

**INVESTMENT ADVISER BROCHURE**

**DIGITAL ALPHA ADVISORS, LLC**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Digital Alpha Advisors, LLC (“Digital Alpha Advisors”). If you have any questions about the contents of this Brochure, please contact us at (408) 660-7014. 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 authority.**

Digital Alpha Advisors is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding Digital Alpha Advisors is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ADVISORY BUSINESS

Digital Alpha Advisors, LLC, a Delaware limited liability company and a registered investment adviser (“**Digital Alpha Advisors**”), and its affiliated investment advisers provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. Digital Alpha Advisors commenced operations in November 2016.

Digital Alpha Advisors’ clients include the following (each, a “**Fund**” and, together with any future private investment fund(s) to which Digital Alpha Advisors or its affiliates provide investment advisory services, the “**Funds**”):

- Digital Alpha Fund, LP
- Digital Alpha Fund A, LP

The following general partner entity is affiliated with Digital Alpha Advisors:

- Digital Alpha GP, LP (the “**General Partner**” and, together with Digital Alpha Advisors and their affiliated advisory entities, “**Digital Alpha**”).

The General Partner is subject to the Advisers Act pursuant to Digital Alpha Advisors’ registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partner, which operates as a single advisory business together with Digital Alpha Advisors.

The Funds are private equity funds and invest through negotiated transactions in operating entities and in opportunities relating to a participation right with regard to the revenue, cash flow, cost savings, profits or other financial measurements of an entity, generally referred to herein as “**portfolio companies**.” Digital Alpha’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Digital Alpha or its affiliates generally serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

Digital Alpha’s advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), limited partnership or other operating agreements (each, a “**Partnership Agreement**” and, as applicable, together with any relevant Memorandum, the “**Governing Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Governing Documents. The Funds or the General Partner have entered into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing

rights under, or altering or supplementing the terms (including economic or other terms) of, the relevant Governing Documents with respect to such investors.

Additionally, from time to time and as permitted by the relevant Governing Documents, Digital Alpha expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, Digital Alpha's personnel and/or certain other persons associated with Digital Alpha. Digital Alpha expects that such co-investments typically will involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally is expected to occur at or shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in Digital Alpha's sole discretion, Digital Alpha is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As of March, 31, 2019, Digital Alpha managed \$302,484,848 in client assets on a discretionary basis. Digital Alpha Advisors is controlled by Rick Shrotri.

## FEES AND COMPENSATION

In general, Digital Alpha receives a management fee and a carried interest in connection with advisory services. Digital Alpha or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Digital Alpha in accordance with the relevant Governing Documents. Investors in a Fund also bear certain expenses.

### Management Fees

During the investment period, a Fund is expected to pay Digital Alpha an annual management fee (the "**Management Fee**"), payable quarterly in advance, equal to 2% of aggregate investor capital commitments ("**Commitments**") held by partners not designated as "affiliated partners" by the General Partner. Commencing with the first Management Fee due date after the expiration of the investment period or earlier upon the occurrence of certain events as set forth in the Partnership Agreement, the Management fee is expected to equal 2% of (i) the aggregate amount of unrecouped interim financings provided by a Fund ("**Bridge Financings**"), plus (ii) the aggregate amount of investment contributions with respect to investments that have not been disposed of, less (iii) the aggregate amount of any permanent write-downs of investments that have not been disposed of, in each case with respect to partners not designated as "affiliated partners" by the General Partner; provided that investments (other than Bridge Financings) in a portfolio company will be treated as having been disposed of or permanently written down only to the extent

that, as of the date of any such disposition or write-down, the aggregate fair market value of all remaining Fund investments (excluding Bridge Financings) in such portfolio company is less than the Fund's aggregate investment contributions made with respect to such portfolio company. The Management Fee will be payable until all portfolio companies are distributed or until Digital Alpha's relationship is terminated for other reasons (as described in the relevant Governing Documents). Installments of the Management Fee payable for any period other than a full three-month period are adjusted on a *pro rata* basis according to the actual number of days in such period.

In addition, the Management Fee will be reduced by an amount equal to 100% of Supplemental Fees attributable to partners not designated as "affiliated Partners" by the General Partner. "**Supplemental Fees**" include any: (i) directors' fees, financial consulting fees or advisory fees paid to the General Partner with respect to any Fund investment; (ii) transaction fees paid to the General Partner with respect to any Fund investment; and (iii) break-up fees with respect to Fund transactions not completed that are paid to the General Partner, in each case net of certain expenses (including those described below) as set forth in the Partnership Agreement; but not including, in any event, any amount received by the General Partner or other persons (A) as reimbursement for expenses directly related to such portfolio company, (B) as payment for services provided to any portfolio company in the ordinary course of such portfolio company's business, (C) as compensation for services provided by the General Partner or other person as an employee of or in a similar capacity for such portfolio company or (D) as compensation, including fees, incentive equity or other stock awards, for services rendered by certain operating partners, strategic partners, executive partners or senior advisors that Digital Alpha contracts with, including, for the avoidance of doubt, members of an operations group (collectively, the "**Operating Partners**"), to a portfolio company or prospective portfolio company. To the extent that such an offset credit would reduce the Management Fee for a given quarterly period below zero, such excess will be carried forward to reduce the Management Fee payable in following quarterly periods, and if a credit remains upon a Fund's final distribution of assets a payment will be made crediting limited partners unless a limited partner has elected to waive such amount (*e.g.*, where an adverse tax consequence may result).

Digital Alpha may be paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which have the potential to be significant. Additionally, as further described below and in the applicable Governing Documents of the Funds, it is Digital Alpha's practice to use or retain certain Operating Partners to provide services to (or in connection with) certain portfolio companies in which one or more Funds invest. Such Operating Partners generally receive compensation and other amounts described herein from the relevant portfolio companies or Funds to which they provide services, but no such amounts will result in additional offsets to the Management Fee.

As permitted under the applicable Partnership Agreement, the General Partner may elect to waive or agree to reduce the Management Fee. Certain waived portions of the Management Fee are treated by the applicable Partnership Agreement as a deemed capital contribution by the General Partner, which is effectively invested in the relevant Fund on the General Partner's behalf,

and operates to reduce the amount of capital the General Partner would otherwise be required to contribute to a Fund. The limited partners of a Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of Digital Alpha in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by Digital Alpha and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in a Fund, resulting in a net additional benefit to Digital Alpha.

### **Carried Interest**

The General Partner will receive a carried interest with respect to a Fund equal to 20% of all realized profits subject to an 8% compound preferred return, as more fully described in the Governing Documents. The carried interest distributed to the General Partner is subject to a potential giveback at the end of life of a Fund if the General Partner has received excess cumulative distributions and at certain interim intervals as provided in the Governing Documents.

It is expected that any future Funds will have a similar fee structure.

### **Other Information**

The General Partner is permitted, in its sole discretion, to exempt certain “affiliated partner” investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including the General Partner and any other person designated by the General Partner. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by Digital Alpha and/or its affiliates or through other Funds which co-invest with a Fund. For example, in instances where a Digital Alpha professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Governing Documents, certain Advisers have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the General Partner or other vehicles that do not bear Management Fees or carried interest.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Governing Documents, over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other current or former employees of Digital Alpha generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by Digital Alpha or its affiliates.

In addition to the Management Fee and carried interest payable to Digital Alpha, each Fund bears certain expenses. As set forth more fully in the applicable Governing Documents of each Fund, a Fund bears all fees, costs, expenses, liabilities and obligations relating to the Fund and its

activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company), including, but not limited to, all fees, costs, expenses, liabilities and obligations attributable to: (i) activities with respect to the structuring, organizing, negotiating, acquiring, financing, bidding-on, re-financing, hedging, holding, managing, monitoring, operating, valuing, trading, dissolving, winding-up, liquidating, restructuring, taking public or private, selling or otherwise disposing of, as applicable, a Fund's portfolio companies and its actual and potential investments (including follow-on investments) or in seeking to do any of the foregoing, whether or not any contemplated transaction is consummated and whether or not such activities are successful ("**Broken Deal Expenses**"); (ii) indebtedness of, or guarantees made by, a Fund, Digital Alpha, the General Partner or any "affiliated partner" on behalf of a Fund, including interest with respect thereto or of seeking to put in place any such indebtedness or guarantee; (iii) broker, dealer, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (iv) brokerage, sale, custodial, depository (including a depository appointed pursuant to the EU Alternative Investment Fund Managers Directive (2011/61/EU) (the "**AIFMD**") or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), Swiss representative or paying agent (pursuant to the Swiss Collective Investment Schemes Act (as amended) and the implementation thereof), trustee, record keeping, account and similar services; (v) legal, accounting, auditing, administration (including fees and expenses associated with a Fund's third-party administrator, if any), information, appraisal, advisory, valuation, research, consulting (including consulting and retainer fees paid to the Operating Partners, consultants performing investment initiatives and other similar consultants), tax and other professional services; (vi) reverse breakup, termination and other similar fees; (vii) financing, commitment, origination and similar fees and expenses; (viii) directors and officers liability, errors and omissions liability, general partnership liability and other insurance and regulatory expenses; (ix) filing, title, transfer, registration and similar fees and expenses; (x) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s or any other administrative or regulatory filings or reports (including Form PF), or other information (including an allocable portion of any licensing, maintenance, upgrade and/or implementation fees, expenses and costs of any investor administrative tools (including software and extranet tools) related to the foregoing); (xi) expenses associated with a Fund and/or Digital Alpha's compliance with the requirements of the AIFMD, as implemented in any relevant jurisdiction and including any secondary legislation, regulations, rules and/or associated guidance, and any related requirements (including any equivalent law, rule or regulation resulting in the event the United Kingdom ceases to be a part of the European Union), excluding, for clarity, expenses associated with the initial and/or preliminary registrations, filings and compliance contemplated by the AIFMD or any similar law, rule or regulation as implemented in any relevant jurisdiction; (xii) any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information; (xiii) to the extent provided in the applicable Partnership Agreement, or otherwise approved by the General Partner in its sole discretion, proceedings of the advisory board; (xiv) indemnification, except to the extent a Fund's payment of such cost, expense, liability or obligation is otherwise prohibited by the applicable Partnership Agreement; (xv) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith; (xvi) any taxes, fees and other governmental charges levied against a Fund and all expenses incurred in connection with any tax audit,

investigation settlement or review of such Fund (except to the extent that such Fund is reimbursed therefor by a partner or such tax, fee or charge is treated as having been distributed to the partners pursuant to the applicable Partnership Agreement); (xvii) any annual limited partner meeting and any other conference or meeting with any limited partner(s); (xviii) any compliance or regulatory matters related to a Fund; (xix) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with a Fund, and any expenses incurred in connection with the formation of any feeder vehicles related to a Fund to the extent not paid by the investors investing in such entities; (xxi) the winding-up, liquidation or termination of a Fund; (xx) defaults by partners in the payment of any capital contributions; (xxii) amendments to the constituent documents of (A) a Fund, a parallel fund and any alternative investment vehicle of a Fund or parallel fund and (B) the General Partner, a parallel fund general Partner, the ultimate general partner and Digital Alpha to the extent necessary or advisable due to the formation of a Fund or parallel fund; (xxiii) complying with any law or regulation related to the activities of a Fund (including regulatory expenses of the General Partner incurred in connection with the operation of such Fund); (xxiv) any litigation or governmental inquiry, investigation or proceeding involving a Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except, to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the applicable Partnership Agreement; (xxv) distributions to the partners and other expenses associated with the acquisition, holding and disposition of a Fund's investments, including extraordinary expenses; (xxvi) unreimbursed expenses and unpaid fees of Operating Partners; (xxvii) any travel (including the cost of chartering private aircraft or other private air travel at a cost above the cost of first class commercial airfare), meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxviii) any organizational expenses; and (xxix) any private placement or finders' fees paid by a Fund to third parties in connection with the organization or funding of such Fund, but not including (A) ordinary overhead and administrative expenses of the General Partner and/or Digital Alpha incurred in connection with maintaining and operating their respective offices to the extent provided in the applicable Partnership Agreement and (B) any expenses included as part of "Investment Contributions" (as described in the relevant Governing Documents).

As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices," below.

As described above, in certain circumstances, the General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Digital Alpha's related policies and the relevant Governing Documents and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all Broken



Deal Expenses relating to such proposed transaction will be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction.

Digital Alpha and/or its affiliates generally have discretion over whether to charge Supplemental Fees to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of Supplemental Fees generally will give rise to potential conflicts of interest between the Funds, on the one hand, and Digital Alpha and/or its affiliates on the other hand.

### **Operating Partners**

Additionally, as further described herein and in the applicable Governing Documents of each Fund, it is Digital Alpha's practice to use or retain Operating Partners to provide services to (or in connection with) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such Operating Partners generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Operating Partners receive compensation, including, but not limited to, fees, incentive equity, other stock awards or other compensation, which typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Operating Partners, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Operating Partners also generally will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset the Management Fee. The use of Operating Partners subjects Digital Alpha to conflicts of interest, as discussed under "Methods of Analysis, Investment Strategies and Risk of Loss – Conflicts of Interest," below.

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described above under "Fees and Compensation," the General Partner receives a carried interest allocation on certain realized profits in a Fund. Digital Alpha does not currently advise Funds not subject to a carried interest, although it generally has the authority to waive carried interest with respect to certain affiliated partners, as described under "Fees and Compensation." Additionally, to the extent that Digital Alpha personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Digital Alpha generally considers performance-based compensation to better align its interests with those of its investors.

## **TYPES OF CLIENTS**

Digital Alpha provides investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Digital Alpha and its affiliates and members of their families, Operating Partners or other service providers retained by Digital Alpha.

The Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

The Funds generally have a minimum investment amount of \$10,000,000 for third-party investors. Such minimum investment amount may be waived by Digital Alpha, but generally will not be less than \$100,000 (or other amounts as specified by Cayman Islands law).

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

Digital Alpha is a private investment firm focused on investing in two distinct types of investments: (1) investments in operating companies, platforms and projects, which are expected to have a traditional private equity profile; and (2) investments in revenue sharing opportunities, which are expected to include investments in smart city solutions, next generation telecommunications platforms and enterprise networking and data projects. Digital Alpha's investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Digital Alpha's investments in operating companies are predominantly of non-public companies, although investments in public companies are permitted.

Digital Alpha's investment strategy for the Funds seeks to build a balanced portfolio that combines the growth and return characteristics of the Funds' operating company investments with the current cash generating and concession-type characteristics of the Funds' revenue sharing investments. Once an investment had been made in an operating company, Digital Alpha believes that the investment in such operating company will generally require thorough oversight and supervision. In contrast, Digital Alpha believes that an investment in a revenue sharing opportunity, once made, will require the utilization of relatively less team resources to manage than will the investment in an operating company.

There can be no assurance that Digital Alpha will achieve the investment objectives of any Fund and a loss of investment is possible.

## Investment and Operating Strategy

*Opportunity Sourcing.* Digital Alpha anticipates that a number of the Funds' investment opportunities will, among other methods, be sourced through sourcing arrangements with third parties and such sourced investments, therefore, will often be negotiated as exclusive joint-venture deals, as opposed to competitive transactions. Of the opportunities that Digital Alpha determines to pursue on behalf of the Funds, it expects that such investments will exhibit the following characteristics: a thorough understanding of each portfolio company's operational, technical and competitive dynamic; identification, formation or acquisition of a capable and experienced, interdependent and appropriately incentivized portfolio company management team, including appropriate shared values and a commonality of objectives and interests with the applicable Fund; a credible and realistic business plan with milestones and adjustment/backup strategies and plans; tight budgetary and disbursement controls; proper phasing and capital adequacy to complete/operate under appropriate base case, upside and downside scenarios; strong financial, technical and Operating Partners, as applicable; a well-defined capital structure; and appropriate, protective, responsive and effective governance.

*Opportunity Screening and Investment.* Once an opportunity successfully passes through the screening process, a group of Digital Alpha investment professionals (the "**Deal Team**") typically performs an initial assessment of the opportunity drawing from the Deal Team's respective experience as well as the operating expertise of the Operating Partners. This initial assessment generally includes: overview of the business including summary of downside protection and competitive positioning; key investment merits, risks and mitigants; and initial thinking about transaction structure, valuation and projected returns.

Based on this assessment, the Deal Team determines whether or not a recommendation, typically in the form of a concept paper, is made to the Digital Alpha investment committee to move forward with the opportunity. The concept paper may include the preliminary findings, a request for permission to engage in definitive diligence and a budget for consultants and advisors, if deemed necessary.

A critical part of Digital Alpha's investment process is the performance of extensive due diligence. Digital Alpha believe this enables a Fund to: (i) assess and mitigate risks where possible; (ii) thoroughly discuss and strategize approaches to maximize value; and (iii) analyze the operational efficiencies of an opportunity. Digital Alpha's due diligence process generally includes, but is not limited to, the following: onsite visits with management; access to the relevant domain experts and databases; analysis of the market opportunity; review of historical and projected financials; review of sales & marketing strategy; legal review of the opportunity; management, customer, vendor and competitor references, when possible; and use of outside consultants and advisors, when appropriate.

Upon completion of the diligence process, the Deal Team presents its analysis, conclusions and recommendations to the investment committee. The investment committee must approve a transaction before a binding offer/bid is submitted in any investment process. In addition, the investment committee will generally be involved in all material events affecting an investment, including follow-on financings, material M&A activities and the realization process.

*Managing an Investment.* Digital Alpha seeks to be a proactive investment manager focused on maximizing investment value in all environments, which will typically include active participation at the portfolio company board level. For revenue sharing investments, where governance will often be managed through a basket of legal contracts, Digital Alpha seeks to ensure that a Fund's rights are being fully exercised and recognized.

Digital Alpha seeks to create new value through proprietary growth investing with relatively low pre-money valuations, rather than buy existing businesses and assets at market pricing. Digital Alpha seeks to add value through the operational and strategic expertise the Digital Alpha team members have developed throughout their respective careers as well as through governance and oversight.

*Exit Strategy and Timing.* For investments in operating companies, Digital Alpha intends to consider multiple paths to exit, including negotiated sales and auctions — principally to strategic acquirers, recapitalizations and public offerings.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that Digital Alpha's investment strategy entails. The risks involved with Digital Alpha's investment strategy and an investment in a Fund include, but are not limited to:

*Business Risks.* A Fund's investment portfolio may consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Concentration of Investments.* Each Fund will participate in a limited number of investments and intends to make most of its investments in one industry or one industry segment or within a short period of time. As a result, such Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, such Fund may invest in fewer portfolio companies and thus be less diversified.

*Concentration of Investments in Digital Infrastructure and Services Businesses.* The investments that each Fund intends to make will be concentrated in digital infrastructure and services, with a focus on the telecommunications sector and in large-scale urban digitization projects. Concentration in a single type of business may involve risks greater than those generally associated with broader investment strategies diversified across businesses, including significant fluctuations in returns. The digital infrastructure and services industry is challenged by various factors, including rapidly changing market conditions and/or participants, new competing products and services and/or improvements in existing products. A Fund's portfolio companies and/or joint ventures will compete in this potentially volatile environment. There is no assurance that products or services sold by the portfolio companies and/or joint ventures will not be rendered obsolete or adversely affected by competing products and services or that the portfolio companies and/or joint ventures will not be adversely affected by other challenges. Instability, fluctuation or an overall decline within the digital infrastructure and services industry will likely not be balanced by

investments in other industries not so affected or affected in the same manner. In the event that the digital infrastructure and services sector as a whole declines, returns to limited partners may decrease.

*Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing private equity transactions is traditionally highly competitive and involves a high degree of uncertainty. While the Funds have proprietary access to certain pipelines of deals, which Digital Alpha believes should provide sufficient attractive deal flow to fully invest the Funds, it is, nevertheless, possible that a Fund will never be fully invested if enough sufficiently attractive investments are not ultimately completed by such Fund. However, limited partners will be required to bear Management Fees through such Fund during the investment period based on the entire amount of the limited partners' Commitments and other expenses as set forth in the Governing Documents.

*Dynamic Investment Strategy.* While the General Partner generally intends to seek attractive returns for the Funds primarily through making private equity investments, the General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. The General Partner may pursue investments outside of the industries and sectors in which Digital Alpha's principal (the "**Principal**") has previously made investments or has internal operational experience.

*Growth Equity Transactions.* The Funds' strategy includes targeting growth equity investments. While growth equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities, and a larger number of qualified managerial and technical personnel.

*Impact of Government Regulation, Reimbursement and Reform.* Certain industry segments in which the Funds intend to invest, including various segments of the digital infrastructure and telecommunications industries, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. While the Funds intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the digital infrastructure and telecommunications industries, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements, could have a material adverse effect on the operations and/or financial performance of the companies in which the Funds invest.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on

unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposal of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from such Fund's capital, including unfunded Commitments.

*Leveraged Investments.* A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by a Fund will also result in interest expense and other costs to such Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The use of leverage may also impose restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency. A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. A Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the General Partner or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

*Subscription Lines.* A Fund may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of such Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if such Fund fails to repay the amounts borrowed under a subscription line or

experiences an event of default thereunder. Moreover, any limited partner claim against a Fund would likely be subordinate to such Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of a Fund's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than a Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases such Fund's reported net returns in certain methods of calculation.

A credit agreement may contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the General Partner's ability to consent to the transfer of a limited partner's interest in the Fund. In addition, in order to secure a subscription line, the General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If a Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for Fund investments, and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the applicable Governing

Documents, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

*Non-U.S. Investments.* A Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or the partners with respect to such Fund's income and possible non-U.S. tax return filing requirements for such Fund and/or the partners. Non-U.S. taxes and filing requirements may become applicable on a retroactive basis. In some circumstances, indirect beneficial owners of non-U.S. investments may also be subject to non-U.S. income taxes and filing requirements.

Additional risks of non-U.S. investments include: (i) economic dislocations in the host country; (ii) less publicly available information; (iii) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (iv) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (v) civil disturbances; (vi) government instability; and (vii) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's portfolio companies.

*Market Conditions.* The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for a Fund and may affect such Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund's performance can



be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund to sell and/or partially dispose of its portfolio companies. Such adverse effects may include the requirement of a Fund to pay break-up, termination or other fees and expenses in the event such Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of such Fund to dispose of investments at prices that the General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Fund's ability to raise funding to support its investment objective.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* A Fund's ability to generate attractive investment returns may be adversely affected to the extent such Fund is unable to obtain favorable financing terms for its investments. Moreover, a deterioration of the global credit markets may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*Projections.* Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third-parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund's activities, including the ability of such Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives. The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception of certain alternative asset managers, including private equity firms, may complicate or prevent such Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, such Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income.

Enactment of any such legislation, whether during or after the initial closing of a Fund, could adversely affect the ability of the Principal, employees or other individuals associated with the Funds or Digital Alpha who were or may in the future be granted direct or indirect interests in the General Partner, to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from a Fund and the General Partner, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund. These same issues may also apply to officers, directors and employees of a Fund's portfolio companies if such persons receive a profits interest in such companies.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that a Fund will make follow on investments or that such Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of such Fund's ownership in a portfolio company if a third-party invests in such portfolio company.

*Investment in Junior Securities.* The securities in which a Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Fund's investment once made.

*Dilution.* Limited partners admitted or that increase their respective Commitments to a Fund at subsequent closings generally will participate in then-existing investments of such Fund, thereby diluting the interest of existing limited partners in such investments. Although any such new limited partner will be required to contribute its *pro rata* share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of a Fund's existing investments at the time of such contributions.

*Public Company Holdings.* A Fund's investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject such Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of such Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Principal, and increased costs associated with each of the aforementioned risks.

*Non-Controlling Investments.* A Fund may hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics

of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it may be more difficult for such Fund to liquidate its interests than it would be had such Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of such Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to such Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Material Non-Public Information; Other Regulatory Restrictions.* As a result of the operations of Digital Alpha and its affiliates, Digital Alpha may come into possession of confidential or material, non-public information. Therefore, Digital Alpha and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or Digital Alpha's internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Digital Alpha or the Funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC.

As a result of any of the foregoing, a Fund may be adversely affected because of Digital Alpha's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by Digital Alpha or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

*Hedging Arrangements.* The General Partner may (but is not obligated to) endeavor to manage a Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures using hedging techniques where available and appropriate. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption.

*Unfunded Pension Liabilities of Portfolio Companies.* Certain court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Funds intend to manage their investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If such Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of such Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, the General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the General Partner may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or a Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized

access is directed at Digital Alpha or one of its service providers holding its financial or investor data, Digital Alpha, its affiliates or the Funds may also be at risk of loss.

## **Conflicts of Interest**

Digital Alpha and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for the account of other Funds, and providing transaction-related, legal, management and other services to Funds and portfolio companies. Digital Alpha will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Governing Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of Digital Alpha conducting its activities, the interests of a Fund may conflict with the interests of Digital Alpha, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, Digital Alpha will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by Digital Alpha through such Fund, subject to certain limited exceptions set forth in the Fund's Governing Documents and Digital Alpha's allocation policies. Without limitation, Digital Alpha currently manages, and expects in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. The Principal and Digital Alpha's investment staff will continue to manage and monitor such investments until their realization. Such other investments that Digital Alpha may control or manage may potentially compete with companies acquired by a Fund. Following the commitment period of a Fund, Digital Alpha may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, Digital Alpha will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of Digital Alpha. In determining which investment vehicles should participate in such investment opportunities, Digital Alpha and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Governing Documents, Digital Alpha is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of Digital Alpha in a portfolio company may also raise the risk of using assets of a client of Digital Alpha to support positions taken by other clients of Digital Alpha.

Digital Alpha must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Digital Alpha generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Governing Documents, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant Governing Documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life cycle, structure and other relevant

factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds advised by an affiliated adviser of Digital Alpha in the manner set forth in the relevant Governing Documents. Digital Alpha will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with Digital Alpha's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, Digital Alpha will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Governing Documents, Side Letters and Digital Alpha's procedures regarding allocation.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by Digital Alpha or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Digital Alpha investors, and the consideration of the factors set forth above may result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. When and to the extent that employees and related persons of Digital Alpha and its affiliates make capital investments in or alongside certain Funds, Digital Alpha and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Digital Alpha's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While Digital Alpha will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which Digital Alpha may be subject, discussed herein, did not exist.

In certain cases, Digital Alpha will have opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Digital Alpha will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on eligibility and other factors, and unless required by the relevant Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same

investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Digital Alpha and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Governing Documents of the Funds, Digital Alpha will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Digital Alpha may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Digital Alpha or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or Digital Alpha. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in certain portfolio companies, Digital Alpha and/or its affiliates typically have the right to appoint portfolio company board members (including current or former Digital Alpha personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Digital Alpha and/or its affiliates. Except to the extent such amounts are subject to the Governing Documents' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to Digital Alpha.

Additionally, a portfolio company typically will reimburse Digital Alpha or service providers retained at Digital Alpha's discretion for expenses (including, without limitation, travel expenses) incurred by Digital Alpha or such service providers in connection with its performance of services for such portfolio company. This subjects Digital Alpha and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Digital Alpha determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual

reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to Digital Alpha or such service providers generally is subject to: agreements with or review by sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related potential conflicts of interest.

Digital Alpha generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) Digital Alpha or a related person of Digital Alpha (which may include a portfolio company of such Fund), (ii) an entity with which Digital Alpha or its affiliates or current or former members of their personnel has a relationship or from which Digital Alpha or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, Digital Alpha may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects Digital Alpha to conflicts of interest, because although Digital Alpha selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Digital Alpha may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Digital Alpha, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Digital Alpha), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not Digital Alpha has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In certain circumstances, current or former Digital Alpha personnel may serve in interim or part-time roles at a portfolio company, or may provide services to a portfolio company as a secondee or in similar capacities, while maintaining certain benefits, support services or indicia of employment at Digital Alpha. Under such arrangements, Digital Alpha and/or the relevant portfolio company may pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold. Employees may or may not return to Digital Alpha at the end of such secondee arrangement.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to Operating Partners and other consultants (including consultants introduced or arranged by Digital Alpha and/or its affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. The Operating Partners generally make use of Digital Alpha resources or otherwise are associated with Digital Alpha and/or its affiliates. Digital Alpha may agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels



on an aggregate annualized basis, or provide other compensation. The Operating Partners may receive investment opportunities, reimbursements and other compensation that do not offset the Management Fee of any Fund, as described herein. Although the use of the Operating Partners and the allocation of compensation paid to them by Digital Alpha, its affiliates and/or the portfolio companies subjects Digital Alpha and/or its affiliates to potential conflicts of interest, Digital Alpha believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Operating Partner is lower than market rates for the services provided and/or if the services of the Operating Partner align with Digital Alpha's model for the portfolio company and improve portfolio company performance. Although Digital Alpha seeks to retain Operating Partners with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Digital Alpha also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Digital Alpha believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only Operating Partners and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Although Digital Alpha generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In each such case, Digital Alpha intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

Digital Alpha and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Digital Alpha and/or its affiliates; conversely, current or former personnel or executives of Digital Alpha and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by Digital Alpha. Similarly, Digital Alpha, its affiliates and/or its personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Digital Alpha and/or its affiliates, and/or the Funds or other investment vehicles they advise. Digital Alpha may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds,

will provide Digital Alpha information about markets and industries in which Digital Alpha operates (or is contemplating operations) or will provide other services that are beneficial to Digital Alpha. Digital Alpha may have a conflict of interest in making such recommendations, in that Digital Alpha has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by Digital Alpha, are reimbursed by a Fund and/or its portfolio companies, Digital Alpha will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when Digital Alpha may not otherwise have done so.

Since Digital Alpha is permitted to retain certain Supplemental Fees (as described above under “Fees and Compensation”) in connection with Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation.

Digital Alpha and/or its affiliates may enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Digital Alpha has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as Digital Alpha has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. Discounted prices or better terms offered by a portfolio company to Digital Alpha, any other portfolio company or third parties may affect the returns of the portfolio company.

Any of these situations subjects Digital Alpha and/or its affiliates to potential conflicts of interest. Digital Alpha attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Digital Alpha’s advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, Digital Alpha will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Digital Alpha consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

## **DISCIPLINARY INFORMATION**

Digital Alpha and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Digital Alpha Advisors is affiliated with the General Partner, a special purpose vehicle formed to serve as a general partner to private funds and subject to the Advisers Act pursuant to Digital Alpha Advisors' registration in accordance with SEC guidance. This affiliated general partner entity operates as a single advisory business together with Digital Alpha Advisors and serves as the general partner of the Funds and other pooled vehicles and generally shares common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

Digital Alpha has adopted a Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of the Principal and Digital Alpha's employees and addresses conflicts that arise from personal trading. The Code requires certain Digital Alpha personnel to report their personal securities transactions, prohibits or requires pre-clearance for Digital Alpha personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Digital Alpha personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Digital Alpha Chief Compliance Officer or Deputy Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to Andy Alcon, the Digital Alpha Deputy Compliance Officer, at (510) 396-9991. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

Digital Alpha and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Digital Alpha and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Digital Alpha.

Accordingly, should Digital Alpha or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, Digital Alpha generally would be prohibited from communicating such information to clients, and Digital Alpha will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Digital Alpha personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of Digital Alpha and its affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities may also be presented to certain affiliates of Digital Alpha, as well as third-party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described above under “Methods of Analysis, Investment Strategies and Risk of Loss.”

Digital Alpha and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

From time to time, Digital Alpha may advance funds on behalf of a Fund and contribute such amounts to the relevant Fund as a special interim capital contribution for investment, to be redeemed at a later date. A yield amount in connection with such borrowing typically is borne by the relevant Fund, consistent with the Governing Documents.

In borrowing on behalf of a Fund, Digital Alpha is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund’s preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

Digital Alpha will effect such borrowings in a manner it believes to be fair and equitable to the relevant Fund, and consistent with Digital Alpha’s obligations to the Fund under the Governing Documents.

## **BROKERAGE PRACTICES**

Digital Alpha focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, Digital Alpha may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although Digital Alpha does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If Digital Alpha sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Digital Alpha. In such event, Digital Alpha will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Digital Alpha may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

Digital Alpha has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although Digital Alpha generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with Digital Alpha seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although Digital Alpha generally does not make use of such services at the current time and has not made use of such services since its inception.

Digital Alpha does not anticipate engaging in significant public securities transactions; however, to the extent that Digital Alpha engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, Digital Alpha may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, Digital Alpha may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of Digital Alpha is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds.

Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Funds over time.

In Digital Alpha's private company securities transactions on behalf of the Funds, Digital Alpha may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, Digital Alpha may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although Digital Alpha generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

#### **REVIEW OF ACCOUNTS**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Digital Alpha monitors companies in which the Funds invest, and the Digital Alpha Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to its limited partners (i) audited financial statements annually commencing with the first year in which it makes an investment (ii) unaudited financial statements for the first three quarters of each fiscal year and (iii) annual tax information necessary for each partner's U.S. tax returns.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

Digital Alpha and/or its affiliates may provide certain business or consulting services to companies in a Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Governing Documents, this compensation may, in many cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (*e.g.*, reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation," above.

MCP Securities, LLC, Palladium Capital Advisors, LLC, Prosperitas Capital and Silver Leaf Partners, LLC (collectively, the "**Placement Agents**") have been engaged by Digital Alpha as placement agents with respect to the private placement of interests in the Funds.

From time to time, Digital Alpha may enter into additional solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents, including the Placement Agents, will be borne by Digital Alpha indirectly through an offset against the

Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

### **CUSTODY**

Digital Alpha maintains custody of assets held in the name of one or more Funds with the following qualified custodian:

- Silicon Valley Bank, 3003 Tasman Drive, Santa Clara, CA 95054

### **INVESTMENT DISCRETION**

Digital Alpha has discretionary authority to manage investments on behalf of each Fund. As a general policy, Digital Alpha does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, Digital Alpha and/or its affiliates may enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Digital Alpha assumes this discretionary authority pursuant to the terms of the Governing Documents and powers of attorney executed by the limited partners of such Fund.

### **VOTING CLIENT SECURITIES**

Digital Alpha has adopted the Digital Alpha Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for each Fund's portfolio companies. The Proxy Policy seeks to ensure that Digital Alpha votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Digital Alpha generally believes its interests are aligned with those of each Fund's investors, for example, through the Principal's beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Digital Alpha may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board may approve Digital Alpha's vote in a particular solicitation. Digital Alpha does not consider service on portfolio company boards by Digital Alpha personnel or Digital Alpha's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Digital Alpha when voting proxies on behalf of a Fund. Clients or investors that would like a copy of Digital Alpha's complete Proxy Policy or information regarding how Digital Alpha voted proxies for particular portfolio companies may contact Andy Alcon, the Digital Alpha Deputy Compliance Officer, at (510) 396-9991, and it will be provided at no charge.

### **FINANCIAL INFORMATION**

Digital Alpha does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.