

**ITEM 1: COVER PAGE**

**Form ADV Part 2A: Firm Brochure**

**Radcliff Management LLC**

**February 16, 2017**

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Radcliff Management LLC. If you have any questions about the contents of this Brochure, please contact us at the address provided above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional Information about the Company is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Reference to our being a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.

**ITEM 2: MATERIAL CHANGES**

This Brochure is our initial brochure. There is no previous annual update to our Brochure.

We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

### **Important Note about this Brochure**

Unless otherwise indicated, the term “Radcliff Management” or the “Company” is broadly used within this Brochure to refer to the entire enterprise and not to a specific legal entity. This Brochure is not:

- an offer or agreement to provide advisory services to any person;
- an offer to sell interests (or a solicitation of an offer to purchase interests) in any entity; or
- a complete discussion of the features, risks or conflicts associated with any investment or advisory service.

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), the Firm provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors, together with other relevant governing documents, such as offering or private placement memorandum, prior to, or in connection with, such persons’ investment in a pooled investment vehicle. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website at [https://adviserinfo.sec.gov/IAPD/content/viewform/adv/sections/iapd\\_AdvIdentifyingInfoSection.aspx?ORG\\_PK=235788&FLNG\\_PK=01AF36AA00080186034AE54100099621056C8CC0](https://adviserinfo.sec.gov/IAPD/content/viewform/adv/sections/iapd_AdvIdentifyingInfoSection.aspx?ORG_PK=235788&FLNG_PK=01AF36AA00080186034AE54100099621056C8CC0).

Although this publicly available Brochure describes the Company’s services, persons who receive this Brochure (whether or not from the Company) should be aware that it is designed solely to provide the information about the Company necessary to respond to certain disclosure obligations under the Advisers Act. The information in this Brochure does not contain or summarize all information provided in documents governing investment entities managed by the Company. More complete information about each such entity is included in the documents governing such entities and investments therein. These are provided or made available to current and eligible prospective investors only by the Company. To the extent that there is any conflict between discussions herein and any such governing documents, such governing documents shall govern and control.

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#### **ITEM 4: ADVISORY BUSINESS**

Radcliff Management LLC (“Radcliff Management” or the “Company”) is a private investment company established under the laws of Delaware in December 2015. The Company has been organized to make investments through private single purpose investment vehicles that the Company manages (each a “Private SPV”). The first of these was Radcliff FU I LLC, a Delaware limited liability company which has invested \$163 million in a minority interest in a business which manufactures and sells luxury goods (retail and wholesale). The geographical focus of Radcliff Management’s investments is predominantly the United States, but it generally has the ability to invest anywhere in the world. Eli E. Goldstein and Evan B. Morgan are the principals and owners of Radcliff Management (the “Principals”).

Radcliff Management’s objective is to source, evaluate, acquire and manage privately negotiated investments in operating businesses, principally through equity, equity-oriented or debt securities which offer equity-like returns (each a “Target Company”). After an investment closes, Radcliff Management directs and manages the Private SPV and its investment and provides periodic reports to the Private SPV’s investors. Radcliff Management may elect to have the Private SPV retain its portfolio company indefinitely or may seek to sell the portfolio company in a privately-negotiated transaction or to achieve liquidity through other means. Radcliff Management’s investment management services are provided directly to the Private SPV and not individually to the investors in the Private SPV (the “Investors”).

Radcliff Management seeks capital commitments (“Commitments”) from sophisticated investors on an ongoing basis. It then invests the committed capital on a discretionary basis in accordance with the terms of the agreements governing the Commitments. Investors are contractually bound to invest their committed capital in the Private SPV formed for an investment. Each Private SPV will be invested in only one operating company. All Commitments existing at the time of an investment by a Private SPV participate in the investment on a pro rata basis (unless an Investor designated an investment restriction at the time it made its Commitment). Based on the only existing Investor restrictions, one Investor is excused from investing in a portfolio company with substantial operations in South Korea and one Investor is excused from investing in non-U.S. investments.

When an investment has been selected, Radcliff Management forms a Private SPV for purposes of that investment, through which it invests the Principals’ capital, friends and family capital, and capital committed by Investors. Because Radcliff Management may obtain additional Commitments at any time, an Investor’s Commitment may not represent the same percentage of each Private SPV which Radcliff Management establishes. Where a proposed investment is larger than the amount of Commitments Radcliff Management deems appropriate to invest in a single Private SPV, Radcliff Management will complete the investment amount with co-invested capital. Investments available for co-investment capital are offered on the same terms and conditions and made at the same time as Commitments are invested. Co-invested capital will also exit an investment at the same time as Commitment capital exits.

Investments for the Private SPV are not tailored to the individual needs of any particular Investor. However, to facilitate investment by Investors who have specific tax, regulatory or other concerns expressed at the time of their Commitment, Radcliff Management may create one

or more feeder entities through which such Investors could invest in the Private SPV (each, a “Feeder”). For example, Radcliff FU I LLC has four Feeders: one through which Investor Commitments are invested (“Investor Feeder”), one through which co-investment capital is invested (“Co-Investor Feeder”), one through which the Principals’ capital is invested (“Principal Feeder”) and one through which friends and family capital is invested (“Fam Feeder”). Each Private SPV and each of its Feeders is managed by an entity established by Radcliff Management and owned and controlled by the Principals.

Radcliff Management will have a committee (“Conflicts Committee”) comprised of at least three Investors to periodically review valuations of investments by Private SPVs and provide such advice and counsel on investments, conflicts of interest and other matters as may be requested by the Company. All members of the Conflicts Committee will be unaffiliated with Radcliff Management and the Principals.

More complete information about Radcliff Management, and the particular investment objectives, strategies, guidelines and risks associated with capital committed to Radcliff Management’s Private SPV(s), is included in material provided to prospective Investors addressing Radcliff Management’s role and responsibilities with respect to Investors’ Commitments, which documents are made available to prospective Investors only by the Company (or another party authorized by the Company to do so). Prospective Investors must consider for themselves whether a Commitment to Private SPVs created and managed by Radcliff Management meets their investment objectives and risk tolerance prior to investing, as Radcliff Management does not provide individualized advice to Investors in any Private SPV. A capital commitment to Radcliff Management’s Private SPV(s) does not create an advisory relationship between the Investor and Radcliff Management.

## **ITEM 5: FEES AND COMPENSATION**

Radcliff Management is compensated for its services through a fee which is payable for a period of three years and which is based on Commitments made by Investors. For new Commitments in 2017, Radcliff Management may increase the period of years for which such fee is payable. For various tax and cash flow purposes, the fee is paid directly by Investors to Radcliff Management and then that amount is refunded through a one-time closing fee which Radcliff Management must use commercially reasonable efforts to collect from the Private SPV or its portfolio company (which would be funded by contributions (which reduce Commitments) by the Investors to the Private SPV). Principal Feeder, Co-Investor Feeder and Fam Feeder do not pay or bear any portion of such fees. Co-investors in Radcliff FU 1 LLC also do not bear any portion of such fees. Radcliff Management decides fees to be charged to co-investors on a case by case basis. It did not charge any such fees in the case of co-investors in Co-Investor Feeder and Radcliff FU I LLC. Radcliff Management will notify the Conflicts Committee if it determines to charge such fees to co-investors in future Private SPVs. In the event co-investment capital is used to consummate an investment in a future Private SPV, the portion of the closing fee collected from the Private SPV or its portfolio company which is allocable to the co-investment capital will be retained by Radcliff Management. Such allocation will be made only on the basis of amounts being invested at that time in the future Private SPV which will in turn make its investment in the portfolio company.

The Principals, through Radcliff Management or an affiliate thereof, may also provide consulting

services to a Private SPV's portfolio company and receive a consulting fee therefor. The consulting fee is intended to be a fair value compensation for services actually rendered. In the case of the portfolio company in which Radcliff FU I LLC invested, the consulting fee was negotiated with the portfolio company's majority owners. Any such consulting fee is also used to refund Commitment-based fees paid to Radcliff Management. Radcliff Management may cease this practice for Private SPVs formed after Radcliff FU I LLC.

In addition to the foregoing and the share of profits described in Item 6 below, Radcliff Management is entitled to indemnification from its Investors and its Private SPVs.

## **ITEM 6: PERFORMANCE-BASED COMPENSATION AND SIDE-BY-SIDE MANAGEMENT**

An affiliate of Radcliff Management is entitled to a share of the profits derived from the performance of a Private SPV's investment. Once the Private SPV has returned all contributed capital back to its Investors, remaining distributions are made eighty percent (80%) to Investors, and twenty percent (20%) to an entity controlled by the Principals. The Principals beneficially own at least 90% of distributions to be made from such entity.

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

Radcliff Management provides investment advisory services to the Private SPV(s) and not to Investors. Each Investor in a Private SPV must make its own analysis and investment decision as to whether it makes a Commitment. Each Investor who makes a Commitment must meet the eligibility requirements outlined in such Private SPV's offering documents, which include that the Investor must be both an accredited investor and a qualified purchaser.

Investors are required to commit to invest a minimum of U.S. \$5 million in Radcliff Management's Private SPV(s). This amount may be reduced at the discretion of Radcliff Management. There is no minimum investment amount required for a particular Private SPV. When an investment opportunity is ready to be consummated, it is generally funded by Investors, pro rata, based on their respective Commitments relative to the aggregate Commitments then available to Radcliff Management, and by co-invested capital to the extent that Commitments are not used. Radcliff Management determines the amount of Commitments to be invested on a discretionary basis. The primary factor in this decision is preserving enough Commitments such that an Investor's Commitment will be invested across more than one Private SPV managed by Radcliff Management. Other factors include (1) the size of a given investment opportunity, (2) the number of other investments that Radcliff Management is evaluating at the time the investment closes, and (3) the Principals' judgment as to the appropriate allocation to a given investment based on general concentration.

Investors are required to make certain representations when making Commitments, including but not limited to the following: (1) they are aware of the risks associated with engaging investment managers and that they understand the risks associated with investments in securities of operating businesses, including that such investments may be illiquid and may involve a high degree of risk and that the investment could suffer substantial diminution in value, including complete loss, (2) their investments in Target Companies (through Private SPVs formed by Radcliff Management) may not be consummated at an attractive valuation, that the Target

Companies may not be able to achieve their business objectives, that the Target Companies may have technologies or strategies that are untested, and that Target Companies may be operating in volatile markets, (3) Radcliff Management does not guarantee the performance or success of the Target Companies, (4) their investments in Private SPVs formed by Radcliff Management are neither intended to be a complete investment program nor satisfy the investors' need for diversification, and (5) the costs and expenses that Investors will incur are regardless of whether any profits are earned from their investments in Target Companies.

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

### Investment Strategies

Radcliff Management's fundamental investment objective is to source, evaluate, acquire and manage privately negotiated investments in operating businesses, principally in equity, equity-oriented or debt securities which offer equity-like returns. Radcliff Management intends to pursue these objectives while adhering to a proactive strategy of active participation with management teams (who are often also partial sellers) throughout each stage of the investment process, from origination to exit, and focusing principally on investments in businesses that deliver products and services with an easily understandable and easy to articulate value proposition. Investments are not expected to be confined to a specific sector. Radcliff Management's use of a flexible, private holding company structure and longer duration capital is expected to provide the Company with a meaningful competitive advantage when it comes to customizing both transaction structures and compensation programs, eliminating forced exits, reducing taxable events and increasing efficiency.

### Method of Analysis

Potential investment opportunities will be initially screened against quantitative and qualitative criteria (as further discussed below) that help determine the merits of each Target Company. If the Target Company meets the initial requirements, and the Radcliff Management team has a strong level of interest, they will proceed with a preliminary financial, operational, and commercial analysis of the Target Company. After the preliminary analysis is completed, based on the results, a decision is made to move forward or terminate the process. If the decision is made to move forward, the objective will then be to complete full due diligence on the Target Company. The comprehensive due diligence process involves quantitative and qualitative analyses to identify and address any potential risks.

Elements of the quantitative analysis may include:

- Examination of financial statements such as income statements, balance sheets and cash flow reports as well as margin trends, financial ratios and other applicable performance metrics;
- Review of financial projections and a Target Company's performance and ability to service its obligations;
- Analysis of capital required for operations including growth and maintenance capital expenditures, working capital requirements, and any acquisition or divestiture



opportunities;

- Comparable analysis relative to companies and transactions in similar industries;
- Valuations reflecting a range of enterprise and asset values, and the appraisal of working capital, real property, machinery, equipment, intellectual property and trademarks.

Elements of the qualitative analysis may include:

- Q&A session with the Target Company's management team;
- Quality and depth of the management team, including background checks;
- Product and/or service quality;
- Industry fundamentals including raw material costs, pricing trends and demand drivers;
- Competitive position including discussions with suppliers and customers;
- Performance throughout the economic cycle;
- Production cost drivers and sourcing alternatives;
- Quality of information systems and financial infrastructure; and
- Diversity of customers and suppliers

Radcliff Management may be assisted by independent professionals with specific capabilities in their due diligence process, including to help perform an in-depth review of a Target Company's historical financial performance, review the Target Company's strategy, operations, budgets, competitive position and technological standing, or perform legal diligence. The information garnered through the due diligence process may result in the modification of a transaction's terms and conditions or potentially the rejection of an investment opportunity.

#### Risk Inherent in Private Investments

An investment in a Private SPV formed by Radcliff Management involves a significant degree of risk that Investors should be prepared to bear. While Radcliff Management seeks to manage the Private SPV(s) so that risks are commensurate with the expected financial return of each such Private SPV's investment strategy, it is often not possible or appropriate to fully mitigate risks. An investment in a Private SPV contemplates the risk of loss, and there can be no assurance that Investors will receive their capital back or any particular level of return on their capital. Investors should be aware that the Private SPV(s) will not be diversified nor is it intended to provide a complete investment program for the Private SPV's Investors. Radcliff Management assumes that Investors in the Private SPV(s) will not invest all of their assets in the Private SPV(s). Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

Generally a Private SPV will invest in securities which are illiquid and the return of capital and the realization of gain, if any, from an investment will occur only upon the partial or complete disposition of such investment. Certain portfolio companies may, after a period of time, become publicly traded companies, as part of the strategy to exit the initial investment, while others will depend on a private market transaction or ongoing dividends/cash distributions.

As it is not possible to identify all of the risks associated with investing in the Private SPV(s), this section discusses certain material risks of Radcliff Management's investment strategies and the types of assets in which Radcliff Management expects its Private SPV(s) assets to be invested.

Moreover, the particular risks applicable to the Private SPV(s) will depend upon various factors, including a Private SPV's investment strategy, restrictions and holdings.

- Long-Term Investments. The return of capital and the realization of gains, if any, will in many instances occur only upon the partial or complete disposition of an investment or the refinancing of the capital structure of a portfolio company. The Private SPV(s) expects that liquidity events with respect to a portfolio company, whether in the form of whole or partial dispositions or refinancings, will not occur, if at all, until a number of years after the initial investment in such portfolio companies.

- Reliance on Management of Companies. Although Radcliff Management will monitor the performance of each portfolio company investment, the Private SPV(s) will typically rely on the management team of each portfolio company to manage the day-to-day operations of that portfolio company. While Radcliff Management intends that its Private SPV(s) are invested in companies with proven management talents and, where possible, that they will have significant governance rights in cases where such Private SPV acquires less than complete ownership of a portfolio company, there can be no assurance that a portfolio company's management will continue to operate successfully. If there is a replacement in the management in any of the portfolio companies, there may be an adverse impact to timely, efficient and effective management of the portfolio company and it may be difficult to find qualified managerial replacements. Although the Private SPV(s) generally intends to invest in portfolio companies operated by strong management teams, there can be no assurance that the management team of a portfolio company will be able to successfully operate the company or will meet Radcliff Management's expectations.

- Availability of Investment Opportunities/Competitive Marketplace. Investment opportunities in targeted industries may be highly competitive. Radcliff Management will at times be competing with other firms for limited investment opportunities. The activity of identifying, completing and realizing attractive investments is competitive and involves a high degree of uncertainty. Further, there can be no assurance that a Private SPV will be able to fully realize the potential values of its investment.

- No Assurance of Additional Financing for Investments. A portfolio company may not be able to obtain additional financing to support its needs for working capital or expansion capital, which could materially and adversely affect the value of the portfolio company, and thus, the value of a Private SPV's investment therein.

- Impact of Economic and Geopolitical Conditions. The activities of, and investments made by, a Private SPV may be adversely impacted by various economic factors. Interest rates, general levels of economic activity, the prices of securities and participation by other investors in the financial markets may affect the value and number of investments made by the Private SPV(s) or considered for prospective investment. General economic and market conditions, including market liquidity, are also influenced by geopolitical factors. For example, an unstable geopolitical climate, the continued threat of terrorism and the possibility of pandemics or natural disasters could adversely impact economic fundamentals and consumer confidence, increasing the risk of default of particular investments, negatively impacting market value, increasing market volatility and causing credit spreads to widen and reduce liquidity. The value of investments may fluctuate in accordance with changes in the financial condition of portfolio

companies and other factors that affect the markets in which the Private SPV(s) invests.

While portfolio companies generally will be subject to the same general conditions, not all portfolio companies will be similarly impacted. Any adverse impact on portfolio companies could adversely impact returns. Economic slowdowns or downturns could result in financial losses for a Private SPV's portfolio company, and their respective investors.

Portfolio companies may be leveraged as part of the acquisition or have working capital debt. Any resulting economic downturn could adversely affect the financial resources of portfolio companies and result in the inability of such portfolio companies to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, Private SPVs may suffer a partial or total loss of capital invested in such portfolio companies which would, in turn, have an adverse effect on the Private SPVs' returns.

Such marketplace events could also restrict the ability of Radcliff Management to make new investments, or to sell or liquidate investments at favorable times or for favorable prices. There can be no assurance as to the duration of the current market dislocation or as to the timing of future market dislocations.

- Lack of Industry Diversification. While Radcliff Management generally has the ability to invest in companies anywhere in the world, the geographical focus of its investments is predominantly the United States. Although investments are not expected to be confined to a specific sector, to the extent Radcliff Management concentrates investments by its Private SPVs in a particular geographic region or issuer, those investments may become more susceptible to fluctuations in value resulting from adverse economic or business conditions applicable to that industry or issuer.

- Concentrated Status. Radcliff Management is not subject to specific diversification requirements and may participate, through its Private SPVs, in a limited number of investments, in which case the investment returns of the Private SPVs could be substantially adversely affected by the unfavorable performance of a single investment.

- Uncertain Nature of Investments. Private SPV investments will often be made in reliance on projections made by Radcliff Management or the management of a portfolio company concerning future performance, outcomes, cash flows and other matters that may rely on assumptions and are subject to uncertainties and factors beyond the control of Radcliff Management or the portfolio company. The inaccuracy of certain assumptions, incomplete knowledge of relevant information (which may or may not be knowable at the time of the investment) or the occurrence of unforeseen events could impair the ability of a portfolio company to realize projected values, outcomes or cash flows. Radcliff Management may depend on a portfolio company to disclose to it all relevant facts and circumstances that could affect the portfolio company's business and thus may develop an investment thesis based on incomplete knowledge of facts and circumstances that could impact a projection or the investment. There can be no assurance, that Radcliff Management will have knowledge of all circumstances that could adversely affect an investment. Companies in which a Private SPV invests may not achieve their expected operational objectives and might experience substantial fluctuations in their operating results or cash flows.

In all such cases, a Private SPV will be subject to the risks associated with the underlying business(es) engaged in by a portfolio company, including market conditions, changes in regulatory environment, general economic and political conditions, the loss of key management personnel and other factors. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by Private SPVs or considered for prospective investment. Potential Investors should realize that realization events could be delayed as a result of general economic conditions, illiquidity of portfolio investments, contractual prohibitions or other reasons mentioned herein.

- *Control Positions and Board Participation.* Radcliff Management may seek investment opportunities that provide the opportunity to have significant influence on the management, operations and strategic direction of portfolio companies. The exercise of influence or control imposes additional risks of liability, such as for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. This could expose a Private SPV's investment to claims by the portfolio company's securities holders, its creditors and/or its customers. In some cases, the Private SPV(s) may be represented on the boards of directors of portfolio companies or have board observation rights. While such representation or observation rights may be important to the Private SPV(s)'s investment strategy and may enhance Radcliff Management's ability to manage the Private SPV(s)'s investments, they may also have the effect of impairing the Private SPV(s)'s ability to sell the related securities when, and upon the terms, that it may otherwise desire. Such rights also may subject the Private SPV(s), Radcliff Management or its related persons to claims to which they would not otherwise be subject as an investor, including claims of breach of the duty of loyalty, securities-related claims and direct or related claims. The Private SPV(s) may, to the extent provided for in governing documents and where permitted by applicable law, indemnify Radcliff Management or its related persons against such claims.

- *Investments in Less Established Companies.* The Private SPV(s) may invest a portion of its assets in securities issued by less established companies. Such investments involve greater risks than generally are associated with later stage companies. To the extent that there is any public market for such securities, price movements may be more abrupt and erratic than is the case for securities issued by more established companies. Less established companies also tend to have lower capitalizations and fewer resources, making them potentially more vulnerable to financial failure. These companies also may have shorter operating histories on which to judge future performance and, may have negative cash flow. The Private SPV(s) will not be investing in pre-operational stage companies.

- *Insufficient Capital for Follow-On Investments.* From time to time, a portfolio company may require additional capital. There is no assurance the Private SPV(s) will make follow-on investments or that the Private SPV(s) will have sufficient resources to, or be permitted to, make such follow-on investments. A decision to not make follow-on investments or the Private SPV(s)'s inability to make them when needed may have a substantial negative impact on a portfolio company, may result in missed opportunities for the Private SPV(s) or may result in dilution of the Private SPV(s)'s investment in the portfolio company.

- *Product Regulation.* The Private SPV may seek to invest in companies that are engaged

in an industry that is highly regulated by various federal, state and local agencies in the United States, as well as corresponding authorities of countries outside the United States. These governmental and other authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of product claims made by one or more of our portfolio companies or the ability of one or more of our portfolio companies to manufacture and sell its products in the future. Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions against one or more of our portfolio companies. Furthermore, advertising of these products is subject to regulation by the Federal Trade Commission (“FTC”), under the Federal Trade Commission Act. Additionally, some states also permit advertising and labeling laws to be enforced by private attorney generals, who may seek relief for consumers, seek class action certifications, seek class wide damages and product recalls of products sold by one or more of our portfolio companies. Moreover, changing regulations may increase the impact on the Private SPV(s) and portfolio companies and there can be no assurance that Private SPV(s) will be able to anticipate or react to changing regulations. Any adverse actions against the Private SPV(s) or its portfolio companies by governmental authorities or private litigants could have a material adverse effect on the business, financial condition and results of operations of one or more of our portfolio companies and adversely impact the Private SPV(s) and the value of an investment in the Private SPV(s).

- *Macroeconomic and Other Factors Affecting Portfolio Companies.* As is the case for any given portfolio of securities positions, the values of those positions will be determined by a variety of factors: some related specifically to the companies and industries in which investments are made and others being extrinsic to those companies and industries. Portfolio companies of the Private SPV(s) at certain times may be subject to such exogenous factors affecting their valuation. In times when cash flows tend to remain relatively intact even during periods of low or declining economic growth, share prices of those companies may trade at premiums to their fundamental valuations, and, conversely, in periods of robust economic growth, the prices of such companies may decline, even though their business fundamentals may be robust, as investors shift capital away from such “defensive” to more cyclical sectors of the capital markets. Conversely, other companies, which may, for instance, be experiencing negative cash flow to fund development programs but which may trade based on the promise of future, albeit risky prospects, may thrive in such an economically-robust environment, as investors’ appetite for, e.g., “risky”, assets may be correlated with economic expansions of the type that benefit “cyclical” stocks. Other exogenous factors of these types, including levels of interest rates, credit spreads, perceptions of credit market health, sovereign credit risks, tax and regulatory policy and other factors entirely unrelated to the business fundamentals of the particular industry – all of which are extremely difficult to analyze and prognosticate – may nonetheless have a material effect on the valuation of the investments held by the Private SPV(s).

- *Competitive Industry.* The industries targeted by the Private SPV(s) may be highly competitive with respect to price, shelf space and store placement, brand and product recognition, new product introductions and raw materials or any one of a number of other market factors. A portfolio company operating in the space may face competition from larger, more established companies that have greater financial, personnel, distribution and other resources.

- *Adverse Publicity.* Companies operating in the industries targeted by the Private SPV(s) may be highly dependent upon positive consumer perceptions of the safety and quality of their

products or services as well as similar products or services distributed or provided by other companies. Consumer perception can be substantially influenced by scientific research or findings, national media attention and other publicity about product or service use. Adverse publicity from these sources regarding the safety, quality or efficacy of the offered products or services could harm Radcliff Management's reputation and results of operations. The mere publication of news articles or reports asserting that such products or services may be harmful or questioning their efficacy or utility could have a material adverse effect on a portfolio company's business, financial condition and results of operations, regardless of whether such news articles or reports are scientifically supported.

- Labor Relations. The Private SPV(s) may invest in portfolio companies with unionized work forces or where employees are covered by a collective bargaining agreement, which could subject such portfolio companies' activities and labor relations to complex laws and regulations. A portfolio company's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any collective bargaining agreement, a portfolio company might be unable to negotiate new collective bargaining agreements on equally favorable terms and its business operations could be interrupted as a result of labor disputes, which could have a material adverse effect on the portfolio company.

- Non-U.S. Investments. The Private SPV(s) may invest in the assets of companies based outside the United States, including companies located in emerging markets. Investments of this type are subject to certain risks not typically associated with investing in the United States including, but not limited to, price fluctuations, currency exchange rate fluctuations and costs, differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements, less governmental supervision and regulation, and certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation, and the possibility of non-U.S. taxes on income and gains recognized with respect to such investments. These risks may be more pronounced in emerging markets.

- Currency Exchange Risk. Capital contributions to the Private SPV(s) are generally payable in U.S. dollars and the Private SPV's assets will be valued in U.S. dollars. A portion of the Private SPV(s)'s investments may be denominated in currencies other than the U.S. dollar, and hence the value of such investments will depend in part on the relative strength of the U.S. dollar. The Private SPV(s) may be affected by exchange control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar, as well as the transaction costs associated with converting foreign currencies into U.S. dollars. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the level of gains and losses realized on the sale of such investments. The rates of exchange between the U.S. Dollar and other currencies are affected by many factors, including forces of supply and demand in the foreign currency exchange markets, the international balance of payments and other economic and financial conditions, government intervention, speculation and other factors.

- Inflation. Some non-OECD countries have experienced substantial rates of inflation. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economics and securities markets of certain non-OECD economies. There can be

no assurance that inflation will not become a serious problem in the future and thus have an adverse impact on the Private SPV(s)'s returns.

○ *Contingent Liabilities on Dispositions of Investments.* The Private SPV(s) will invest primarily in private securities. In connection with the disposition of an investment in a portfolio company, the Private SPV(s) may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business or may be responsible for the contents of disclosure documents under applicable securities laws. The Private SPV(s) may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate or misleading. These arrangements may result in the incurrence of contingent liabilities, which may adversely impact the Private SPV(s) (or its Investors who may be called upon to fund the payment of such liabilities to the extent that the Investors have received prior distributions from the Private SPV(s)).

○ *Litigation.* Litigation can and does occur in the ordinary course of the management of an investment portfolio of securities. The Private SPV(s) may be engaged in litigation both as a plaintiff and as a defendant. This risk is greater where the Private SPV(s) exercises control or significant influence over a portfolio company's direction, including as a result of board participation. Such litigation can arise as a result of issuer default, issuer bankruptcies and/or other reasons. In certain cases, such issuers may bring claims and/or counterclaims against the Private SPV(s), Radcliff Management, and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant damages. The expense of defending against claims made against the Private SPV(s) by third parties and paying any amounts pursuant to settlements or judgments would be borne by the Private SPV(s) to the extent that (1) the Private SPV has not been able to protect itself through indemnification or other rights against the portfolio companies, (2) the Private SPV is not entitled to such protections or (3) the portfolio company is not solvent. Radcliff Management, its affiliates and others may be indemnified by the Private SPV(s) in connection with such litigation.

○ *Private SPV Related Risks.* In addition to the risks identified above, Investors in the Private SPV(s) may be subject to certain Private SPV related risks, including the lack of liquidity for interests of the Private SPV(s), as set forth in the governing documents of the Private SPV(s). Investors in the Private SPV(s) may incur losses by reason thereof.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of the adviser or the integrity of the adviser's management. We have no disclosure applicable to this Item.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

### Other Financial Industry Affiliations

Radcliff SPV Manager LLC is a company which is owned and controlled by the Principals and which serves as the manager of the Private SPV(s). It is thus an affiliated other investment adviser and related person to Radcliff Management and is deemed to have custody of the Private SPV(s)

assets. Please refer to Item 15 below for a further discussion of the Company's compliance with the Custody Rule. Radcliff Management's Principals have an ownership interest in certain limited liability companies which invest in the Private SPV(s) (including the Feeders). Radcliff Management does not expect any conflicts of interest to arise that are material to its advisory role to the Private SPV(s) or to the Private SPV(s) itself with respect to its Principals' ownership interest in such entities.

The Principals are required to be actively involved in the day-to-day management and services to be rendered to existing Private SPVs and finding and vetting investment opportunities for future Private SPVs. They are required to devote substantially all of their business time and attention to such services. However, they are permitted to, and currently do, remain on the boards of directors of, or serve as strategic advisers to, certain businesses for which they respectively provided services prior to the formation of Radcliff Management in December 2015 ("Pre-Existing Businesses"). In addition, the Principals may engage in passive personal investments in which the investment opportunity does not meet the Company's investment objective described in Item 4 and Item 8 above. Pursuant to their contractual arrangements with Investors, the Principals are also not restricted from investing, for their own account or for the account of their family members, or for any other person approved by the Conflicts Committee, \$2,500,000 or less (even if not passive investments). None of Radcliff Management, any Private SPVs, or any of their portfolio companies has any business arrangements with any of the ventures or investments with which Principals remain involved. In some cases, individuals or entities affiliated with the Pre-Existing Businesses have invested or may in the future invest in Private SPVs. Accordingly, Radcliff Management and the Principals do not expect such relationships to cause any conflicts of interest to arise that are material to their advisory or consulting roles with any Private SPVs or their portfolio companies.

○ Competition for Resources, Time or Attention; Competing Duties.

Related persons of Radcliff Management may, from time to time, serve as directors and officers of, and provide business advice to, portfolio companies of Private SPVs. Conflicts may arise when such persons are required to make decisions, in their role as officers, directors or consultants, in the best interest of a portfolio company and its shareholders generally, but the Private SPV's interest diverges from this general interest. This may occur, for example, where a portfolio company is experiencing severe financial distress, near-insolvency or bankruptcy. In the case of Radcliff FU I LLC, any remuneration paid by a portfolio company to such individuals will first be used to refund any fees paid (and not previously refunded) by Investors to Radcliff Management.

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

Radcliff Management's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Advisers Act.

The Code applies to Radcliff Management's "Supervised Persons" and "Access Persons". Supervised Persons include any partner, officer or director (or other person occupying a similar status or performing similar functions) or employee of Radcliff Management, or other persons who provide investment advice on behalf of Radcliff Management and is subject to Radcliff



Management's supervision and control. Access Persons are Supervised Persons who have access to nonpublic information regarding any investor's trading or any of the Private SPV's holdings, who are involved in making securities recommendations or who have access to nonpublic securities recommendations.

The Code sets forth a standard of business conduct that takes into account Radcliff Management's status as a fiduciary and requires Supervised Persons to place the interests of the Private SPV and its investors above their own interests and the interests of Radcliff Management. The Code requires Supervised Persons to comply with applicable federal securities laws. Further, the Code requires that Supervised Persons bring violations of the Code to the attention of Radcliff Management's Chief Compliance Officer ("CCO") promptly. All Supervised Persons are given, and required to acknowledge receipt of, the Code when they commence working for Radcliff Management. Thereafter, they are required to affirm compliance with the Code on an annual basis.

Radcliff Management mitigates potential conflicts of interest inherent in a Supervised Person's or Access Person's personal trading through diligent enforcement of its Code, including pre-clearance (which is required in connection with transactions in limited offerings and public offerings) and reporting guidelines for Supervised Persons or Access Persons as to personal securities accounts, holdings and transactions.

Supervised Persons and Access Persons are strictly prohibited from trading on the basis of any material, non-public information. Radcliff Management maintains a list of issuers about which Radcliff Management (or its Supervised Persons or Access Persons) has learned material, non-public information. This list is provided to all Supervised Persons or Access Persons by the CCO and is updated by the CCO as necessary.

#### Participation or Interest in Client Transactions

It is not anticipated that Radcliff Management will for its own account, or for the account of any of its employees or affiliates, purchase securities from, or sell securities to, the Private SPV (a "principal transaction"). If persons associated with the Company were to engage in principal transactions, it would only do so in accordance with the requirements of Section 206(3) of the Advisers Act, including the requirement to obtain the requisite consent to the potential conflicts of interest inherent in such transactions.

### **ITEM 12: BROKERAGE PRACTICES**

Radcliff Management expects to invest each Private SPV only in private securities, thus it does not anticipate any dealing with any financial intermediary such as a broker-dealer acting on its behalf in making investments, and commissions are not ordinarily payable in connection with such investments. Radcliff Management seeks to execute private transactions on behalf of the Private SPV efficiently in light of relevant circumstances. Additionally, Radcliff Management has no arrangements with broker-dealers to receive research or other products or services. In the event that Radcliff Management were to engage in a disposition or liquidity transaction in which a broker is involved, Radcliff Management would select that broker in its sole discretion based on factors it deemed relevant at the time which would maximize the effectiveness of such broker in accomplishing the contemplated transaction.

### **ITEM 13: REVIEW OF ACCOUNTS**

The Private SPV(s) and its portfolio company are under continuous review by Radcliff Management. However, Radcliff Management and its personnel do not expect ever to be involved in the day-to-day operations of a portfolio company. Its level of involvement would potentially increase, to the extent its investment documentation permitted, when (1) the portfolio company's performance has or may deteriorate and the Private SPV's investment may be at risk; or (2) the Private SPV's investment strategy with the portfolio company is to own and be significantly involved in the management of the company. There are no such arrangements currently in place.

Radcliff Management has in place an investment monitoring system which may include the following on a quarterly or other periodic basis:

- review of portfolio company financial statements;
- review of portfolio company management prepared budgets;
- periodic contact with executives and management at the portfolio company that are not already directly in contact with or involved with Radcliff Management; and
- board level strategic, financial, and operational assistance.

Generally, Investors in a Private SPV will receive unaudited, estimated periodic performance reports. In addition, Investors in a Private SPV will receive annual financial statements prepared in accordance with GAAP and audited by an independent public accounting firm that is registered with and subject to inspection by the PCAOB.

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

The Company currently does not have referral arrangements with individuals who are compensated for such referrals. All such future arrangements, if any, will comply with applicable law and in accordance with Rule 206(4)-3 under the Advisers Act.

#### Other Compensation

As discussed above, Radcliff Management or its related persons may receive fees for consulting services provided to a Private SPV's portfolio companies. This represents a potential conflict of interest to the extent the Private SPV has or will have control or significant influence over such portfolio companies, which is currently not the case. This potential conflict of interest is mitigated by the fact that the amount of such fees is typically negotiated with the applicable portfolio company's management team and/or any roll-over equity holders, as well as by the refund of Investor fees discussed above, as applicable. Currently, Radcliff Management has a consulting agreement in place with the portfolio company of Radcliff FU I LLC.

### **ITEM 15: CUSTODY**

The Private SPV's cash in connection with any potential transaction will be held by a bank that is a qualified custodian. Currently, the cash holding qualified custodian is First Republic Bank, NA. Different Private SPVs may have different qualified custodian banks. All of the securities of portfolio companies owned directly or indirectly by a Private SPV are expected to be

uncertificated, which is the case with Radcliff FU I LLC. Radcliff SPV Manager LLC, a related person to Radcliff Management, is deemed to have custody of Private SPV assets. It serves as the manager of Radcliff FU I LLC and is expected to serve as the manager of each future Private SPV. To comply with the Custody Rule, each Private SPV's audited financial statements will be prepared in accordance with generally accepted accounting principles by an independent auditor (which is registered with and subject to inspection by the PCAOB) and distributed within 120 days after the Private SPV(s)'s fiscal year end.

#### **ITEM 16: INVESTMENT DISCRETION**

Radcliff Management has discretionary authority to manage all securities owned by its Private SPVs. The Company sources potential transactions subject to its strategies, objectives and restrictions, and directs and manages the implementation of that strategy after the Private SPV closes on its investment according to the terms of the governing documents applicable to Commitments and each such transaction. As explained in Item 4 above, the Private SPV's investment strategy is set forth in detail in the Private SPV's governing documents. Investors in the Private SPV must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk pooled investment vehicle.

#### **ITEM 17: VOTING CLIENT SECURITIES**

Under the Advisers Act, an investment adviser is a fiduciary that owes each of its clients a duty of care and loyalty with respect to all services undertaken on its clients' behalf, including proxy voting.

Rule 206(4)-6 under the Investment Advisers Act of 1940 requires that the investment adviser:

- Adopt and implement written policies and procedures reasonably designed to ensure that the adviser votes client securities in the client's best interests. Such policies and procedures must address the manner in which the adviser will resolve material conflicts of interest that can arise during the proxy voting process;
- Disclose to clients how they may obtain information from the adviser about how the adviser voted with respect to their securities; and
- Describe to clients the adviser's proxy voting policies and procedures and, upon request, furnish a copy of the policies and procedures.

The Company currently does not manage any equity securities or other assets that are traded on an exchange or other established market, subject to vote. Therefore, the Company has not adopted any proxy voting policies and procedures at this time.

**ITEM 18: FINANCIAL INFORMATION**

- We do not require or solicit prepayment of fees by Clients six months or more in advance.
- We are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to Clients.
- We have not been the subject of a bankruptcy petition at any time during the past ten (10) years.

**ITEM 19: STATE REQUIREMENTS**

Not applicable to the Company.