

**PART 2A OF FORM ADV**

**FIRM BROCHURE**



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**This Brochure provides information about the qualifications and business practices of SherpaCapital, LLC ("Sherpa Capital"). If you have any questions about the contents of this Brochure, please call us at (415) 805-8500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority, and references in this Brochure to Sherpa Capital as a "registered investment adviser" are not intended to imply a certain level of skill or training.**

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

## **ITEM 2 – MATERIAL CHANGES**

This is the first annual amendment of the Brochure. Accordingly, there are no material changes to be noted.

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## **ITEM 4 – ADVISORY BUSINESS**

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

SherpaCapital, LLC ("Sherpa Capital") is a Delaware limited liability company that commenced operations in 2013. The principal owners of Sherpa Capital are Shervin Pischevar and Scott Stanford.

### **B. Types of Services**

Sherpa Capital provides discretionary investment advisory services to private investment vehicles organized as Delaware limited partnerships or limited liability companies (each a "Fund" and collectively the "Funds"). Typically, affiliates of Sherpa Capital serve as the general partners or managing members of each Fund (each an "Advisory Affiliate"). Each Advisory Affiliate is a related person of Sherpa Capital.

Sherpa Capital is a venture capital firm which primarily provides investment advice on and manages investments in emerging technology-enabled companies at various stages of development from company founding to late/growth stage ("Portfolio Companies").

The activities of each Fund are governed by a limited partnership agreement or limited liability company agreement that specifies the investment guidelines and investment restrictions applicable to such Fund and, as applicable, confidential private placement memorandum or other offering documents (collectively, the "Governing Documents"). Sherpa Capital, together with the Advisory Affiliates, provides investment management and/or investment supervisory services. Typically, Sherpa Capital manages each Fund's investments pursuant to the applicable Governing Documents. Each Advisory Affiliate retains management authority over the business and affairs of the Fund for which it serves as general partner or managing member, but delegates its investment discretion to Sherpa Capital.

Sherpa Capital offers investment advice solely with respect to the investments made by the Funds. Such services consist of investigating, identifying, and evaluating investment opportunities, structuring, negotiating, and making investments on behalf of the Funds, managing and monitoring the performance of such investments, and disposing of such investments.

Sherpa Capital and certain of its Advisory Affiliates have offered co-investment opportunities (directly and indirectly) to existing investors, Sherpa Capital employees and key persons, and outside parties pursuant to the terms of the applicable Governing Document. Sherpa Capital and/or the Advisory Affiliates will allocate the available co-investment as determined in their sole discretion. There is no guarantee for any investor in a Fund (each an "Investor" and collectively, the "Investors") that it will be offered co-investment opportunities. All decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of Sherpa Capital and/or the Advisory Affiliates subject to any restrictions contained in the Governing Documents of the relevant Fund.

### **C. Fund Investment Objectives and Restrictions**

Sherpa Capital generally has broad and flexible investment authority with respect to the Funds. Each Fund's investment objective and strategy is set forth in the respective Fund's Governing Documents. All Investors are provided with the relevant Fund's limited partnership agreement or limited liability company agreement and, in the case of certain Funds, a confidential private placement memorandum or other offering documents, prior to making an investment. Investors are urged to carefully review those documents prior to making an investment in a Fund.

Sherpa Capital tailors its investment advice to each Fund in accordance with the Fund's investment objectives and strategy as set forth in the relevant Governing Documents. Generally, Sherpa Capital does not tailor its advisory services to the individual needs of Investors. Sherpa Capital's investment decisions and advice are subject to the investment objectives, guidelines and restrictions set forth in the

relevant Governing Documents. Since Sherpa Capital does not provide individualized advice to Investors (and an investment in a Fund does not, in and of itself, create an advisory relationship between the Investor and Sherpa Capital), Investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

Sherpa Capital, or an Advisory Affiliate, has entered into side letter agreements with certain Investors. Side letters are negotiated prior to investment and may establish rights that supplement or alter the terms of the applicable Governing Documents. Pursuant to such side letters, Sherpa Capital, or an Advisory Affiliate, has granted rights to certain Investors which are not available to other Investors (including without limitation, advisory committee representation, transparency rights, and confidentiality). Once invested in a Fund, Investors generally cannot impose additional investment guidelines, restrictions or other requirements on such Fund.

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

Sherpa Capital does not participate in wrap fee programs.

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

As of December 31, 2016, Sherpa Capital had \$689,572,996 in regulatory assets under management on a discretionary basis. Sherpa Capital does not currently manage any client assets on a non-discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

### **A. Advisory Fees and Compensation**

Sherpa Capital is generally compensated for its advisory services through asset-based management fees calculated as a percentage of each Investor's capital commitment or the cost basis of investments then-owned by the applicable Fund, payable quarterly in advance. The management fee rate is generally between 0% and 2.5% per annum.

In addition, as described in more detail in Item 6 below, subject to a clawback for certain Funds, Advisory Affiliates receive performance-based profit distributions (commonly referred to as "Carried Interest") in each of the Funds, as negotiated and determined at the time the applicable Fund is established and set forth in its Governing Documents. Generally, the applicable Advisory Affiliate does not receive Carried Interest until all capital contributions have been returned to the Investors in the respective Fund (pursuant to the terms in each Governing Document).

Any new Fund launched by Sherpa Capital may have materially different terms than those summarized above. It should be noted that the fees paid by the Funds are negotiable by Investors only prior to an investment in the Fund, at the discretion of the Advisory Affiliates.

### **B. Deduction of Fees**

Sherpa Capital or an Advisory Affiliate deducts the management fees, performance-based fees, and other fees and expenses (described below) applicable to the respective Fund directly from the Fund's assets. Performance-based compensation is paid to the relevant Advisory Affiliate when earned. Investors do not have the ability to choose to be billed directly for fees incurred.

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

The Advisory Affiliates or Sherpa Capital will pay certain ordinary and customary expenses out of the management fee (including salaries, wages, rent, communication costs, equipment and other overhead expenses).

As set forth in the applicable Governing Document, each Fund will bear all costs and expenses incurred in the investigation, holding, purchase, sale or exchange of Portfolio Companies (whether or not ultimately consummated), including, but not limited to, private placement fees, finder's fees, interest on borrowed money, real property or property taxes on investments (including documentary, recording, stamp and transfer taxes), brokerage fees or commissions, legal fees, expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the Fund (including claims by or against a governmental authority), audit and accounting fees, legal, accounting and consulting fees relating to investments or proposed investments, taxes applicable to the Fund on account of its operations, fees incurred in connection with the maintenance of bank or custodian accounts, all expenses incurred in connection with the registration of the Fund's Portfolio Companies under applicable securities laws or regulations, and travel expenses incurred in managing and holding Fund Portfolio Companies. Each Fund shall bear expenses incurred by an Advisory Affiliate in investigating and evaluating investment opportunities whether or not consummated (including but not limited to legal, accounting and consulting fees, and travel expenses incurred in connection therewith), managing investments of the Fund, serving as the tax matters partner and the partnership representative, the reasonable cost of liability and other premiums for insurance protecting the Fund, its Advisory Affiliate, Advisory Affiliate's managing directors, and Sherpa Capital and its employees from liability to third parties, all out-of-pocket expenses of preparing and distributing reports to Investors, out-of-pocket expenses associated with Fund communications with Investors, including preparation of annual or other reports to the Investors, out-of-pocket costs associated with Fund meetings or limited partners' advisory committee meetings, all legal and accounting fees relating to the Fund and its activities, fees

and expenses relating to outsourced finance, reporting, administration, accounting and back-office services, all costs and expenses arising out of the Fund's indemnification obligations, and all expenses that are normal operating expenses.

To the extent that any costs, fees and expenses borne by a Fund also benefit any other Fund, such costs, fees and expenses will be shared by each Fund on an equitable basis as determined by the Advisory Affiliate in its reasonable discretion.

Each Fund will bear the organizational costs, fees and other expenses incurred in connection with the formation and organization of the Fund subject to the terms and limitations set forth in the Fund's Governing Documents.

***The above is a general description of fees and other expenses, and the expenses may vary from Fund to Fund. Investors are encouraged to refer to the applicable Governing Documents.***

#### Offset Fees

While it is Sherpa Capital's general policy not to charge Portfolio Companies any additional fees, Sherpa Capital, the Advisory Affiliates or their members or employees may receive directors, consulting, management service, advisory, consultant, transaction, break-up or broken deal fees, or similar fees from Portfolio Companies. If Sherpa Capital, or any Advisory Affiliate, or their members or employees, is paid such fees from our Portfolio Companies, 100% of the fees will offset the management fees payable by the applicable Funds. These fees, and the associated conflicts of interest they present, are further described in Item 11 below.

#### Senior Advisors/Operating Partners/Consultants

Sherpa Capital may hire third party consultants throughout the Funds' investment processes, including advisors who are former senior executives with operating experience and industry-specific knowledge ("Senior Advisors"). Senior Advisors play

an important role in how Sherpa Capital manages its portfolio, and they may assist with a variety of activities, including market research, new investment identification, pre-investment business diligence and post-investment value creation. Senior Advisors are not employees of Sherpa Capital but consultants who provide an additional source of operating and strategic expertise across a spectrum of fields within our focus sectors. Sherpa Capital may make its Senior Advisors available to the Portfolio Companies. To date, Senior Advisors have helped certain of the Portfolio Companies navigate local and national policies and politics, revitalize strategic partnerships, and formulate and drive growth initiatives, among other things.

Senior Advisors are typically paid a consulting fee by Sherpa Capital, which in some cases may be allocated to one or more Funds. Consulting fees may vary depending upon a number of variables, including expertise and time commitment. From time-to-time, these individuals may also co-invest in transactions in which they are investing under the same terms and conditions as the applicable Fund. As a Senior Advisor becomes more involved with a Portfolio Company, he or she may take on a more active role, including, for example, taking a board seat or providing additional services directly to the Portfolio Company. In either case, the Senior Advisor may receive direct compensation from the Portfolio Company under terms agreed to by the Portfolio Company and the Senior Advisor. Any such compensation will not offset any management fees received by Sherpa Capital.

#### **D. Prepayment of Fees**

The management fee is typically paid quarterly in advance. Investors in a Fund may not withdraw from a Fund prior to dissolution or transfer any of their interests in the Fund without the prior written consent of Sherpa Capital or the applicable Advisory Affiliate. As such, there is no need for a management fee refund mechanism.

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

Neither Sherpa Capital nor its Supervised Persons (as defined below in Item 11) accept compensation for sale of securities or other investment products outside of their association with Sherpa Capital.

***It is important that Investors refer to the relevant Governing Documents for a complete understanding of expenses and fees they may pay through an investment in the Funds. The information contained herein is a summary only and is qualified in its entirety by such documents.***

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above, Advisory Affiliates may receive performance-based profit distributions from the Funds for which it serves as general partner or managing member.

Differences in performance-based fees, particularly if some Funds would pay higher performance-based fees, creates an incentive for Sherpa Capital to direct the best investment ideas to, or allocation investments in favor of, the account that pays the higher performance-based fee. To alleviate potential conflicts of interest, Sherpa Capital has generally structured its pooled investment vehicles to avoid overlapping investment scopes, although some overlap may occur. In general, Sherpa Capital attempts to address any material conflicts through full and fair disclosure in the applicable Governing Documents and this Brochure. Additionally, the allocation of investments with respect to each Fund are made by Sherpa Capital in a manner that it considers fair and equitable to each Fund relative to the other Funds over time, taking into account all relevant facts and circumstances. Notwithstanding the foregoing, as described in Item 4.B. above, Sherpa Capital and/or the Advisory Affiliates will allocate any available co-investment opportunity as determined in their sole discretion and there is no guarantee that any Investor will be offered co-investment opportunities.

The possibility that an Advisory Affiliate may receive Carried Interest creates a potential conflict of interest in that it may create an incentive to make investments that are riskier or more speculative than in the absence of such performance-based distributions. Notwithstanding this potential incentive, Sherpa Capital will evaluate investments in a manner that is considers to be in the best interest of each Fund, given each Fund's investment objective, investment strategy, suitability of investment and risk profile.

## **ITEM 7 – TYPES OF CLIENTS**

Sherpa Capital provides investment advisory services to the Funds described in Item 4 above. All Investors in the Funds are "accredited investors" (as defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act")) and "qualified clients" (as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act")). Investors in certain Funds are also "qualified purchasers" (as defined in section 2(a)(51)(A) of the Investment Company Act of 1940).

The Funds are no longer open to new Investors. Any new Fund launched by Sherpa Capital may have different terms than those summarized above.

Sherpa Capital does not have a minimum size for a Fund, but minimum investment commitments are typically established for Investors in the Funds. The Advisory Affiliate of each Fund may, in its sole discretion, permit investments below the minimum amounts set forth in the Governing Documents of such Fund.

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

### **A. Investment Strategies**

The following summarizes the methods of analysis and investment strategies used by Sherpa Capital in formulating investment advice.

Sherpa Capital's investment focus is technology-enabled companies, primarily in the consumer and "prosumer" Internet/software sector with a strong bias to Mobile-enhanced services, eCommerce and Digital Media sectors. SherpaCapital views macro concepts such as mobile, social, local, user generated content, video and big data not as refined investment theses, but instead as powerful components of internet/software, eCommerce and Digital Media businesses that must be contemplated and embraced regardless of a business's specific focus and strategy.

Sherpa Capital is focused on understanding, recognizing and managing risk within its portfolio. Sherpa Capital's due diligence and decision-making process is structured to understand and mitigate key technical, regulatory, execution and competitive risks among its portfolio investments.

### **B. Risk Factors**

An investment in the Funds involves a significant degree of risk that Investors should be prepared to bear. There can be no assurance that the Funds' targeted rate of return will be achieved or that there will be any return of capital. The timing of profit realization, if any, is highly uncertain. The environment for venture capital investments is increasingly competitive, and an Investor should only invest in the Funds if the Investor can withstand the liquidity constraints of an investment in a Fund and a total loss of its investment.

No guarantee or representation is made that a Fund's investment program will be successful. Please note that all references to Sherpa Capital in this Item 8 shall include the applicable Advisory Affiliate(s). The following are some of the additional material risks associated with an investment in the Funds:

**Risk Inherent in Venture Capital Investments.** The types of investments that the Funds invest in involve a high degree of risk. In general, financial and operating risks confronting Portfolio Companies can be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there can be no assurance that a Fund will be adequately compensated for risks taken. A loss of principal is possible. The timing of profit realization is highly uncertain. Losses are likely to occur early, while successes may require a long maturation.

Early-stage and development stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing which may not be available through institutional private placements or the public markets. The percentage of companies that survive and prosper can be small.

Investments in more mature companies in the expansion or profitable stage also involve substantial risks. The companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire a business or develop new products and markets. These activities by definition involve a significant amount of change in a company and could give rise to significant problems in sales, manufacturing and general management of these activities.

**May not have opportunities to make suitable investments.** Sherpa Capital may be unable to identify companies that complement its strategy, and even if it identifies appropriate opportunities, Sherpa Capital may be unable to acquire an interest in the company on behalf of a Fund for many reasons including: a failure to agree on the terms of the investment, such as the amount or price of the sought

after interest; incompatibility between the Fund's management and management of the company; competition from other capital providers; and the unwillingness of the company to accept an investment offer from the Fund. Failure to identify sufficient investment opportunities and the overall inability of a Fund to generate sufficient deal flow could affect the Fund's ability to deploy all of its capital, which could adversely affect the return to the Investors.

**May be unable to obtain maximum value for its investment interests.** Each Fund intends to hold positions in non-public companies which are generally illiquid investments. While a Fund does not anticipate selling its interests in its Portfolio Company before an acquisition or initial public offering, if it were to divest of its interests prior to such an event, the Fund may not receive maximum value for these positions. In such case, the realizable value of the Fund's interests may ultimately prove to be lower than the carrying value reflected on its financial statements.

**Competition.** The Funds expect to encounter competition from other entities having similar investment objectives. Potential competitors include other venture capital and other private equity funds, business development companies, investment partnerships and corporations, small business investment companies, and large industrial and financial companies investing directly or through affiliates and individuals. Some of these competitors may have significant experience, greater financial and technical resources and a greater number of qualified personnel than the Advisory Affiliates and Sherpa Capital may perform certain of these functions as well as other management and operational services on behalf of the Advisory Affiliates and the Funds. To the extent that a Fund encounters competition for investments, investment opportunities may decrease requiring the Fund to invest at higher prices which may ultimately reduce the returns to investors.

**Success Impaired by Valuations.** Securities markets, in general, and technology-based stocks, in particular, have experienced periods of significant volatility. Increased volatility in the future could increase the risk of loss in securities investments as compared to the risk of loss in more stable market conditions.

Interest rate volatility, general levels of economic activity and participation by other investors in the financial markets may materially adversely affect the value of investments made or held by a Fund. Should equity markets, particularly those affecting technology stocks, weaken or experience a recession, the Funds will have difficulty raising investment capital and liquidating investments in the public and private markets. The Funds may also experience difficulty in identifying investment opportunities and securing follow-on financing for the Funds' investments.

Furthermore, the value of businesses and the price of the equity and equity-related securities of those businesses, in which a Fund intends to invest may be based upon factors and multiples used for publicly-traded technology companies. The public market for the stocks of technology companies has experienced extreme price and volume fluctuations. Investors' interest in technology companies may decline in the future and may cause extreme volatility in, including significant decreases in, the price from which these stocks have been trading. A decrease in the price of publicly-traded technology stocks would likely have a negative effect on the valuations given to a Fund's Portfolio Companies, which would have a material adverse effect on the value of the Fund's assets.

**Concentration of Investments.** The success of a Fund depends largely on making investments in Portfolio Companies in the target industry sectors. The value of companies in such sectors is particularly vulnerable to rapidly changing technology, government regulation and relatively high risks of obsolescence caused by scientific and technological advances. Adverse changes in economic conditions in the geographic markets that the Portfolio Companies serve would likely impair such Portfolio Companies' ability to realize revenue growth and could otherwise have a negative effect on the Fund's rate of return. Funds will have a high concentration of its assets in the securities of a limited number of issuers. This concentration risk may be heightened by a Fund's participation in follow-on rounds of financing. Such lack of diversification could magnify potential losses. Accordingly, the investment portfolio of a Fund may be subject to more rapid changes in value than would be the case if the Fund were subject to more stringent requirements with respect to

diversification among companies, securities and types of securities, as well as other types of investments.

**General Economic Conditions.** General economic conditions may affect the activities of the Funds. Interest rates, the price of marketable securities and participation by other investors in the financial markets may also affect the value of securities purchased by the Funds or considered for purchase. Potential investors should realize that distributions may not be made by a Fund due to general economic conditions, illiquidity of portfolio investments, contractual prohibitions or other reasons mentioned above.

**Nature of Private Investments.** Investment in a Fund requires a long-term commitment, with no certainty of return. A Fund may invest in companies that are experiencing or are expected to experience financial difficulties, which will require additional equity capital to be successful. Identifying potentially profitable enterprises is a difficult task. The companies in which a Fund will invest may involve a high degree of risk. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities, and a larger number of qualified managerial and technical personnel. Many of the Funds' investments will be highly illiquid, and there can be no assurance that a Fund will be able to realize a return on such investments in a timely manner, if at all. Additionally, a Fund may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144 under the Securities Act or another exemption under the Securities Act. There will likely be no near-term cash flow available to investors. Since a Fund may only make a limited number of investments and since many of the Fund's investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors. Additionally, it should be noted that past performance is not a guarantee of future results.

**Illiquidity of Investment.** Investment in private companies involves extreme business and financial risks and can result in substantial or total loss. Investment in a Fund requires the financial ability and willingness to accept significant risks of illiquidity. There is no public market for the interests in a Fund and none is expected to develop. The interests will generally not be redeemable and will not be transferable without the prior consent of the Advisory Affiliates, which may be granted or withheld in its sole and absolute discretion. Consequently, notwithstanding the distribution provisions of the Governing Document, Investors may not be able to liquidate their interests in the Fund prior to the end of the Fund's term.

In addition, because a Fund has a finite term, investments made by it may not be ready for disposition at the end of such term. As a result, there may be in-kind distributions of interests in such investments, which may be illiquid securities. The proceeds upon disposition of such securities could be significantly less than their fair value.

The interests in the Funds have not been registered under the Securities Act, the securities laws of any state thereof or the securities laws of any other jurisdiction, and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not contemplated that registration of such interests under the Securities Act or other securities laws will ever be effected.

**Minority Investments.** A Fund may invest in minority positions of companies and in companies for which the Fund has no right to appoint a director or otherwise exert significant influence. In such cases, the Fund will be significantly reliant on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom the Fund is not affiliated and whose interests may conflict with the interests of the Fund.

**No Assurance of Additional Capital for Investments.** After a Fund has financed a company, continued development and marketing of products will require that additional financing be provided. Companies in the target sectors in which a Fund expects to invest have substantial capital needs that are typically funded over several stages of investment. No assurance can be made that such additional financing will be available and no assurance can be made as to the terms upon which such financing may be obtained. Alternatively, a Fund, either directly or through one of its Portfolio Companies, may elect to sell developed or undeveloped technology to existing companies. No assurance can be made that buyers for such technology can be located.

**Failure to Make Capital Contributions.** If a limited partner fails to pay when due installments of its capital commitment to the Funds, and the contributions made by nondefaulting limited partners and borrowings by the Funds are inadequate to cover the defaulted capital contribution, Sherpa Capital may be unable to pay Funds' obligations when due. As a result, the Funds may be subjected to significant penalties that could materially and adversely affect the returns to limited partners (including nondefaulting limited partners). If a limited partner defaults, it may be subject to various remedies as provided in the Governing Documents, including forfeiture of its interest.

**Future and Past Performance.** Sherpa Capital's prior performance is not necessarily indicative of Sherpa Capital future results. While Sherpa Capital intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance that targeted results will be achieved. Loss of capital is possible on any given investment.

**Bridge Financing.** The Funds may lend to Portfolio Companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in Sherpa Capital's control, such long-term securities may not issue and such bridge loans may remain outstanding. In such

event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Funds.

**Limitations on Ability to Exit Investments.** Sherpa Capital expects to exit from its investments in two principal ways: (i) private sales (including acquisitions of its Portfolio Companies) and (ii) initial and secondary public offerings. At any particular time, one or both of these avenues may not be open to the Funds, or timing with respect to these exit mechanisms may be inopportune. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

**Importance of key management.** The success of a Fund will depend on the ability of the Advisory Affiliates and Sherpa Capital to identify opportunities, to negotiate and arrange the closing of transactions, to stimulate good performance by Portfolio Companies and to arrange timely disposition of securities at a profit. There can be no assurance that the Advisory Affiliate and Sherpa Capital will generate an adequate stream of investment opportunities. Additionally, the success of the Fund will depend on the continued employment by the Fund of the managers of the Advisory Affiliate and Sherpa Capital.

**Control by Advisory Affiliates.** Investors will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of an Advisory Affiliate. In addition, investors will have no ability to remove the Advisory Affiliate. In order to safeguard their limited liability for the liabilities and obligations of the Fund, investors must rely entirely on the Advisory Affiliates and Sherpa Capital to conduct and manage the affairs of the Fund.

**Risks of Certain Investments.** In connection with the disposition of an investment in a Portfolio Company, the Advisory Affiliates, and/or the Fund may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business. They may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may

result in contingent liabilities, which might ultimately have to be funded by the Advisory Affiliates, its members, and/or the investors, as the case may be.

**Potential Liabilities.** In connection with its investments, a Fund may negotiate the right to appoint one of the managers of the Advisory Affiliate as a member of the Portfolio Company's board of directors. Such membership on the board of directors of a company can result in the Fund or the individual director being named as a defendant in litigation. Typically, Portfolio Companies will have insurance to protect directors and officers, but this insurance may be inadequate. A Fund will also indemnify the Advisory Affiliates and its principals, among others, for liabilities incurred in connection with operations of the Fund, including liabilities arising from such suits. Such indemnification obligations and other liabilities could be substantial.

**Conflicts of Interest.** Instances may arise where the interests of the Advisory Affiliates and/or Sherpa Capital may potentially or actually conflict with the interests of a Fund and its Investors. The existence of the Advisory Affiliates' carried interest may create an incentive for an Advisory Affiliate to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of a performance-based arrangement. An Advisory Affiliate may cause the Fund to invest in Portfolio Companies founded as part of Sherpa Foundry, LLC (a company owned by the managing directors of the Advisory Affiliates) or any successor thereto ("Sherpa Foundry"), and/or existing Portfolio Companies of another Fund, subject to certain restrictions set forth in the relevant Governing Document. Conflicts may arise as a result of the affiliations and cross-ownership between the Funds and any related successor funds, companies owned by the managing directors of the Advisory Affiliates and/or Sherpa Foundry. Potential investors should understand and be willing to accept such actual and potential conflicts of interest before making an investment in a Fund.

**In-kind Distributions.** A Fund's investments will be in the form of illiquid securities. If the Advisory Affiliates so determine, subject to the approval of a certain

percentage of Investors, in lieu of any cash distributions, Investors may receive in-kind distributions of such illiquid securities. Any securities distributed with such investor consent, or upon liquidation of a Fund, may not be readily marketable or saleable and may have to be held by the investors for an indefinite period of time.

**Foreign Securities.** The Funds may invest in securities of companies headquartered or operating in one or more non-U.S. countries, although at present the Funds intend to invest primarily in companies operating in the United States. Investing in non-U.S. companies involves considerations and possible risks not typically involved in investing in securities of companies headquartered in the United States, including instability of some governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of local tax laws (*e.g.*, the imposition of withholding or other taxes on investment income) or confiscatory taxation may also affect investment in non-U.S. securities. If a non-U.S. portfolio company were to become a publicly traded company, the non-U.S. securities market would likely be less liquid, more volatile and less subject to governmental supervision than in the United States. Such investments could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

**Investment Company Act of 1940.** The Funds are not subject to the provisions of the Investment Company Act of 1940, in reliance upon either Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940. The Funds' Governing Documents contain representations and restrictions on transfer designed to ensure that the conditions of one or both of these provisions are met.

**Securities Act of 1933.** Interests in the Funds are not registered under the Securities Act, in reliance upon exemptions for transactions not involving a public offering. Each Investor is required to execute certain agreements in connection with its

subscription for the interest in the Fund, and in so doing will make certain representations to Sherpa Capital.

***Investors and prospective Investors are provided with offering documents that contain a detailed description of the material risks related to an investment in the Funds, and are advised to carefully review all risk factors set forth in the relevant offering documents.***

## **ITEM 9 – DISCIPLINARY INFORMATION**

Sherpa Capital and its management persons have not been the subject of any material legal or disciplinary proceedings required to be disclosed in response to this item.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Advisory Affiliates are related persons of Sherpa Capital and serve as general partners, or managing members, to the Funds. In connection therewith, the Advisory Affiliates maintain investments in the Funds and provide investment management and administrative services to the Funds.

As described in Item 6, the Advisory Affiliates are entitled to receive performance-based profit distributions from the Funds, which may in certain circumstances create a conflict of interest, as described in Item 6 above.

As described elsewhere in this Brochure, Sherpa Capital generally seeks to make significant investments in Portfolio Companies. Sherpa Capital sometimes seeks control or substantial minority positions in Portfolio Companies, with board representation and customary shareholder rights. As such, Sherpa Capital's management persons may have board positions with Portfolio Companies. Certain persons of the management serve, and may in the future serve, on the board of directors of certain of such Portfolio Companies. Such persons could face conflicts of interest between discharging their duties as directors of such companies and acting in the best interest of the applicable Funds.

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

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

Sherpa Capital's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 under the Advisers Act. The Code applies to Sherpa Capital's access persons, as such term is defined in Rule 204A-1 under the Advisers Act ("Supervised Persons"). Supervised Persons include any member, officer or director of Sherpa Capital and any employee of Sherpa Capital who, in relation to the Funds: (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings; or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. In addition, certain other individuals, such as temporary employees or independent contractors may also be deemed to be Supervised Persons by Sherpa Capital's Chief Compliance Officer.

The Code sets forth a standard of business conduct that takes into account Sherpa Capital's status as a fiduciary to the Funds and requires Supervised Persons to place the interests of Funds above their own interests and the interests of Sherpa Capital. The Code requires Supervised Persons to comply with applicable federal securities laws. Further, Supervised Persons are required to promptly bring violations of the Code to the attention of Sherpa Capital's Chief Compliance Officer. All Supervised Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Supervised Persons. Supervised Persons must provide Sherpa Capital's Chief Compliance Officer with a list of their personal accounts and an initial holdings report listing the holdings of such personal accounts within 10 days of becoming a Supervised Person. In addition, Sherpa Capital's Supervised Persons must provide annual holdings reports and quarterly transaction

reports detailing, respectively, the holdings and quarterly transactions in their personal accounts in accordance with Advisers Act Rule 204A-1.

The Code also describes Sherpa Capital's duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) Funds. Underlying these policies and procedures are two primary principles. First, confidential information must be maintained in confidence. Second, Supervised Persons who possess material non-public information about public companies must not trade in the securities affected by such information, must not disclose such information to anyone who does not have a legitimate need to know it and must immediately disclose such information to Sherpa Capital's Chief Compliance Officer.

Sherpa Capital will allocate investment opportunities among its various Funds on a fair and equitable basis, consistent with its fiduciary obligations and the Governing Documents for the relevant Fund. Notwithstanding the foregoing, as described in Item 4.B. above, Sherpa Capital and/or the Advisory Affiliates will allocate any available co-investment opportunity as determined in their sole discretion and there is no guarantee that any Investor will be offered co-investment opportunities.

Investors or prospective Investors may obtain a copy of the Code by contacting Sherpa Capital.

## **B. Potential Conflicts**

As explained in Item 10 above, the Advisory Affiliates, which are owned in part by the principals and are related persons of Sherpa Capital, serve as the general partners and managing members of the Funds. These Advisory Affiliates generally commit capital to certain Funds, and as a result nearly every investment made by such Fund involves a purchase of securities whereby related persons of Sherpa Capital indirectly acquire an indirect interest in such securities.

Sherpa Capital's Advisory Affiliates and certain Supervised Persons maintain investments directly in the Funds. The fact that Sherpa Capital's Advisory Affiliates and certain Supervised Persons have financial interests in the Funds could create a potential conflict in that it could cause Sherpa Capital to make different investment decisions than if such parties did not have such financial ownership interests. However, Sherpa Capital believes that these financial interests align Sherpa Capital's and the Advisory Affiliates' incentives with those of the Investors.

Sherpa Capital or the Advisory Affiliates have formed special purpose vehicles to co-invest in some of the Portfolio Companies. Further, in certain cases, Sherpa Capital's Advisory Affiliates, or Supervised Persons will have an investment interest in such special purpose vehicles. As noted in Item 4, co-investment opportunities may not be offered equally to all Investors. Sherpa Capital has fully disclosed this conflict in the Governing Documents.

In addition, in certain cases Supervised Persons may hold a pre-existing interest in certain Portfolio Companies. Generally, a Fund may not invest in a Portfolio Company in which a Supervised Person holds an interest without prior approval of such Fund's advisory committee or Investors.

Sherpa Capital may on rare occasions participate in "principal transactions" or "cross trades" (as defined below). In cases where Sherpa Capital acts as a principal for its own account (i.e., Sherpa Capital and its control persons in the aggregate own greater than 25% of an Fund, a Portfolio Company, or Portfolio Security), and Sherpa Capital is seeking to effect a transaction that would be deemed a principal transaction, Sherpa Capital will disclose to the Fund in writing the capacity in which Sherpa Capital is acting and receive consent from the Fund in accordance with the Governing Documents. A "cross trade" occurs where it is advantageous to effect a securities transaction between two Funds. In the event that a cross trade would be in the best interests of both Funds and permitted under the Governing Documents of each Fund, Sherpa Capital may affect the cross trades in accordance with the

respective Fund's Governing Document, which may include seeking the consent of such Funds advisory committee or Investors.

As described in Item 5 above, in limited cases Sherpa Capital or an Advisory Affiliate or a principal may receive certain advisory fees, director's fees, break-up fees or other similar fees in connection with portfolio investments of the Funds as compensation for financial advisory and similar services provided by them to the Portfolio Companies. Payment of such fees may create a conflict of interest because it could create an incentive for Sherpa Capital or an Advisory Affiliate to cause a Fund to invest its capital in a Portfolio Company that will pay such a fee to Sherpa Capital or its affiliate. Sherpa Capital mitigates such potential conflicts of interest by requiring that all transaction fees received by Sherpa Capital, an Advisory Affiliate or an employee to offset and reduce the management fees that would otherwise be paid by the Funds. Sherpa Capital further mitigates this conflict of interest by negotiating such fees at arm's length with such Portfolio Company and generally seeking to ensure that such fees are, in the good faith opinion of Sherpa Capital, in accordance with prevailing market rates in the relevant industry. Sherpa Capital does not take into consideration whether a Portfolio Company will pay Sherpa Capital or its affiliate a services fee when making an investment determination.

As described in Item 6, Sherpa Capital or the Advisory Affiliates receive management fees and performance-based profit distributions from the Funds. The management fees are payable without regard to the overall success or income earned by the Funds and therefore may create an incentive on the part of Sherpa Capital to raise or otherwise increase capital commitments to a higher level than would be the case if Sherpa Capital were receiving a lower or no management fee. Performance-based profit distributions may create an incentive for Sherpa Capital or the Advisory Affiliates to make investments that are riskier or more speculative than in the absence of such performance-based profit distributions.

In addition to the foregoing, Sherpa Capital seeks to address the above conflicts through regular monitoring of the Funds' portfolios for consistency with objectives,

strategies, and target capacity. Further, Sherpa Capital carefully considers the risks involved in any investments and Sherpa Capital provides extensive disclosure to Investors regarding the potential risks that come with an investment with Sherpa Capital. As stated above, the Code provides guidelines for identifying and addressing conflicts of interest and requires Supervised Persons to place the interests of the Funds above their own or those of Sherpa Capital, and all Supervised Persons are required to acknowledge their receipt and understanding of the Code.

In addition, certain Funds have an advisory committee consisting of representatives of certain Investors in the respective Fund. The advisory committees advise and counsel Sherpa Capital and the Advisory Affiliates on issues relating to conflicts of interest and matters specifically set forth in the limited partnership agreements. Sherpa Capital typically consults with the advisory committee of the Fund in question if a significant or material conflict of interest described in this Item 11 arises with respect to such Fund.

Sherpa Capital's Supervised Persons are permitted to make certain securities transactions in their personal accounts. Sherpa Capital's Supervised Persons have made, and may in the future under certain limited circumstances make investments, directly, or indirectly, for their personal accounts in the Portfolio Companies. Such investments may be made concurrently with, or in advance of, investments by a Fund. Such investments could create a conflict of interest in that it could give Sherpa Capital or an Advisory Affiliate an incentive to cause a Fund to invest its capital in a company in which it would not otherwise invest, or to dispose of its investment in a company at a time or for a price which it would not otherwise recommend for the Fund absent such Supervised Person's ownership of such securities. The Governing Documents include limitations on the ability of certain Supervised Persons to make such investments.

In addition, the Code limits the ability of Supervised Persons to invest in Portfolio Companies outside of their indirect interests through the Advisory Affiliates or the Fund. All such investments require approval of the Chief Compliance Officer, which

approval would only be granted once any associated conflicts of interest are adequately addressed and remedied.

Sherpa Capital enforces the foregoing policy and manages the potential conflicts of interest inherent in Supervised Person personal trading by rigorous enforcement of its Code, which contains pre-clearance and reporting guidelines for Supervised Persons.

Sherpa Capital requires that Supervised Persons' transactions in certain "reportable securities" (as defined in Section 202(a)(18) of the Advisers Act) be pre-cleared with the Chief Compliance Officer. Further details are available in the Code, which is available to Investors upon request.

Sherpa Capital maintains a "Restricted List." Issuers on the Restricted List include portfolio investments of Funds, public issuers about which any Supervised Person has material non-public information, and any other security placed on the list at the discretion of the Chief Compliance Officer. Supervised Persons are generally prohibited from trading securities on the Restricted List without the prior written consent of the Chief Compliance Officer so that the Chief Compliance Officer may confirm that the proposed investment meets the requirements of the applicable Governing Documents and the Code. If there are no potential conflicts of interests, pre-clearance requests may be approved on a case by case basis.

In addition, Sherpa Capital receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer, or his or her, designated person, reviews Supervised Persons' personal transaction and holdings reports to make sure each Supervised Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

## ITEM 12 – BROKERAGE PRACTICES

### A. Best Execution and Soft Dollars

Sherpa Capital's investment strategy focuses on investments in private transactions and typically does not involve placing trades with a broker-dealer. Sherpa Capital will seek best execution in the event it places transactions with a broker-dealer on behalf of the Funds.

Sherpa Capital has complete discretion in selecting the broker that it uses for Funds and co-investment transactions and the commission rates that the Funds pay such brokers. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services. In selecting a broker for any transaction or series of transactions, Sherpa Capital may consider a number of factors, including, for example:

- net price, clearance, settlement and reputation;
- financial strength and stability;
- efficiency of execution and error resolution;
- ability to arrange for sales and transfers of restricted and illiquid securities;
- willingness to execute related or unrelated difficult transactions in the future;
- ability to establish brokerage accounts on an efficient and expedited basis;
- and
- special execution capabilities.

Although Sherpa Capital generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest price. Among other reasons, transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions than would be the case for more routine services.

Sherpa Capital does not participate in soft dollar arrangements.

Sherpa Capital periodically evaluates the execution performance of broker-dealers to ensure that the services provided are consistent with its best execution obligations.

## **B. Aggregation of Securities**

Upon determination to buy or sell the same Portfolio Company security on behalf of more than one Fund (based upon the investment mandates and available capital of such Funds), Sherpa Capital will generally aggregate such transactions. Private company securities which are a significant part of the investments made by the Funds are generally purchased in private placement transactions, and thus a purchase or sale transaction by multiple Funds will generally be consummated simultaneously. However, there could be circumstances in which the liquidity needs, partnership terms or other considerations require the purchase or sale of Portfolio Company securities by Funds at different times. In such cases, Sherpa Capital will seek to act in a fair and equitable manner with regard to all participating Funds and to take into account the investment objectives and results of each Fund. Notwithstanding the foregoing, the purchase or sale of Portfolio Company securities by different Funds at different times could result in increased transaction costs and different investment results for such Funds and their Investors.

Sherpa Capital recognizes that, as a fiduciary, it has a duty to allocate investment opportunities among its advisory clients in a fair and equitable manner. If Sherpa Capital determines that it would be appropriate for more than one Fund to participate in an investment opportunity, Sherpa Capital will seek to allocate the investment opportunity to all of the participating Funds on a fair and equitable basis. Sherpa Capital will make a determination as to the appropriate allocation among its Funds after considering a variety of factors, including, among others, lifecycle of the fund, investment strategies, existing exposure, cash availability, tolerance for risk, and the governing documents of each Fund. Investment opportunities will in all circumstances be allocated in a manner consistent with the applicable Funds' Governing Documents.

Notwithstanding the foregoing, as described in Item 4.B. above, Sherpa Capital and/or the Advisory Affiliates will allocate any available co-investment opportunity as determined in their sole discretion and there is no guarantee that any Investor will be offered co-investment opportunities.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **A. Account Review**

The accounts of the Funds are under periodic review by the principals and other investment professionals of Sherpa Capital. Such reviews include a review of investment strategy, the suitability of the investments used to meet strategy objectives, and investment objectives. Sherpa Capital considers, among other things, investment performance, the portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

### **B. Reporting to Clients and Investors**

Investors in certain Funds generally receive quarterly reports after the close of each of the first three calendar quarters, which include quarterly unaudited financial statements, a summary of acquisitions and dispositions of the investments, a list of investments then held, together with a valuation and summary update of such investments of such Funds. Annually, Investors will receive an annual financial report audited by a nationally recognized accounting firm, information regarding the Fund necessary for the completion of each Investor's tax return, and a list of investments then held by the relevant Fund and a valuation of such investments.

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

As the advisory clients are Funds, Sherpa Capital does not provide compensation for client referrals under Rule 206(4)-3 under the Advisers Act. However, certain of the Funds utilize a placement agent to introduce Investors to the Funds. Pursuant to the applicable Governing Document, any placement agent fees paid by the Fund are subject to an offsetting reduction in management fees. Certain Investors who have a pre-existing relationship with the placement agent for such Fund may also pay an upfront fee to the placement agent.

## **ITEM 15 – CUSTODY**

Pursuant to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), Sherpa Capital is deemed to have custody of the assets held by the Funds because affiliates of Sherpa Capital serve as the general partners or managing members of the Funds.

To ensure compliance with the Custody Rule, Sherpa Capital will ensure that the Funds are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“PCAOB”) and that the audited financial statements of each Fund will be prepared in accordance with generally accepted accounting principles and distributed to Investors within 120 days of the end of each Fund’s fiscal year. Investors should carefully review the audited financial statements of the Funds upon receipt, and should compare these statements to any account information provided by Sherpa Capital.

As Sherpa Capital’s investment program involves some investments in privately offered securities issued by venture capital stage operating companies, Sherpa Capital generally will be exempt from the requirement that securities be maintained with a “qualified custodian.” Sherpa Capital anticipates that many of its investments will involve securities that are (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated, and ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the client; and (iii) transferable only with prior consent of the issuer or holders of the issuer’s outstanding securities.

To the extent that Sherpa Capital holds any publicly traded securities or securities which are otherwise ineligible for an exemption from the qualified custodian requirement of the Custody Rule, Sherpa Capital will maintain such securities with a qualified custodian in an account in the name of the applicable Fund or in accounts

that contain only funds and securities owned by the Fund, under Sherpa Capital's name as agent or trustee for the Fund.

## **ITEM 16 – INVESTMENT DISCRETION**

Sherpa Capital has discretionary authority to manage securities accounts on behalf of its Funds. Sherpa Capital is authorized to make transaction recommendations for the Funds. As explained in Item 4 above, each Fund's investment strategy is set forth in detail in such Fund's offering documents and Governing Document. Investors do not have the ability to impose limitations on Sherpa Capital's discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Sherpa Capital does not vote securities held by the Funds. Securities held by the Funds are voted by the respective Advisory Affiliate. Any proxies or other solicitations received by Sherpa Capital will be reviewed and acted upon by the principals of the Advisory Affiliate. Notwithstanding the above, Sherpa Capital has adopted a proxy voting policy that is applicable to it and its Advisory Affiliates.

Sherpa Capital and its Advisory Affiliates understand and appreciate the importance of proxy voting. Securities held by the Funds are voted by the respective Advisory Affiliate. Any proxies or other solicitations received by Sherpa Capital will be forwarded to a representative of the appropriate Advisory Affiliate.

Sherpa Capital and its Advisory Affiliates have adopted proxy voting policies and procedures that are designed to ensure that when an Advisory Affiliate votes a proxy with respect to securities held on behalf of the Funds, such proxies are voted in the clients' best interests, in the judgment of the Advisory Affiliate to the extent reasonably practicable. The procedures also require that the Advisory Affiliates identify and address conflicts of interest. If a material conflict of interest is identified, the Advisory Affiliate will determine whether voting in accordance with the guidelines set forth in the procedures is in the best interests of its Funds or whether taking some other action may be more appropriate.

If a conflict is identified, such individuals will then make a determination (which may be in consultation with outside legal counsel or compliance consultants) as to whether the conflict is material or not. If a conflict is material, the Advisory Affiliate will determine what course of action is in the best interests of the client (which may include utilizing an independent third party to vote such proxies).

Sherpa Capital keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents

created that were material to voting decisions and each client request for proxy voting records and the Advisory Affiliate's response for the previous five years.

Investors generally do not have the ability to direct proxy votes. Investors may obtain additional information regarding how the Advisory Affiliate voted proxies and may obtain a copy of Sherpa Capital's proxy voting policies and procedures by contacting the Chief Compliance Officer.

## **ITEM 18 – FINANCIAL INFORMATION**

Sherpa Capital and its affiliates do not require or solicit prepayment of advisory fees six months in advance. Sherpa Capital is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Funds or Investors.