

SDC Capital Partners, LLC

Part 2A of Form ADV: Firm Brochure



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Item 1 Cover Page

This brochure, dated March 30, 2020 (the “Brochure”), provides information about the qualifications and business practices of SDC Capital Partners, LLC. If you have any questions about the contents of this Brochure, please contact us at: 212-813-6700, or by email at: jkurtz@sdccapitalpartners.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Additional information about SDC Capital Partners, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This Brochure, dated March 30, 2020, has been prepared by SDC Capital Partners, LLC (“SDC” or the “Firm”) as an amendment to the prior version of the brochure, dated December 2, 2019. This Brochure has been updated to reflect SDC’s new pooled investment fund, listed in Item 4.

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Item 4 Advisory Business

SDC, a Delaware limited liability company, is an investment adviser located in New York, New York. SDC was formed in 2017 and its principal owner is Todd Aaron.

SDC provides investment advice to pooled investment vehicles organized as private investment funds. Currently, the Firm provides investment advisory services to SDC Digital Infrastructure Opportunity Fund I, L.P. ("Fund I"), two investment vehicles organized in connection with a portfolio investment of Fund I (the "Co-invest Funds") and SDC Digital Infrastructure Opportunity Fund II, L.P. ("Fund II" and collectively with Fund I, the "Main Funds") (each of the Main Funds and the Co-invest Funds, a "Fund" and, collectively, the "Funds"). The Funds are structured as Delaware limited partnerships or limited liability companies and are exempt from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act"), pursuant to Section 3(c)(1) and/or Section 3(c)(7) of the Investment Company Act, as applicable. SDC DIOF I GP, LLC (the "Fund I General Partner") serves as general partner of Fund I and one of the Co-invest Funds and SDC Summit Manager, LLC (the "Summit Manager") serves as manager of the other Co-invest Fund. SDC DIOF II GP, LLC (the "Fund II General Partner") serves as general partner of Fund II (the "Fund II General Partner", together with the Fund I General Partner, the "General Partners"). Each of the General Partners and the Summit Manager is an affiliate of SDC and, whenever from the context it appears appropriate, references to SDC and the Firm include the General Partners and/or the Summit Manager.

SDC provides discretionary investment advisory services to the Funds. The Main Funds invest primarily in the information technology ("IT") and communications infrastructure markets, including data centers, fiber networks, wireless infrastructure and related sectors. The Main Funds will primarily seek to leverage their extensive industry relationship set to source proprietary opportunities and will specifically seek investments where the Main Funds believes they can create value by applying SDC's specialized operational knowledge as described in more detail in Item 8. The Co-invest Funds are organized primarily for the object and purpose of directly or indirectly acquiring, developing, holding for investment, converting and distributing or otherwise disposing of investments in securities of one portfolio company.

Investment advice is provided directly to the Funds themselves and not to the individual investors in the Funds. SDC tailors its advisory services to the individual needs of the Funds but not to the individual needs of underlying investors. SDC manages the Funds in accordance with the investment objectives and limitations set forth in each Fund's offering memoranda, governing documents, subscription agreements, side letters, and any investment management agreement between SDC and the Funds, as applicable (together, the "Governing Documents").

SDC has entered, and may in the future enter, into agreements, commonly known as "side letters," with certain investors under which SDC waives or modifies the application of certain investment terms applicable to such investors, without obtaining the consent of any other investor in the Funds.

SDC does not participate in wrap fee programs.

As of March 19, 2020, the Firm had approximately \$1,189,321,000 in discretionary assets under management. SDC does not currently manage any assets in a non-discretionary manner.

Item 5 Fees and Compensation

The Main Funds pays management fees to SDC, which are payable semi-annually from drawdowns of the limited partners' unfunded capital commitments or from assets of such Main Fund no earlier than each January 15 and July 15 for each semi-annual period beginning January 1 and July 1, respectively. During the commitment period, the management fee is 2.0% (per annum) of the aggregate capital commitments. Thereafter, for the remaining life of such Main Fund, the management fee will be 2.0% (per annum) of the total outstanding capital invested in investments that were not subject to a disposition and an allocable portion of expenses of such Main Fund (other than management fees and organizational expenses). Limited partners admitted to a Main Fund or increasing their capital commitments after the initial closing will contribute their allocable share of the management fee that otherwise would have been payable had all limited partners been admitted at the initial closing. The General Partners have the right in their sole discretion to waive or reduce all or part of the management fee payable with respect to any limited partner, without waiving or reducing the management fee that is payable with respect to other limited partners. The Main Funds will pay the Management Fee to SDC regardless of the performance of their investments, which could reduce SDC's incentive to devote its time and effort to seeking assets that provide attractive risk-adjusted returns for each of the Main Fund's investments. This in turn could hurt the ability of each of the Main Funds to make distributions to their investors. However, the Firm is committed to fulfilling its fiduciary duty to its advisory clients to act at all times in their best interest.

The Co-invest Funds do not charge a management fee.

SDC or its affiliates may charge portfolio companies, prospective portfolio companies or their affiliates origination fees, breakup fees, consulting fees, monitoring fees, directors' fees and other similar fees. To the extent these fees are charged in respect of the assets of the Main Funds they will reduce the amount of management fees charged to the Main Fund's investors on a dollar-for-dollar basis.

The Funds are generally responsible for all organizational expenses incurred by SDC and its affiliates in connection with the formation and organization of the Funds and the Firm. The Main Funds incurred placement agent fees, and to the extent that such placement agent fees are charged to the Main Funds, management fees of such Main Fund are subsequently reduced on a dollar-for-dollar basis. Each Fund's manager will be responsible for all of its own normal and recurring routine operating expenses, such as compensation of its professional staff and the cost of office space, office equipment, communications, utilities and other such normal overhead expenses. While not exhaustive, the Funds will be responsible for all other expenses related to the business and operation of the Funds including, but not limited to, legal, auditing, consulting, financing, accounting, custodian fees and expenses. Further, the Funds will pay expenses associated with the Funds' financial statements, tax preparation costs, out-of-pocket expenses incurred in connection with transactions not consummated, in addition to other expenses associated with the investigation, acquisition, development, financing, management, operation and disposition of any investment, including extraordinary expenses, along with any taxes, fees, and/or other government charges levied against the Funds. In the event that investment vehicles managed or otherwise controlled by the General Partners or their affiliates are organized to co-

invest with any of the Main Funds in a portfolio investment, the Governing Documents of each of the Main Funds provide that such vehicles will generally bear their pro rata share of any expenses directly attributable to such portfolio investment in which they participate, unless the relevant General Partner determines in good faith that a different standard is more fair or reasonable or otherwise required under the circumstances. However, the Governing Documents of each of the Main Funds further provide that co-investors may not agree to pay or otherwise bear fees, costs or expenses related to un consummated co-investments and, in such event, such fees, costs and expenses will be considered expenses of, and be borne by, such Main Fund.

The fees and the expenses described above are negotiated and agreed upon in connection with the establishment of the management relationship in respect of the Funds and may be deducted from amounts that would otherwise be retained by the Funds. Please refer to the Funds' Governing Documents for further information regarding the fees and expenses of SDC and the Funds.

Other than as described above and in Item 6 below, neither SDC nor any of its supervised persons accepts direct compensation for the sale of securities or other investment products.

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

SDC is generally entitled to receive performance-based compensation in the form of a carried interest allocation of 20% from each of the Main Funds to the relevant General Partner after such Main Fund has returned to its limited partners all of their contributed capital plus an 8% preferred return (compounded annually). The General Partner in respect of such Main Fund has the right in its sole discretion to waive or reduce all or part of the carried interest payable with respect to any limited partner. Please refer to the Governing Documents of each of the Main Funds for further information regarding the performance-based fees of SDC and the Main Funds. SDC does not receive performance-based compensation from the Co-invest Funds. Performance-based compensation will be made in compliance with Rule 205-3 of the Advisers Act. Receipt of performance-based compensation may create an incentive for SDC or the General Partners to make riskier or more speculative investments than would be the case in the absence of such compensation. However, the Firm is committed to fulfilling its fiduciary duty to its advisory clients to act at all times in their best interest.

Item 7 Types of Clients

As described in Item 4 above, SDC provides discretionary investment advice to the Funds, which are private investment vehicles exempt from registration under the Investment Company Act. The Funds are marketed exclusively to investors that may include, without limitation, high-net worth individuals, pension plans, trusts, financial institutions, endowments and other U.S. and non-U.S. entities. Each investor is required to meet certain suitability requirements. Interests in the Funds are sold only to investors who meet qualification requirements under applicable securities laws.

An investment in the Funds should be based on a prospective investor's careful analysis of its overall portfolio and its own objectives and needs in the areas of diversification, liquidity, return on investment and risk management.

The Governing Documents of each of the Main Funds set forth a minimum capital commitment of \$5,000,000 for investors in the Main Funds, subject to reduction at the discretion of the relevant General Partner. The Governing Documents of the Co-invest Funds do not provide for a minimum capital commitment.

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

As more fully described in the Governing Documents of each of the Main Funds, the Main Funds will principally seek to make opportunistic equity investments in the IT and communications infrastructure markets, including data centers, fiber networks, wireless infrastructure and related sectors. The Main Funds may also make other types of investments in the IT and communications infrastructure sector, including debt, convertible debt investments, preferred equity investments, controlling and minority common equity investments and other structured investments. The Main Funds may make investments both within and outside North America.

Across each investment type that SDC pursues, the Main Funds will utilize its differentiated investment approach to target investments that share common attributes and that take advantage of the SDC team's collective experience. The Main Funds will invest in both individual assets and in established operating businesses where its experience and sector knowledge can assist in-place operating teams. The Main Funds will pursue a differentiated and proven investment approach anchored in SDC's ability to: (1) proactively develop investment themes, (2) build a targeted and proprietary pipeline, (3) leverage its differentiated operational expertise and (4) broaden its opportunity set and mitigate risk through a flexible approach to capital deployment and structure. SDC's multi-stage investment process provides the basis for efficient deployment of the Firm's human resources, effective and focused diligence efforts, and enhanced opportunity for post-investment value creation.

As more fully described in the Co-invest Funds' Governing Documents, the Co-invest Funds will principally seek to make investments in the securities of one portfolio company which is in the IT and communications infrastructure sector.

Investing in a Fund is speculative and involves significant risks, including the risk of total loss of invested capital, and should be considered only by sophisticated investors able to meet drawdown obligations and assume the risks of loss and illiquidity inherent with an investment in the Fund. The following risks and conflicts, as well as the risks and conflicts described elsewhere in this brochure, are not intended to be an exhaustive list of all the risks and conflicts associated with SDC's business or an investment in a Fund, which are set forth in greater detail in the respective Governing Documents of the Funds. Before investing in a Fund, prospective investors should carefully review such Fund's Governing Documents, including, in the case of the Main Fund, the additional risks and conflicts set forth in the Governing Documents of such Main Fund. Further, SDC's business and the investment strategies of the Funds may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks and conflicts depending upon the nature of the assets in which it invests and its ability to finance such assets on a short or long-term basis.

Certain Risk Factors:

General Risk of Loss. There can be no assurance that a Fund will achieve its investment or performance objectives, including the identification of suitable investment opportunities and the

achievement of targeted returns, or that a Fund will be able to fully invest its capital commitments. A Fund may lose some or all of its invested capital, and prospective investors should not subscribe for interests unless they can readily bear the consequences of such loss.

Key Personnel. A Fund generally is dependent on the services of the Firm and its executive officers and key personnel. The loss of an executive officer or a key person's services could have a material adverse effect on a Fund's performance.

Side Letters. A Fund may enter into agreements ("Side Letters") with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in such Fund's Governing Documents. A Fund may enter into Side Letters based on, among other things, the size of the investor's investment in a Fund. The terms and conditions of such Side Letters may provide for special rights to make future investments in a Fund; rights to receive reports from a Fund on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding investments); special consent rights to the amendment of the Governing Documents of a Fund; and such other rights as may be negotiated by a Fund and such investors, with the effect that not all of a Fund's investors will invest on the same terms and some investors may be expected to enjoy more favorable terms than others.

Illiquid Investments. Investments in a Fund are expected to be long-term and highly illiquid, with no certainty of return. In addition, there most likely will be little or no near-term cash flow available to investors. Subject to the provisions in a Fund's Governing Documents, investors in such Fund may not sell, transfer, exchange, assign, pledge, hypothecate or otherwise dispose of their interests (or any portion thereof) in a Fund without the written consent of SDC, which may be granted or withheld in SDC's sole discretion, and investors may not withdraw from such Fund without the consent of SDC.

Business and Market Risk. The marketability and value of the investments will depend on many factors beyond the control of a Fund, including, without limitation: changes in general economic or local conditions and/or specific industry segments; geographic or market concentration; changes in interest rates; the promulgation and enforcement of governmental regulations relating to communications, technology, land use and zoning restrictions, environmental protection and occupational safety; failure to obtain, or delays in obtaining, regulatory approval; product compatibility; rapid obsolescence; consumer preferences; competition from alternative technologies; unavailability of funds to portfolio companies; the financial condition of portfolio companies; changes in tax rates and other operating expenses; the potential for uninsured or under-insured losses; energy and supply shortages; acts of terrorism; various uninsured or uninsurable risks; and natural disasters.

A Fund's investments are expected to involve markets that are developing and rapidly evolving. They are characterized by an increasing number of market entrants who have developed or are developing a wide variety of products and technologies. Because of these factors, demand and market acceptance for new products and continued demand and acceptance for current products are subject to a high level of uncertainty. There can be no assurance that the technology and products upon which a Fund's investments rely will be widely accepted or in demand at any time in the future. It is also difficult to predict with any assurance the future growth rate, if any, and size of these markets. If these markets fail to continue to develop, develop more slowly than expected or become saturated with competitors, or if the products or technologies on which a

Fund's investments depend do not achieve, or continue to achieve, market acceptance, a Fund's business, operating results and financial condition will be materially and adversely affected.

Risks Related to the Infrastructure Sector. Most infrastructure assets have unique locational and market characteristics, which could make them highly illiquid or appealing only to a narrow group of investors. Infrastructure investments expose the strategy to numerous risks, usually without recourse to the general credit of a project sponsor, including (without limitation): construction; environmental; regulatory; permitting; commissioning; start-up; operating; economic; commercial; contractual; political; innovation; and financial risks. Early developmental stage projects involve risks of failure to obtain or substantial delays in obtaining: regulatory, environmental or other approvals or permits; financing; and suitable equipment supply, operating and offtake contracts. Additional infrastructure sector risks include (i) the risk that technology employed will be not be effective or efficient; (ii) the risk of equipment failures, fuel interruptions, loss of sale and supply contracts; changes in power or fuel contract prices, bankruptcy of or defaults by key customers, suppliers or other counterparties, and tort liability; (iii) risk of changes of values of infrastructure sector companies; (iv) risks associated with employment of personnel and unionized labor; and (v) political and regulatory considerations and popular sentiments that could affect the ability of the strategy to buy or sell investments on favorable terms. The occurrence of events related to any of the foregoing could have a material adverse effect on investments in the infrastructure sector. There is no assurance that such investment projects will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein.

Certain companies in the communications industry are or may be subject to extensive U.S. federal, state and local regulatory requirements. Regulations that are intended to limit the concentration of ownership and control of communications companies may prevent a Fund from making certain investments that it would otherwise make. Other regulations may cause substantial additional costs or lengthy delays in connection with the completion or disposition of an investment. The Governing Documents contain provisions that are designed to conform to the requirements of the Federal Communications Commission.

Risks Related to the Acquisition of Equity and/or Debt Securities. A Fund generally intends to invest in common and preferred stock and other private equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. A Fund may experience a substantial or complete loss on individual equity securities.

Numerous economic factors, as well as market sentiment, political and other factors, influence the value of equities. At any given time, a Fund may have significant investments in companies with smaller market capitalizations. These securities often involve greater risks than the securities of larger, better-known companies, including less liquidity and greater volatility.

Use of Leverage. Certain of a Fund's investments may include portfolio companies whose capital structures have substantial leverage. Leveraged capital structures increase the exposure of a portfolio company to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio company or its industry and make the

portfolio company more sensitive to declines in revenues and to increases in expenses. In the event that such a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of a Fund's equity investment in such portfolio company could be significantly reduced or even eliminated.

A Fund itself may also borrow funds in order to make investments or pay expenses. While the use of leverage can increase returns, it can also increase the loss exposure of a Fund. Interest payments and borrowing expenses incurred in connection with any such borrowing will reduce a Fund's return.

Competitive Market for Investment Opportunities. The activity of identifying, completing, and realizing attractive investments is competitive and involves a high degree of uncertainty. A Fund will be competing for investments with other private equity investment vehicles, as well as business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. There can be no assurance that a Fund or SDC will be able to locate, complete and exit portfolio investments satisfying the investment criteria of a Fund, that a Fund will be able to fully invest its committed capital or that such investments will satisfy a Fund's rate of return objective.

Certain Conflicts of Interest:

Allocation of Investment Opportunities. SDC or its affiliates may, in the future, establish new funds or enter into new managed account arrangements with investment strategies that are substantially similar to or otherwise overlap the Funds' strategies, including funds and accounts investing primarily in the Funds' target assets, and/or that may create additional conflicts of interest that may not be foreseeable. While the Governing Documents of each of the Main Funds provides for certain limitations on SDC's ability to offer investment opportunities to other clients, SDC's allocation of investment opportunities and expenses among various client accounts presents inherent conflicts of interest, as clients may have conflicting investment objectives, targeted returns, fee structures, investment time frames or legal, tax and regulatory considerations.

Parallel Funds. SDC or its affiliates may establish parallel funds, which may invest on a side-by-side basis in one or more investments made by a Fund, taking into account the investment objectives, guidelines and constraints of such Fund and such parallel fund. An investment by a parallel fund may or may not be in proportion to such parallel fund's aggregate capital commitments as it relates to that of a Fund and any other parallel fund investing in such investment or investments. Investments made by parallel funds on behalf of some or all of the investors in a Fund may, among other things, result in (i) tax, structural or regulatory consequences for such Fund that would not have occurred absent investment by such parallel fund, which consequences may have a disparate impact among the individual investors of the Fund or (ii) such Fund achieving a lower return than would have been achieved absent investment by such parallel fund.

Affiliate Transactions. From time to time, SDC may, subject to the terms of the Governing Documents of a Fund, cause the Fund to enter into transactions with affiliates. The Fund will not necessarily derive a benefit from each such transaction, and the Fund and the other party to a particular transaction may have divergent interests. Moreover, there may be uncertainties regarding the valuation of investments that are subject to these transactions. Investors in the

Main Funds may have no opportunity to participate in the evaluation of the terms or merits or valuation of any such transactions and, to the extent they are presented to the relevant limited partner advisory committee, all investors in such Main Fund will be bound by the consent of such committee.

Other Activities. SDC is not required to manage the Funds as its sole and exclusive function and, except as set forth in the applicable Governing Documents, SDC, its affiliates and their respective agents, officers, directors, employees and operating partners may engage in or possess any interests in business ventures and may engage in other activities of every kind and description independently or with others in addition to those relating to a Fund, including the rendering of advice or services of any kind to other investors, the making or management of other investments or other investment funds and the management of pre-existing investments. Consequently, various potential and actual conflicts of interest may arise from the overall business activities of SDC, its affiliates, clients or investment funds managed or sub-managed by it.

Moreover, it is possible that certain officers and employees responsible for managing SDC and senior advisers to SDC may oversee the activities of other investment funds or companies. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

Material Non-Public Information. Each of SDC and its affiliates, officers, directors and employees may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities or other assets or liabilities. Any of the foregoing persons or entities will not be free to act upon any such information. Due to these restrictions, a Fund (whether or not in actual possession of material, non-public information) may not be able to make an investment that it might otherwise have made and may not be able to sell an investment that it otherwise might have sold.

Other Conflicts. See Item 11 below for addition disclosures regarding conflicts of interest.

Item 9 Disciplinary Information

There is no disciplinary information to report for SDC or for any persons associated with the Firm or the Funds.

Item 10 Other Financial Industry Activities and Affiliations

The General Partners and the Summit Manager are affiliated entities of the Firm and certain of the Firm's employees may have a financial interest in these entities.

Neither the Firm nor any of its affiliates are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither the Firm nor any of its affiliates are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

See also the conflicts of interest described in Item 8 and elsewhere in this brochure for further information on potential conflicts of interest among SDC, its affiliates and the Funds that may arise as a result of affiliations of SDC, the General Partners or the Summit Manager.

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

Pursuant to Rule 204A-1 of the Advisers Act, SDC adopted a Code of Ethics (referred to in this brochure as the “Code”) to ensure that SDC fulfills its role as a fiduciary to the Funds. The interests of the Funds must always be recognized, respected, and have precedence over SDC employees. The Code requires that SDC employees and certain associated persons act in the best interests of the Funds to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Funds to the extent reasonably possible, and identify and manage conflicts of interest to the extent they arise. SDC employees are also required to comply with applicable provisions of federal securities laws and make prompt reports of any actual or suspected violations of such laws by SDC or its employees. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of SDC’s personnel. The Code requires that personnel pre-clear certain public and private personal securities transactions, report personal securities transactions in accordance with the Code on at least a quarterly basis and submit reports to SDC regarding personal accounts and reportable securities holdings at least annually. The Code also addresses outside activities of employees, conflicts of interest, policies and procedures concerning the prevention of insider trading, includes restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions. Employees are required to provide a written certification to SDC as to agreeing to comply with the Code. Copies of this Code are available upon request by contacting SDC’s Chief Compliance Officer.

While Fund I entered into a transaction by which it acquired securities from a related person of SDC in connection with its initial closing, as a general matter, neither SDC nor any of its related persons recommend that the Funds acquire or sell securities in which SDC or any related person has a material financial interest. However, in situations where such a transaction is pursued, SDC will make such disclosures and seek such consents as may be required by applicable law.

As a matter of general practice, neither SDC nor any of its related persons acquire or sell securities that are also recommended to the Funds.

In the ordinary course of business, the interests of SDC and its affiliates may conflict with those of the Funds. Each Main Fund has established an Advisory Committee which has been tasked with evaluating and resolving certain issues involving conflicts of interest as they arise. See also the conflicts of interest described in Item 8 and elsewhere in this brochure for further information on potential conflicts of interest among SDC, its affiliates and the Funds.

Item 12 Brokerage Practices

Due to the nature of investments recommended to the Funds, SDC does not expect to select or recommend broker-dealers for client transactions at this time. SDC does not engage in soft dollar arrangements with broker-dealers at this time.

Item 13 Review of Accounts

SDC's investment committee supervises and monitors the investment activities of the Funds. SDC's investment professionals routinely meet to discuss investment activities including potential new investment opportunities. SDC's investment committee convenes as and when necessary to consider and approve new investment opportunities and material investment decisions regarding the Funds' existing investments.

More frequent reviews may be triggered by material changes in key variables that could affect the performance of the portfolios or the investments within them, including changes in the financial markets and activity and trends in the political or economic environment.

Within 120 days after the Funds' fiscal year-end and in accordance with the Funds' Governing Documents, audited financial statements are prepared by an independent accountant pursuant to Generally Accepted Accounting Principles ("GAAP") and are distributed to each investor in the Funds (see Item 15). Quarterly financial statements (other than the last) will be provided to Fund investors within 60 days after the end of the quarter and are distributed to each investor in the Funds. Quarterly reports are generally accounted for pursuant to GAAP.

Item 14 Client Referrals and Other Compensation

SDC does not receive economic benefits as a result of investment advice or investment advisory services provided by SDC to the Funds, other than from the Funds or their respective portfolio companies.

SDC will generally, from time to time, make payments to third parties in connection with referrals of potential investors to funds managed by the Firm. To the extent any such arrangements relate to client referrals, such arrangements will comply with Rule 206(4)-3.

Item 15 Custody

While the Firm or certain affiliates may be deemed to have custody of certain client funds and securities, the Firm itself does not maintain physical custody of such assets. As set forth in Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), all client funds that fall under the purview of the Custody Rule are held at accounts maintained in the name of the applicable client by entities deemed qualified custodians as defined in the Custody Rule. Additionally, SDC delivers audited financial statements of the applicable clients (such clients over which the Firm or an affiliate is deemed to have custody) to all investors in such clients within 120 days of the client's fiscal year end. The financial statements are prepared in accordance with generally accepted accounting principles and are audited by an independent accountant.

Item 16 Investment Discretion

SDC has full investment discretion to manage the business of the Funds and has discretionary investment authority to manage the making of new investments by the Funds and the management of the existing investments held by the Funds. Generally, this authority is provided for in the Funds' Governing Documents.

Item 17 Voting Client Securities

SDC's investment strategy does not generally involve the acquisition of public securities with voting authority, making it unlikely that a client will be placed in a position of proxy voting authority. However, if a client does come into possession of securities with voting rights, the Firm will implement the appropriate policies and procedures and seek to vote proxies in the best interests of its clients.

Item 18 Financial Information

SDC does not require or solicit prepayment of more than \$1,200 in fees for the Funds six months or more in advance.

SDC is not aware of any financial conditions that would be reasonably likely to impair SDC's ability to meet contractual commitments to the Funds.

The investment manager has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19 Requirements for State-Registered Advisers

This item is not required as SDC is a federally registered investment adviser.