

Teakwood Capital

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This brochure provides information about the qualifications and business practices of Teakwood Capital. If you have any questions about the content of this brochure, please contact Samuel Barrett, our Chief Compliance Officer ("**CCO**") at (214) 389-6012 or by e-mail at sbarrett@teakwoodcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Registration of an investment adviser does not imply that Teakwood Capital or any of our principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about the Firm also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

There have been no material changes since this is the initial brochure for Teakwood Capital.

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Item 4: Advisory Business

Founded in 2004, Teakwood Capital ("**Teakwood**," "**we**," "**us**," "**our**," or the "**Firm**"), is a Delaware limited liability company that provides discretionary investment advisory services and management services to the following private equity pooled investment vehicles:

- Teakwood Capital III, L.P.
- Teakwood Capital II, LP
- Teakwood Capital, L.P.

(collectively, the "**Funds**" or "**Clients**"). In managing the Funds, we make privately-negotiated, structured investments in consumer products and services, retailing and advertising, telecommunications and other consumer-focused businesses. The limited partners in the Funds are the "**Investors**."

Shawn Kelly is the "**Managing Member**" of Teakwood.

The Funds are managed in accordance with each Fund's investment objectives, strategies, restrictions and guidelines. Each Fund is managed only in accordance with its own characteristics. Information about each Fund can be found in its offering documents, including each Fund's confidential private placement memorandum (the "**CPPM**").

As of March 2015, the Firm's regulatory assets under management were approximately \$199,488,686.

Item 5: Fees and Compensation

We are generally compensated for our advisory services to the Funds based on a percentage of assets under management and performance-based amount.

Management Fee

Until the commitment period for a Fund has terminated, a Fund generally pays us an annual advisory fee ("**Management Fee**") equal to 2.0% of the total capital commitments (regardless of whether such capital has been invested) of the Investors in the applicable Fund. Following the end of the commitment period of a Fund, the Management Fee of such Fund is equal to 2.0% of the net invested capital of the Investors in the applicable Fund. The Management Fee is paid quarterly in advance.

We may waive or reduce the Management Fee as to all or any of the Investors in the Funds or agree with an Investor to waive or alter the Management Fee as to that Investor. The Management Fee charged by the Funds may be reduced by all or a portion of any origination, transaction, break-up or similar fees that we may receive as described in the CPPM of the applicable Fund.

There can be no assurance as to when capital will be invested or that the entire capital commitment of an investor will be invested by each Fund.

Carried Interest

For the Funds that we advise we are also apportioned carried interest distributions from such Funds ("**Carried Interest**") based on the net cash proceeds attributable to the Fund's investments. In our discretion, we may waive or reduce the Carried Interest as to all or any of the Investors in a Fund or agree with an Investor to waive or alter the Carried Interest as to that investor.

The Carried Interest can vary for each Fund but is typically 20.0% of the profits earned by a Fund. Investors and prospective investors should refer to each Fund's CPPM for additional or supplementary information regarding the Funds as well as the fees paid by each Fund.

Lower fees for comparable services may be available from other sources. The expenses of a Fund, including the Management Fee and Carried Interest, may constitute a higher percentage of average net assets than would be found in other investment vehicles not managed by Teakwood.

Payment Method

Generally, the Management Fee is payable quarterly in advance from drawdowns of the Investors' unfunded capital commitments, provided that, to the extent of subsequent distributions, such amounts will be added back to unfunded Capital Commitments and may be recalled by the particular Fund. The Management Fee is pro-rated for any period that is less than six months.

The Carried Interest for each Fund generally is paid out as a distribution of the net cash proceeds attributable to dispositions of portfolio investments of a Fund. Upon termination of a Fund, the General Partner will be required to return to the Fund distributions of Carried Interest previously received to the extent that they exceed the amounts that should have been distributed to the General Partner as Carried Interest pursuant to "Distributions" above applied on an aggregate basis covering all transactions of the Fund.

Expenses

Organizational Expenses

Subject to any expense limitations that may be described in the CPPM of a particular Fund, each Fund will bear all legal and other expenses incurred in the formation of the Fund and the offering of Interests in the Fund (other than any placement fees). Organizational expenses in excess of this amount, and any placement fees, will be

paid by the Fund but borne by Teakwood through a 100% offset against the Management Fee.

Operating Expenses

Teakwood will bear the ordinary day-to-day expenses incidental to the operation of the Fund. The Funds will bear all out-of-pocket expenses, such as travel, fees and expenses of lenders, investors, consultants, attorneys, accountants, advisors and other related expenses associated with the sourcing and investigating of all transactions whether or not consummated, monitoring portfolio investments, ongoing administration of portfolio investments and fees and expenses of the Fund's Management Board (as defined below). In a completed transaction, the portfolio company will generally (but not necessarily) be responsible for the fees and expenses of its lenders, investors, consultants, attorneys, accountants and advisors and other costs associated with consummating the transaction, including out-of-pocket travel expenses.

The Funds will bear such day-to-day expenses as taxes, fees of auditors, accountants, counsel, expenses of the Investor Advisory Committee, expenses of annual meetings, insurance, and litigation, and, subject to the approval of the Investor Advisory Committee, any extraordinary expense.

Sales Compensation

We will not receive sales commissions in connection with sales of interests in the Funds.

Item 6: Performance-Based Fees and Side-By-Side Management

As described above, we receive performance-based compensation in the form of Carried Interest distributions from the Funds that we manage. For a discussion of our Carried Interest and performance-based compensation received from the Funds, please refer to Item 5 above. Compensation based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Investment Advisers Act of 1940, as amended ("**Advisers Act**").

Performance-based compensation may create an incentive for Teakwood to make investments that are riskier than it would otherwise make.

In the event that some Funds charge higher performance-based compensation than others, a conflict may arise. In such a situation, we may have an incentive to treat some Funds preferentially as compared to others because those Funds pay higher performance-based compensation.

We have adopted a policy to allocate portfolio transactions and investment opportunities across multiple Funds on a fair and equitable basis over time. In an

attempt to mitigate conflicts of interest, any investment opportunity that is suitable for more than one Fund may be allocated among the Funds as we reasonably determine in good faith based on various factors, including the Fund's investment strategy, available capital, and investment restrictions and guidelines.

Item 7: Types of Clients

We deem the Funds to be our clients. Investors in the Funds may include a variety of institutional investors and high net worth individuals satisfying the exceptions and exemptions under which each Fund operates. We require prospective investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment.

The minimum initial investment in a Fund is generally \$3,000,000; however, lesser amounts may be accepted in our sole discretion. In our sole discretion, we may accept capital contributions from new and existing investors at any time. Generally, the limited partnership agreement has restrictions on raising successor funds until existing funds are sufficiently invested. Our Investors must be "accredited investors" under Regulation D of the Securities Act of 1933 (the "**Securities Act**"), as amended, be able to enter into a performance fee arrangement under the Advisers Act (i.e., qualified clients under Rule 205-3 of the Advisers Act) and, for certain Funds, be "qualified purchasers" under Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. We require our Fund Investors to make representations concerning their financial sophistication and ability to bear the risk of their entire investment in a Fund.

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

Methods of Analysis and Investment Strategies

As discussed earlier, we are a private investment advisory firm focused exclusively on investing capital in micro-cap markets of Texas and surrounding states, where its recognized brand consistently ensures high quality, well-priced deal flow. Teakwood targets under-capitalized companies in attractive market niches which are profitable but small, under-staffed and looking for growth capital. The founders are passionate, tenacious, and creative but have not been exposed to professional management practices common in larger enterprises. Teakwood seeks to generate strong and sustainable revenue growth, while maintaining a low loss ratio, ensuring that the portfolio benefits from the full impact of successful investments.

Opportunity Flow

In each Fund, Teakwood generally intends to build a portfolio of 7-10 buy-out, buy-in and growth capital investments, each of \$6-10 million in order to take controlling stakes in companies with EBITDA below \$3 million. Each Fund will typically hold portfolio investments for 3-5 years. Teakwood seeks to invest in scalable companies with a high degree of long-term resilience. The Funds will continue the Firm's focus on firms that enable other businesses to operate more efficiently or that take costs out of corporate infrastructure. Typically, the tech-enabled services sector offers extensive scope for investment in scalable support products and services.

Investment Criteria

We seek to invest in scalable, profitable businesses that present a clear scope for extensive operational improvement. Investment targets will typically exhibit most or all of the following characteristics:

- Proven, 'must-have' product or service that clearly drives improved efficiency or reduced cost,
- Segment-leading market position with good barriers to entry,
- History of profitability, driven by lean cost base and good margins,
- Strong, reliable EBITDA that can be reinvested to drive further revenue growth post-acquisition,
- Clear potential for strong revenue growth post-investment,
- Recurring revenue streams and a loyal customer base,
- Scalable business model, including scope for expansion into new or related markets, and
- Attractive entry price, typically 4-5x EBITDA, requiring little or no leverage.

We typically invest via structures that provide an element of guaranteed return at exit, such as redeemable preferred equity with a cumulative compounding coupon.

Risk of Loss Factors

Investing in securities involves risk of loss that investors should be prepared to bear. Investors should consider the following factors before investing in any of our Funds. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in a Fund. Prospective investors are urged to consult their professional advisers and review the legal documents for the particular Fund before deciding to invest in one of our Funds.

Dependence on Key Personnel

The success of our Funds depends in substantial part on the skill and expertise of the Managing Member and our other investment professionals. There can be no assurance that the Managing Member or our other employees will continue to be employed by the Firm throughout the life of a Fund. The loss of key personnel could have a material adverse effect on a Fund.

Illiquidity of Investments

An investment in one of our Funds requires a long-term commitment, with no certainty of return. There most likely will be little or no near-term cash flow available to the Investors. Many of our Funds' investments will be highly illiquid, and there can be no assurance that a Fund will be able to realize on such investments in a timely manner. Consequently, dispositions of such investments could require a lengthy time period or could result in distributions in kind to the Investors. Additionally, a Fund typically will acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act or in a private placement or other transaction exempt from registration under the Securities Act and that complies with any applicable state and non-U.S. securities laws.

Nature of Investments

Investments in the Funds require a long-term commitment with no certainty of return. The securities in which our Funds will invest generally will be the most junior in what typically will be a complex capital structure, and thus subject to the greatest risk of loss. Certain of the Funds' investments may be in businesses with little or no operating history. Certain of the Funds' investments may be in businesses with high levels of debt or may be investments in leveraged buyouts; leveraged buyouts by their nature require companies to undertake a high ratio of fixed charges to available income. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. Since the Funds may only make a limited number of investments, and since the Fund's investments generally will involve a high degree of risk, poor performance by a few of the investments could materially impact the total returns to our Investors.

Operating and Financial Risks of Portfolio Companies

Companies in which our Funds invest could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic down-turn. As a result, companies which the Funds expect to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

Unspecified Investments

Investors in our Funds must rely upon our ability to identify, structure and implement investments consistent with a Fund's investment objectives and policies. We may be unable to find a sufficient number of attractive opportunities to meet a Fund's investment objectives. The success of our Funds will depend on us to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of portfolio investments.

Leverage

The use of leverage magnifies both the favorable and unfavorable effects on equity values of companies in which our Funds will invest. Most of the companies in which our Funds will invest are likely to have or will acquire highly leveraged capital structures. The highly leveraged capital structures of such companies will increase the exposure of these companies to adverse economic factors such as rising interest rates, reduced cash flows, fluctuations in exchange rates, inflation, downturns in the economy or deterioration in the condition of the company or its industry.

Item 9: Disciplinary Information

We have not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of Teakwood have been subject to such action.

Item 10: Other Financial Industry Activities and Affiliations

No Teakwood management persons are engaged in other financial industry activities or affiliations.

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

Participation or Interest in Client Transactions

Teakwood or its related persons may engage in securities transactions with certain Investors or may recommend investments in portfolio companies in which the Firm or a related person has a beneficial or financial interest. Such transactions may include co-investment opportunities in portfolio companies which are offered to some but not all Investors, and/or our advisory personnel or employees. Key personnel of the Firm generally will also be invested directly or indirectly in the Funds offered to outside investors, subject to applicable law, and the performance-based compensation and/or management fees payable by such vehicle may be separately negotiated by us. In addition, our assets may be invested in securities of portfolio companies in which one or more other Funds hold positions.

Any investment opportunity that is suitable for more than one Fund may be allocated among the Funds as we reasonably determine in good faith based on various factors, including the Fund's investment strategy, available capital, and investment restrictions and guidelines. Teakwood employees generally are not permitted to co-invest in Fund portfolio investments, and may only participate in portfolio investments through the Funds or through employee co-investment vehicles that invest in parallel in each portfolio investment of the Funds.

We will disclose these potential conflicts of interest to Investors and prospective investors in the CPPM of each Fund. These materials are delivered to prospective investors prior to their investment and such prospective investors are given the opportunity to ask questions and seek answers regarding, among other things, potential conflicts involving the Firm, its affiliates, or the executive officers of the foregoing. We have instituted procedures designed to ensure that any affiliated transactions are at arms' length. For instance, in cases of principal transactions involving a Fund and Teakwood or a related person, approval by the Investors, as set forth in the Fund's CPPM, may be required as a condition to such a transaction.

Code of Ethics

Teakwood has adopted a Code of Ethics (the "**Code**") pursuant to Rule 204A-1 of the Advisers Act describing our high standard of business conduct and fiduciary duty to our Clients for all of our employees. Our Code includes policies and procedures addressing our employee's: (i) receipt and provision of gifts and entertainment; (ii) political contributions; and (iii) outside business activities including, in each case, limitations and reporting requirements. All of our employees must acknowledge the terms of the Code annually, or as amended. We will provide a copy of our Code to any Client or prospective client upon request.

Personal Trading

Teakwood is obligated to monitor and at times restrict the investment activities of its Employees and any "**Covered Account**," which includes: the personal securities accounts of: (i) the Employee; (ii) the Employee's immediate family members¹ sharing the same household; or (iii) anyone living either with or apart from the Employee who receives material financial support from the Employee (except a spouse with a valid separation/divorce decree); any accounts over which the Employee controls or influences the investment decisions or has the right or authority to exercise any degree of control or discretionary authority; or any account in which the Employee has beneficial ownership².

Therefore, an Employee should consider himself or herself the beneficial owner of securities held by his or her spouse, his or her minor children, a relative who shares his or her home or anyone the Employee financially supports (except a spouse with a valid separation or divorce decree).

We maintain of a list of sensitive securities for our use when conducting reviews of an employee's securities transactions (the "**Restricted List**"). Covered Accounts are prohibited from trading a security which has been posted on the Restricted List. Covered Accounts also are prohibited from acquiring securities in an IPO without the

¹ Immediate family member means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

² Beneficial ownership includes ownership by any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares a direct or indirect interest other than the receipt of an advisory fee.

pre-approval from the CCO. In addition, Covered Accounts must obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

All employees provide duplicate copies of brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies. This policy does not apply to money market funds, certificates of deposit, exchange traded funds or open-ended mutual funds.

Insider Trading Policies and Procedures

We maintain insider trading policies and procedures that are designed to prevent the misuse of material, non-public information. Our insider trading policy is contained in our written Supervisory Procedures and Compliance Manual ("**Compliance Manual**"). Among other things, such policies and procedures include restricting trading in securities in which employees may possess non-public information and monitoring and reviewing trading for the account of the Firm and our employees. On an annual basis, our employees are required to certify to their compliance with Teakwood's Compliance Manual, including our insider trading policies.

Privacy Policy

We are committed to maintaining the confidentiality, integrity and security of our Investor's and prospective investor's personal information. It is our policy to collect only information necessary or relevant to our management business and use only legitimate means to collect such information. We do not disclose any non-public personal information about our Investors or former Investors to anyone except for servicing and processing transactions and as required by law. We restrict access to non-public personal information about our Investors to those employees with a legitimate business need for the information. We maintain security practices including physical, electronic, and procedural safeguards in order to guard our Investor's and prospective investor's non-public personal information.

Upon request, we will provide Investors and prospective clients and investors with a copy of our privacy policy.

Item 12: Brokerage Practices

As an adviser to private equity funds, we do not generally and it is extremely unlikely that our Funds will make investments in securities listed on national exchanges. While we primarily make investments directly with private issuers, there may be situations where we place a trade(s) through a broker, particularly if there has been a liquidity event in a portfolio holding. In such circumstances, we will seek "best execution" in light of the circumstances involved in transactions. In selecting a broker for any transaction, we may consider a number of factors, including, for example, broker's reputation, net price or spread, reputation, financial strength and stability,

market access, efficiency of execution and error resolution, and the size of the transaction. We will not be obligated to obtain the lowest commission or best net price for a client on any particular transaction.

We will monitor transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers that we use in order to determine that commission rates are competitive and otherwise to evaluate the reasonableness of the commission rates paid to those brokers and dealers in light of all the factors described above. We do not have any formal or informal soft dollar arrangements nor do we receive any soft dollar benefits from any broker, dealer or other counterparty. Additionally, we do not permit clients to direct brokerage to any particular broker.

Item 13: Review of Accounts

Review of Accounts

We review the Funds' portfolios on a continual basis. We utilize monitor on an ongoing basis the financial and operational performance, emerging risks and opportunities, key sector developments and budget and strategic plan expectations. In addition, other than the periodic reviews described above, a review of the Funds may be triggered by any significant unexpected event, which may include market or liquidity events.

Client Reports

In addition to receiving periodic reports from Teakwood, such as quarterly unaudited financial statements, each investor will receive the relevant Fund's audited financial statements within 120 days of such Fund's fiscal year end.

Item 14: Client Referrals and Other Compensation

Compensation by Non-Clients

We or an affiliated entity may receive certain fees from portfolio companies in connection with the purchase, monitoring or disposition of investments or in connection with unconsummated transactions (e.g., transaction, directors', consulting, management, investment banking, advisory, closing, topping, break-up and other similar fees). A portion of these amounts, net of related expenses, will be credited against the management fees payable to us by a particular Fund.

Compensation for Client Referrals

We do not currently compensate any third party for Investor or Client referrals.

Item 15: Custody

We do not provide custodial services to the Funds or our Investors. In addition, we will not maintain physical possession or custody of the funds or securities of any Fund. The Funds and investor assets are held with broker-dealers or banks that are deemed "qualified custodians" which are selected by the Firm.

Because we have access to the Funds' cash or securities as part of our normal investment and operating functions, we are deemed to have custody under the Advisers Act. To ensure compliance with Rule 206(4)-2 under the Advisers Act, we will be required to provide all Investors with audited financial statements for the Fund they are invested in within 120 days of such Fund's fiscal year end. In addition, the audited financial statements must be prepared by an independent accounting firm that is registered with and subject to review by the Public Company Account Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Investors and prospective investors should carefully review the audited financial statements of the Funds.

Item 16: Investment Discretion

Subject to any investment restrictions set forth in the CPPM and Limited Partnership Agreement of a Fund, we have discretionary authority to determine without obtaining the consent of any Fund or Investor before the transactions are effected:

- the securities that are to be bought or sold; and
- the total amount of the securities to be bought or sold.

Our discretionary authority is derived from our authority as the investment manager of each Fund and pursuant to an investment management agreement entered into by Teakwood and each Fund.

Item 17: Voting Client Securities

Proxy Voting

Although infrequent, when necessary we will vote proxies/corporate actions of companies in which the Funds invest. The proxies/corporate actions are reviewed and analyzed by the Managing Member. Prior to voting, we will make a determination, in our opinion, as to what vote is in the best interest of particular Fund. We will maintain a written record of the proxy/corporate action vote on each occasion that a vote is required.

Upon request, we will provide our Clients with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

Item 18: Financial Information

We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual obligations to our clients.