information, data on pricing and availability of securities, financial publications, attendance at conferences and meetings, electronic market quotations, performance measurement services, analyses and/or due diligence concerning specific securities, companies or sectors, including due diligence on specific aspects of a company's operations or finances, analyses on issues raised in proxy statements and market, economic and financial studies and forecasts. Research services may be in written or oral form or on-line and may be produced by broker-dealers or third parties such as attorneys, accountants or consultants. Brokerage products and services may include certain order management system components and order routing.

In selecting broker-dealers on the basis of the foregoing factors, Ixthys may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. Research received from brokers will be supplemental to Ixthys's own research efforts. While the receipt of research will not reduce Ixthys's normal research activities, Ixthys's expenses could increase materially if it attempted to generate such additional research or brokerage services through its own staff, and Ixthys's fee will not be reduced as a consequence of the receipt of such research or brokerage services or products or other services. As such, Ixthys's arrangements for the receipt of research and brokerage services from brokers may create a conflict of interest, in that the Ixthys may have an incentive to choose a broker-dealer that provides research and brokerage services, instead of one that does not but charges a lower commission rate. In some instances, Ixthys may receive products and services that may be used for both research and non-research purposes.

***Brokerage for Client Referrals.*** Cowen may provide capital introduction or other placement services to the Ixthys Funds with or without separate charges for such services.

## ITEM 13: REVIEW OF ACCOUNTS

### ***SunTx Funds***

**Reviews.** The SunTx Funds are reviewed by the SunTx Investment Team on a semi-annual basis. The SunTx Investment Team, comprised of senior executive members of SunTx, reviews, among other items, market outlooks and data related to the Portfolio Companies in each Private Fund such as reporting and valuations.

**Reports.** Investors generally receive quarterly written reports from SunTx detailing, at a minimum, a description of the SunTx Fund holdings, financial statements and a capital account statement. Investors in each SunTx Fund receive periodic reports, communications and/or statements, as set forth in the relevant Fund's Governing Documents or as otherwise agreed.

Additionally, SunTx generally provides annual audit reports to each Investor in the SunTx Funds within 90 or 120 days (as set forth in each Private Fund's Governing Documents) after the end of the relevant Private Fund's fiscal year. Unaudited financial statements are provided to Investors in certain Acquisition Vehicles. Reports may include or be accompanied by information with respect to the performance of the Private Fund, information about the Investor's capital account and certain tax-reporting information (e.g., Form K-1).

Representatives of SunTx may be made available for discussions with Investors on a periodic or agreed upon basis.

**Limited Partner Advisory Committee.** Each SunTx Fund has a Limited Partner Advisory Committee ("LPAC") comprised of a representative from the largest investors in each Fund. Pursuant to Fund Governing Documents, the LPAC meets with the General Partner periodically to consult on certain matters as set forth in Fund Governing Documents, including among others valuation methodologies and any issues involving conflicts of interest. The LPAC receives additional information in conjunction with such meetings. The new Preferred Limited Partner in Fulcrum Prime will participate as an observer on the LPAC.

### ***Ixthys Funds***

**Reviews.** The Ixthys Funds pursue an active trading strategy. As such, Ixthys engages in an ongoing daily review of the Ixthys Funds' portfolio and market activity.

**Reports.** Ixthys Fund Investors receive monthly performance reports, which show capital account activity, profits and losses, management and incentive fees. Investors also receive audited financial statements prepared in accordance with GAAP annually within 120 days after the end of the Fund's fiscal year. Investors also receive annual capital account and tax-reporting information (i.e., Form K-1).

Representatives of Ixthys may be made available for discussions with Investors on a periodic or agreed upon basis.



## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### ***SunTx Funds***

SunTx previously entered into an agreement with Sixpoint Partners LLC (“***Sixpoint***”) to act as placement agent with respect to Fund III and affiliated investment entities. Pursuant to such placement agent agreement, Sixpoint was paid a monthly retainer and will receive a percentage of capital commitments of investments in Fund III, subject to certain limitations as set forth in the placement agent agreement. Sixpoint also was instrumental in identifying the new Preferred Limited Partner for Fulcrum Prime and Dutch Prime and received compensation for such referral.

Neither SunTx nor any SunTx Affiliate generally receives any economic benefit from a non-client for providing investment advice or other advisory services to its Clients, except that SunTx or its affiliates may receive certain fees from Portfolio Companies, or in connection with Portfolio Company investments, as described in Item 5 above. As described more fully in each SunTx Fund’s Governing Documents, such fees – after deduction for unreimbursed expenses – generally offset management fees and/or reduce Fund expenses.

### ***Ixthys Funds***

The Ixthys Funds utilize the services of one or more prime brokers, which may provide capital introduction or other placement services to the Ixthys Funds with or without separate charges for such services. The Ixthys Funds do not currently have any arrangements with other third-party placement agents or solicitors.

Neither Ixthys nor any affiliate receives any economic benefit from a non-client for providing investment advice or other advisory services to the Ixthys Funds.

## ITEM 15: CUSTODY

### *SunTx Funds*

Due to its affiliation with the General Partner for each Private Fund and Private Client, SunTx is generally deemed to have custody of Client funds and securities for purposes of Rule 206(4)-2 under the Advisers Act.

In order to comply with Rule 206(4)-2, SunTx utilizes the services of qualified custodians (as defined under Rule 206(4)-2) to hold Clients' assets, to the extent required by the Rule. SunTx also ensures that each qualified custodian maintains these assets in an account that contains only Clients assets, under the Client's name. In accordance with Rule 206(4)-2, SunTx also (i) engages an independent auditor registered with and subject to inspection by the Public Company Accounting Oversight Board ("**PCAOB**") to audit each SunTx Fund at the end of each fiscal year and (ii) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all Investors within 120 days after the end of the fiscal year for each SunTx Fund.

The assets of certain Acquisition Vehicles are not subject to separate financial statement audits, but rather are considered within the scope of the financial statement audits of the SunTx Fund in which the Portfolio Company is ultimately held. Any Acquisition Vehicle in which there are third party investors is treated as a separate Client for purposes of Rule 206(4)-2. Accordingly, SunTx has (i) engaged a public accountant registered with the PCAOB to conduct a surprise examination that includes the assets of such Acquisition Vehicles; (ii) provided notice to Investors in such Acquisition Vehicles regarding the qualified custodians where assets are held; and (iii) ensured that the qualified custodians send account statements directly to Investors at least quarterly.

### *Ixthys Funds*

Due to its affiliation with the General Partner for each Ixthys Funds, Ixthys is generally deemed to have custody of Client funds and securities for purposes of Rule 206(4)-2 under the Advisers Act.

In order to comply with Rule 206(4)-2, Ixthys utilizes the services of qualified custodians (as defined under Rule 206(4)-2) to hold Clients' assets, to the extent required by the Rule. Ixthys ensures that each qualified custodian maintains these assets in an account that contains only Fund assets, under the Fund's name. In accordance with Rule 206(4)-2, Ixthys has (i) engaged an independent auditor to audit each Ixthys Fund at the end of each fiscal year and (ii) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all Investors within 120 days after the end of the fiscal year for each Ixthys Fund. Generally, the auditor engaged to conduct the fund audit must be subject to inspection by the PCAOB. However, the SEC provided, in a no-action letter to Robert Van Grover, Esq., Seward & Kissel, LLP, dated October 4, 2016, that as long as such auditor was registered with the PCAOB and was engaged to audit the financial statements of a broker or a dealer as of the commencement of the professional engagement period of the respective engagement and as of each calendar-year end, the auditor need not be subject to inspection by the PCAOB. The auditor engaged to conduct the audit of the Ixthys Fund is registered with, but not subject to inspection by, the PCAOB; however, it does have engagements to audit financial statements of broker-dealers. Therefore, the auditor qualifies to conduct an audit of the Ixthys Fund in connection with Rule 206(4)-2.

## **ITEM 16: INVESTMENT DISCRETION**

The Firm provides investment advisory services to the Private Funds on a discretionary basis, subject to the overall supervision of the respective Fund's General Partner. The investment objectives and restrictions of the Private Funds are set forth in the relevant Governing Documents. Investors in the Private Funds do not have authority to impose any restrictions upon the Firm's discretionary authority. However, the Firm may, under certain circumstances, enter agreements or side letters with Investors that limit certain fund investments to address specific legal, regulatory, tax or policy restrictions of the Investor.

Each Private Fund Investor will generally grant the general partner thereof a limited power of attorney to enable the General Partner to execute the applicable partnership agreement and perform certain other activities in connection therewith on its behalf.

## ITEM 17: VOTING CLIENT SECURITIES

Investors in the Private Funds cannot direct how proxies for securities held in Private Funds are voted and therefore the Firm is generally responsible for voting proxies with respect to securities held in the Private Funds. SunTx does not typically invest in or hold publicly-traded securities in the Private Equity Funds and, therefore, historically has not typically voted proxies. However, SunTx may on occasion hold public securities, which may be subject to proxy votes. SunTx does not vote or review proxies on securities held by underlying Portfolio Companies.

The Ixthys Funds generally invest in options and futures contracts on a securities index but do not directly hold equity securities. Therefore, the Ixthys Funds generally do not vote proxies.

The Firm has adopted Proxy Voting Policies and Procedures (the “*PVPs*”) designed to ensure that, in the event that the Firm is in a position to vote proxies and deems it in the Clients’ best interest to do so, the firm will vote such proxies based on what it considers to be in the best financial interest of the Private Funds and Fund Investors.

Private Fund Investors may receive a copy of the PVPs, as well as information on how proxies were voted for their respective Private Funds by request to the Chief Compliance Officer.

## **ITEM 18: FINANCIAL INFORMATION**

The Firm is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients.