

**Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Sverica Capital Management LP ("Sverica Capital Management" or "Sverica"). If you have any questions about the contents of this brochure, please contact us at (617) 695-0221. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

March 11, 2020

## **Item 2: Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the brochure. The following discusses only material changes since the preceding Annual Amendment to this brochure, dated March 26, 2019.

The following material updates have been made:

- Item 4: Updated to reflect regulatory assets under management as of December 31, 2019.
- Item 5: Updated to reflect addition of additional Clients.
- Item 8: Updated for changes to target investment parameters.
- Item 10: Updated to reflect addition of additional Clients.

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## **Item 4: Advisory Business**

### **A: Firm Description**

Sverica Capital Management LP, a Delaware Limited Partnership, which was formed as a limited liability company on June 20, 2001 and converted to a limited partnership on April 2, 2018 ("Sverica Capital Management" or "Sverica"), is a private equity management company that provides investment advisory services to private equity funds ("Clients"). Sverica Capital Management GP, LLC serves as the "General Partner" to Sverica Capital Management, LP. Sverica has offices located in Boston, Massachusetts and San Francisco, California.

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### **A: Principal Owners**

Frank M. Young IV and Jordan M. Richards, individual residents of the State of California, and David E. Finley, an individual resident of the Commonwealth of Massachusetts, are the principal owners of both Sverica Capital Management, LP and Sverica Capital Management GP, LLC.

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### **B: Types of Advisory Services**

Sverica Capital Management provides investment advisory services only to private equity funds. Such services are discretionary. Sverica's investment focus has always been the micro-buyout market. Sverica seeks small, profitable companies for its Clients that may be outside the scope of many private equity firms. Sverica's primary objective is to create long-term, sustainable value and strategies for its Clients. Sverica intends to have a high degree of direct involvement with its Clients' portfolio companies. Sverica's operating strategies endeavor to maximize long term cash flow growth and to make efficient use of capital, instead of using heavy financial leverage or market timing.

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### **C: Tailored Services**

Sverica only has Clients that are private equity funds structured as limited partnerships. Sverica does not tailor its advisory services to the individual needs of its Clients' limited partners, and Clients may not impose restrictions on investing in certain securities or types of securities other than those contained in the respective limited partnership agreements. The General Partner may enter into one or more "side letters" or similar agreements with certain investors pursuant to which the General Partner grants to such investors specific rights, benefits or privileges that are not made available to investors generally.

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### **D: Wrap Fee Programs**

Sverica does not participate in any wrap fee programs.

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### **E: Client Assets Under Management**

Sverica manages approximately \$935,220,000, calculated as of December 31, 2019, on a discretionary basis for six private equity fund Clients. Sverica does not manage assets on a non-discretionary basis.

## **Item 5: Fees and Compensation**

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### **A. Description**

The respective General Partners of Sverica's Clients structured as limited partnerships, all of which are affiliates of Sverica, are entitled to management fees (based on a percentage of partners' capital commitments during the investment period defined in the limited partnership agreements, generally 5 years from the final closing date, and based on lower of cost or fair value of portfolio investments thereafter), and also to performance-based fees from each respective Client. Sverica provides certain management and operational services for its Clients pursuant to management services agreements with the General Partners and under which management fees are directed to Sverica.

Management fees are computed quarterly, not to exceed 2.25% of the committed capital of the limited partner class or semi-annually, not to exceed 2.5% of committed capital on an annualized basis. The limited partnership agreements of the respective Clients provide for a prospective reduction in the next quarterly or semi-annual management fee computation based on amounts collected by Sverica in the current quarter or semi-annual period for transaction fees, broken deal fees, ongoing monitoring, consulting and advisory fees and other similar fees from portfolio companies. The limited partnership agreements provide for sharing a fixed percentage of collected fees or for sharing a fixed percentage of the excess of collected fees over a specified limit during each annual period and, for three Clients, cumulative collected fees retained by Sverica are subject to a life of the fund cap. Management fees to private equity fund Clients are further reduced dollar for dollar by an amount that the respective Clients' General Partners otherwise would have been required to make in cash contributions. Clients also pay respective affiliates of Sverica a performance allocation in the form of carried interest generally equal to twenty percent (20%) of net distributed cash or securities (distributed to the General Partner pursuant to arrangements which are thoroughly described in the applicable governing documents) after all of the Client's partners have received the sum of a return of their capital contributions made for i.) cumulative fund expenses adjusted, where applicable, for management fees applied to the limited partner class, and ii.) the cost of investments that have been realized or written off; plus iii.) a preferred annual return of 8%, compounded, as provided in the respective limited partnership agreements.

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### **B. Fee Billing**

Management fees are computed quarterly or semi-annually and paid in advance with the next succeeding quarter's or five (5) months' fees due on the first business day of each quarterly or semi-annual period, as applicable, and the remaining 1 month's fee due on the first business day of the second month of each semi-annual period. Generally, capital is called from the partners in the respective Clients to enable payment of management fees but proceeds from sales of portfolio companies or from distributions from portfolio companies may be used for this purpose in the discretion of the General Partner. Once sufficient funds are available and upon

attainment of the due date, Sverica deducts its fees from the respective Clients' accounts.

Clients structured as limited partnerships also pay respective affiliates of Sverica a performance allocation in the form of carried interest generally equal to twenty percent (20%) of net distributed cash or securities after all of the Client's partners have received the sum of a return of their capital contributions made for i.) cumulative fund expenses adjusted, where applicable, for management fees applied to the limited partner class, and ii.) the cost of investments that have been realized or written off; plus iii.) a preferred annual return of 8%, compounded, as provided in the respective limited partnership agreements. Performance allocations are generally paid by deduction from the respective Clients' accounts following receipt of the proceeds from a sale or realization of portfolio investments or may be paid in kind as part of a fund liquidation

### C. Other Fees and Expenses

Each Client paid or reimbursed Sverica for costs and expenses of the particular private equity fund Client's organization and the offering of interests therein, not in excess of the maximums specified in the respective limited partnership agreements, inclusive of parallel funds, ranging from five hundred thousand (\$500,000), to one million two hundred thousand dollars (\$1,200,000). Each Client bears all costs and expenses incurred in the sourcing, investigation, holding, purchase, sale or exchange of securities (whether or not ultimately consummated), including, but not by way of limitation, real property or personal property taxes on investments, brokerage fees or commissions (including any merger fees payable to third parties), finder's fees, legal fees, audit and accounting fees, fees and expenses incurred in connection with the maintenance of registered agents and offices in the State of Delaware and other applicable jurisdictions, consulting fees relating to investments or proposed investments, taxes applicable to the fund on account of its operations, reasonable fees incurred in connection with the maintenance of bank or custodian accounts, and all expenses incurred in connection with the registration of the fund's portfolio company securities under applicable securities laws or regulations.

Each Client fund also bears expenses incurred by the tax matters partner, expenses of the members of the limited partner committee, the fund's *pro rata* share of any cost of liability and other premiums for insurance protecting the fund, the General Partner, members of the General Partner, members of the limited partner committee and any of their respective partners, members, managers, officers, employees, consultants, agents or affiliates in connection with activities of the fund, out-of-pocket costs associated with fund meetings and meetings of the limited partner committee, all out-of-pocket expenses of preparing and distributing reports to partners in each fund, all reasonable legal, regulatory and accounting fees relating to each fund and its activities (including, for the avoidance of doubt, expenses incurred in connection with preparing and filing Form PF), the management fee, all costs and expenses arising out of each fund's indemnification obligations and any other expenses relating to each Client incurred by the General Partner, the management company or the fund that are not normal operating expenses.

Each Client fund shall bear all organizational and syndication costs, fees and expenses incurred by or on behalf of the General Partner, members of the General Partner, or their affiliates in connection with the formation and organization of the Client fund and the sale of interests in the Client, including but not limited to legal,

accounting, travel (but excluding any expenses related to private aircraft), expenses incurred in connection with compliance with the European Union's Directive on Alternative Investment Fund Managers, in connection with the organization of the Client fund, meeting, printing and any other fees or expenses incident thereto.

Sverica and its personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the funds that will neither be subject to an offset against any management fees payable to the funds nor will otherwise be shared with the funds and/or portfolio companies. For example, airline travel or hotel stays incurred as fund or account expenses typically result in cash rebates, "miles," "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not *de minimis* or difficult to value, inure exclusively to Sverica and/or such personnel (and not the funds and/or portfolio companies) even though the cost of the underlying service is borne by the funds and/or portfolio companies.

Each Client fund shall bear all costs, fees and expenses incurred by the General Partner in connection with the liquidation of the Client fund upon dissolution, specifically including but not limited to legal and accounting fees and expenses.

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#### D. Fees in Advance

Private equity fund Clients pay management fees in advance. Management fees are computed quarterly or semi-annually and billed in advance with the next succeeding quarter's or 5 months' fees, due on the first day of each quarterly or semi-annual period, as applicable, and the remaining 1 month's fee is due on the first day of the second month of each semi-annual period. It should be noted that payment of fees due for the initial calendar quarter for one Client is deferred for five years. The management fee computed for the first and last quarterly or semi-annual periods of each private equity fund will be proportionately adjusted based upon the ratio the number of days in each such period bears to the quarterly (90days) or semi-annual period (180 days).

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#### E. Securities Compensation

Not applicable.

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

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### **Sharing of Capital Gains**

Clients pay affiliates of Sverica a performance allocation in the form of carried interest generally equal to twenty percent (20%) of net distributed cash after all of the Client's partners have received the sum of a return of their capital contributions made for: i.) cumulative fund expenses, adjusted, where applicable, for management fees applied to the limited partner class; and ii.) the cost of investments that have been realized or written off; plus iii.) a preferred annual return of 8%, compounded as provided in the respective limited partnership agreements. Performance allocations are generally paid following receipt of the proceeds from a sale or realization of portfolio investments or may be paid in kind as part of a fund liquidation.

Performance-based compensation may create an incentive for Sverica to make investments that may carry a higher degree of risk to its Clients.



## **Item 7: Types of Clients**

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### **Description**

Sverica Capital Management provides investment advisory services to private equity funds on a discretionary basis.

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### **Account Minimums**

The private equity fund Clients structured as limited partnerships that Sverica manages have minimum capital commitments ranging from \$25,000 to \$30,000,000 for their respective limited partners. Each limited partner in each private equity fund Client must be an "accredited investor," as defined under the Securities Act of 1933, as amended.

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

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### Methods of Analysis and Investment Strategies

Sverica's focus is the lower-middle-market. Sverica seeks to invest on behalf of its private equity fund Clients primarily in small-cap companies, businesses generally with enterprise values less than \$150 million. Sverica believes focus on such lower-middle-market opportunities achieves an optimal relationship between risk and reward and represents one of the most suitable areas for private equity fund Clients seeking superior returns.

Sverica seeks to make investments in markets with favorable fundamentals and in companies that have business models with defensible and differentiated positioning. Sverica assesses the growth potential of a prospective investment and endeavors to find businesses that exhibit the following characteristics which may reduce the volatility of individual company results:

1. Recurring (or highly repeating) revenue models offering financial stability and predictability, which Sverica believes allows management to focus on long-term strategic initiatives that can have a large impact on the business
2. Unit Economic Models. Sverica believes it has developed a competency in growing businesses where the basic building block can be replicated again-and-again, providing a path for predictability and repeatability based on aggressive unit expansion.

Sverica employs a sector-focused investment strategy for private equity fund Clients, which Sverica believes drives sourcing, execution and value addition. Sverica's senior investment professionals generally align with one or two sectors in order to facilitate the objectives of constructing a diversified portfolio while retaining senior level specialization. Principal sectors currently include Business and IT Services, High Value Industrial and Healthcare Services.

*Deal Sourcing.* The Sverica model is oriented toward seeking more exclusive opportunities through proprietary introductions via its network, approaching owners directly and cultivating relationships with small business brokers, careful industry analysis and targeting. Sverica performs industry analysis to target appropriate industries and proprietary research to select acquisition candidates within those industries. Sverica also employs focused cold calling campaigns to business owners within Sverica's respective industries of focus.

*Acquisitions.* Sverica principally seeks opportunities where, acting alone or with a partner, it can acquire a controlling interest. Sverica uses reasonable leverage and basic funding models to create the financial structure of its acquisitions. The entire process is controlled by Sverica Managing Partners. Currently, these are David Finley, Frank Young, and Jordan Richards (each, a "Managing Partner," and collectively, the "Managing Partners") who perform or approve all the negotiating and deal structuring. Sverica believes that the more conventional approach often relies on external professionals, higher leverage and more complicated strategies and instruments.

*Portfolio Management.* Sverica generally has two representatives, usually a Managing Partner and a senior Sverica investment professional, who sit on each Client portfolio company board and engage in traditional board activities, such as human capital management, strategic planning, salesforce enablement, capital structure planning, etc. This allows Sverica to be more in touch with the companies under management and to leverage its Managing Partners' experience to guide and support company managers as they seek to build category leading companies.

*Operations.* This is the area where Sverica believes that its business model differs most significantly from that of more conventional private equity funds. Sverica provides active strategic and analytical support, incorporating a strong strategic consulting approach. Sverica's engagement with its portfolio companies spans from strategic board-level guidance to tactical post-transaction analytical support, beginning with the development of the portfolio company growth strategy. Sverica generally oversees management talent assessment and development, and recruits outside board members. Sverica Managing Partners predominantly rely on real operational experience to assist their portfolio companies in the implementation of strategic goals.

*Value investing and divesting.* Sverica's focus is on operational improvements in stable, profitable companies that can lead to substantial earnings and growth in earnings before interest, taxes, depreciation and amortization ("EBITDA"). By acquiring companies at what Sverica believes are reasonable multiples of EBITDA, and working to grow the bottom line, Sverica projects returns on the ultimate sale that require no or modest multiple expansion. Sverica will seek an exit in a sale or merger at an appropriate, but not predetermined, time. However, if the option of multiple expansion presents itself, Sverica will be opportunistic in pursuing it. The characteristics and size of Sverica's target acquisitions make it unlikely that future liquidity will be dependent on initial public offerings ("IPOs"). This differs from conventional models that contemplate acquiring companies at high multiples and then look for significantly higher exit multiples from strategic buyers or from IPOs.

*The Profile of Target Industries and Companies.* Sverica follows its core philosophies when targeting companies for acquisition in accordance with the following guidelines:

1. Business sector focus

Sverica seeks to acquire companies for its Clients whose businesses its Managing Partners understand by focusing on sectors. Principal sectors currently include Business and IT Services, High Value Industrial and Healthcare Services.

2. Lower middle market targets

Sverica currently seeks small profitable companies with stable or growing customer bases and revenues. This typically means that prospective portfolio companies have enterprise values of less than \$150 million. Sverica seeks to make equity investments in the range of \$15 million to \$50 million in buyouts (partnering with existing management in connection with retirements or succession planning or other indicators of change) and divestitures. In appropriate circumstances, Sverica will supplement its equity investment with debt.

3. Plan to build long-term value

Sverica buys for the long term but will sell opportunistically. The guiding principle is to invest in fundamentally sound companies that are able to generate good returns, regardless of public markets and without trying to time exit conditions.

4. Look for growth patterns/strategies

While companies are sought that can be improved through organic growth, Sverica also pursues companies that it believes can be grown significantly through add-on acquisitions.

5. Geography

Sverica focuses on companies headquartered in the United States or Canada. Within those countries, no states or provinces are excluded from consideration.

6. Minimize exposure to uncontrollable factors

Sverica does not pursue opportunities where there is substantial regulatory uncertainty and prefers to avoid capital intensive industries.

7. Target control situations

Sverica prefers control by a majority interest in portfolio companies, both in terms of equity ownership and control of the board of directors. This control may be shared with a proven team and/or with co-investors whose interests are closely aligned with Sverica's (including some who are also limited partners in the private equity funds) in larger deals. Sverica believes that control facilitates the development and execution of an appropriate operating plan. Sverica will consider growth equity investments in minority positions where it believes that such investments can facilitate outsized returns and will assess the control risk versus reward of the prospective investment.

Investing in securities involves risk of loss that Clients should be prepared to bear.

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B. Material Risks in Investment Strategy

An investment in any of Sverica's Clients involves a significant degree of risk. There can be no assurance that the Client's targeted rate of return will be achieved or that investors in private equity fund Clients will receive any distributions of profits or any return of capital. The environment for private equity investments is increasingly competitive and an investor should only invest in a Client if the investor can withstand a total loss of its investment. Investors should always consult the governing documents of the relevant fund for a complete list of risks.

*Reliance on Key Personnel.* The success of each private equity fund will depend on the ability of the Sverica Managing Partners to identify and consummate suitable investments, to assist in improving the operating performance of portfolio companies and to dispose of investments at a profit. The loss of the services of one or more of the Sverica Managing Partners could have a material adverse effect on one or more private equity fund Clients.

*Investments in Lower Middle Market Companies.* Each private equity fund Client seeks to invest in lower middle market companies. While investments in lower middle market companies may present greater opportunities for growth, such investments may also entail larger risks than are customarily associated with

investments in large companies. Lower middle market companies may have more limited product lines, markets and financial resources, may have higher customer concentration and may be dependent on a management group with more limited capabilities.

*Effecting Operating Improvements.* In some cases, a Client fund's investment strategy will depend, in part, on the ability of the Client fund to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Client funds will be able to successfully identify and implement such restructuring programs and improvements.

*Financial Leverage.* Although each respective private equity fund does not expect to employ leverage, except short-term, the funds' investments are expected to include portfolio companies whose capital structures may include leverage. The leveraged capital structure of such portfolio companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the conditions of the portfolio company or its industry. The private equity fund Clients will generally invest in senior equity securities of the respective portfolio companies and portions of the investment may be in the form of loans. However, as a result of leverage provided by senior lenders and other factors, the securities in which each respective private equity fund Client will invest may be among the most junior in a portfolio company's capital structure, and thus subject to the greatest risk of loss.

*Economic and Market Risk.* Companies in which each private equity fund invests may be sensitive to general downward swings in the overall domestic and/or global economy or in a particular industry. In addition, factors specific to a portfolio company may have an adverse effect on each private equity fund's investment in such company. Changing economic conditions could potentially adversely impact the valuation of portfolio holdings. Moreover, the potential regulatory reactions to such economic turmoil may further adversely impact private equity fund Clients in unanticipated ways. The General Partner may rely upon its own or a portfolio company's projections concerning the portfolio company's future performance in making investment decisions. Such projections are inherently subject to uncertainty and factors beyond the control of the portfolio company and the General Partner.

*Illiquidity.* Participation in each respective private equity fund Client will generally be an illiquid investment. No public market exists for interests in each respective private equity fund and none is expected to develop. Interests in each private equity fund will be transferable only under very limited circumstances and with the consent of the General Partner, which may withhold its consent in its sole discretion.

The investments made by each respective private equity fund Client may be very illiquid, and consequently each respective private equity fund may not be able to companies acquired by each respective private equity fund Client may be illiquid for significant periods of time or indefinitely due to the absence of established market sell such investments at prices that reflect the General Partner's assessment of their value or the amount paid for such investments. Furthermore, securities of

portfolio for such securities as well as legal, contractual or other restrictions on their resale by each respective private equity fund. The nature of each respective private equity fund's investments may also require a long holding period prior to profitability. The respective limited partnership agreements authorize the General Partner to make distributions in kind of securities in lieu of or in addition to distributions of cash. In the event the General Partner makes distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfers.

*Competitive Marketplace.* The marketplace for private equity investing and leveraged buyouts has become increasingly competitive. Some of the private equity fund Clients' potential competitors may have more relevant experience, greater financial resources and more personnel than Sverica. There can be no assurance that the General Partner or Sverica acting on behalf of the General Partner will be able to identify a series of suitable investment opportunities for each respective Client, or that such investment opportunities will lead to completed investments by a Client or enable each respective Client to meet its investment objectives. There can be no assurance that any portfolio investments completed by any Client will provide returns commensurate with the risk of investment in each respective Client. Each respective Client may sustain losses with respect to some or all of its investments. There can be no assurances that the General Partner or Sverica will locate an adequate number of attractive acquisition candidates and investment opportunities.

*Availability of Financing.* In order to achieve the investment objectives of the Client funds, the General Partner will rely on the availability of external financing, principally debt, from third party sources such as banks, investment banks, finance companies, hedge funds and mezzanine funds. Should such external financing not be available for any reason, the Client funds may not be able to achieve their investment objectives.

*Control Person Liability.* Each private equity fund Client, individually or together with affiliated co-investors, is generally expected to have controlling interests in its portfolio companies. However, in the discretion of the General Partner, investments may be made that result in less than controlling interests. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, each respective private equity fund might suffer a significant loss. In addition, each respective private equity fund's assets, including any investments made by each respective private equity fund and any capital held by each respective private equity fund, might be determined to be available to satisfy all liabilities and other obligations of each respective private equity fund. If each respective private equity fund becomes subject to liability, parties seeking to have the liability satisfied may have recourse to each respective private equity fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

*Possibility of Becoming a Minority Investor.* The private equity fund Clients seek to invest in control positions but may take minority stakes in privately held companies.

In addition, the process of exiting investments may, at times, result in the Client retaining a minority equity stake in its portfolio companies.

*Reliance on the General Partner.* Each private equity fund Client and its general partner (the "General Partner") are newly formed entities that do not have any prior operating history. The General Partner will have sole discretion over the investment of the funds committed to the private equity fund Clients as well as the ultimate realization of any profits. As such, the private equity fund represents a blind pool of funds. There can be no assurance that the General Partner's assessment of the prospects of investments will prove accurate or that the private equity fund Client's will achieve their investment objectives. Past performance of Sverica, its Managing Partners or entities under their control is not necessarily indicative of future results.

*Lack of Diversification.* Each private equity fund Client may make only a limited number of investments and, as a consequence, the aggregate returns realized by each respective private equity fund's limited partners or members may be substantially adversely affected by the unfavorable performance of even one of such investments. In addition, each respective private equity fund's assets may be concentrated in certain industry sectors. This lack of diversification in each respective private equity fund's portfolio may result in each respective private equity fund's performance being vulnerable to business or economic conditions and other factors affecting particular companies or particular industries, which may adversely affect the return to investors in the respective private equity fund.

*Limitations on Ability to Exit Investments.* While it is the intention of the General Partner to achieve target returns over a limited time horizon, other factors such as overall economic conditions, the competitive environment, the limited availability of appropriate potential investments, and access to public markets or potential acquirers may cause each respective private equity fund to be unable to realize substantial capital gains during its term. The private equity fund Clients may make investments that may not be advantageously disposed of prior to the date that a particular fund will be dissolved, either by expiration of the private equity fund's term or otherwise. The private equity fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

*Reliance on Management of Portfolio Companies.* Although the General Partner will monitor the performance of each investment, it will primarily be the responsibility of management to operate the portfolio companies on a day-to-day basis. There can be no assurance that the existing management teams, or any new ones, will be able to operate the portfolio companies in accordance with each private equity fund's desired objectives.

*No Right to Control Each Private Equity Fund's Operations.* Limited partners and members will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of the private equity fund(s) in which they invest. Limited partners and members must rely entirely on the General Partner to conduct and manage the affairs of each private equity fund.

*Director Involvement in Portfolio Companies.* One or more of the Sverica Managing Partners are generally expected to have membership on a portfolio

company's board of directors. Membership on the board of directors of a company can result in being named as a defendant in litigation. Typically, portfolio companies will have insurance to protect directors and officers and Sverica maintains additional coverage but there is no assurance that such insurance will be adequate.

*Indemnification.* Each private equity fund indemnifies, out of the assets of the fund, the General Partner, the Sverica Managing Partners and their respective employees, agents, advisors, affiliates and personnel against claims, liabilities, costs and expenses, including legal fees, judgments and amounts paid in settlement, incurred by them by reason of their activities on behalf of each private equity fund. No such person will be liable to the respective private equity fund or to any limited partner of such fund for any act or omission (including any error in judgment in making an investment decision) in the absence of such person's gross negligence or willful misconduct.

In connection with the disposition of an investment in a portfolio company, Client funds may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. Client funds may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the General Partner may establish reserves and escrows. In that regard, distributions may be delayed or withheld until such reserve is no longer needed or the escrow period expires. In addition, Client funds may be obligated to fund such indemnity obligations to the extent escrow arrangements are insufficient to cover the indemnity obligations.

*Need For Follow-On Investments.* Client funds may be called upon to provide follow-on funding to their portfolio companies or may have the opportunity to increase their investment in a portfolio company. Although the General Partner may use capital commitments to make follow-on investments, there is no assurance that Client funds and their co-investors will wish to make such follow-on investments or that the Client funds and their co-investors will have sufficient capital to do so. Accordingly, third-party sources of financing may be required, but there is no assurance that such additional sources of financing will be available, or, if available, will be on terms favorable to the Client funds. The Client funds' decision not to make a follow-on investment or its inability to do so may have an adverse impact on such portfolio company in need of such an investment, or may diminish the Client funds' proportionate ownership in such portfolio company and thus its ability to influence such portfolio company's future development, and it could have a significant negative impact on the Client funds' investment therein.

*Distributions in Kind.* The General Partner may distribute the proceeds of certain of the Partnership's investments in kind. Any such distribution could put downward pressure on the price of the issuer's securities. In addition, a Limited Partner that receives assets other than cash from the Partnership may incur costs and delays in converting those assets into cash.



*Legal, Tax and Regulatory Risks.* Legal, tax and regulatory changes could occur during the terms of private equity funds that may adversely affect the funds. Changes to applicable current regulations or any applicable new regulations could have a material adverse effect on the private equity funds. Tax laws and tax regulations are similarly changing on an ongoing basis, and such changes may be applied with retroactive effect. Moreover, the interpretation and application of tax laws and regulations by certain tax authorities may not be clear, consistent or transparent. Developments in the tax laws of the United States or other jurisdictions could have a material effect on the tax consequences to the private equity fund and its investors.

*Cybersecurity.* Sverica, the funds, and each fund's portfolio companies generally rely on information technology systems for current and planned operations. Information and technology systems of Sverica and each fund's portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time, or cease to function properly, Sverica, a fund, and/or a portfolio company may have to make a significant investment to fix or replace them. Any disruption in any of these systems or the failure of any of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect the fund's investment results, and its ability to make distributions to its partners. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Sverica's, the funds', and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Sverica's, the funds', or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

*Diverse Investor Group.* Investors may have conflicting investment, tax, and other interests with respect to their investments in the funds. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the funds, the structuring or the acquisition of investments and the structure, timing, or manner of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by Sverica, including with respect to the nature or structuring of investments or dispositions, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the funds, Sverica will consider the investment and tax objectives of each fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

## **Item 9: Disciplinary Information**

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### **Legal and Disciplinary**

There are no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of Sverica's advisory business or the integrity of its management.

- A. Not applicable.
- B. Not applicable.
- C. Not applicable.

## Item 10: Other Financial Industry Activities and Affiliations

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### A. Broker-Dealer

Not applicable.

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### B. Financial Industry Activities

Not applicable.

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### C. Affiliations

Sverica and its management persons have relationships and arrangements that are material to its advisory business or its Clients with various related persons as described below. None of these relationships or arrangements creates a material conflict of interest with Clients.

1. Not applicable
2. Sverica serves as the management company to the following pooled investment vehicles that are all Delaware limited partnerships:
  - Sverica International Investment Fund II LP;
  - Sverica International Investment Fund III LP;
  - Sverica International Investment Fund III-A LP;
  - Sverica Capital Partners IV LP;
  - Sverica Capital Partners V-A LP; and
  - Sverica Capital Partners V-B LP.
3. Not applicable.
4. Not applicable.
5. Not applicable.
6. Not applicable.
7. Not applicable.
8. Not applicable.
9. Not applicable.
10. Not applicable.
11. The following related persons of Sverica and its management persons are sponsors or syndicators of limited partnerships:
  - Sverica International Capital II LLC, a Delaware limited liability company, serves as the general partner to Sverica International Investment Fund II LP;

- Sverica International Capital III LLC, a Delaware limited liability company, serves as the general partner to Sverica International Investment Fund III LP and to its parallel fund Sverica International Investment Fund III-A LP; and
- Sverica Capital IV GP LLC serves as the general partner to Sverica Capital Partners IV LP; Sverica Capital V GP LLC serves as the general partner to Sverica Capital Partners V-A LP and Sverica Capital Partners V-B LP.

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D. Compensation for Referrals.

Not applicable.

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

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

The Access Persons of Sverica Capital Management LP have committed to a Code of Ethics that is available for review by any Client or prospective Client upon request. The Code of Ethics has been adopted in accordance with Section 204A and Rule 204A-1 under the Investment Advisers Act of 1940, as amended. Each Access Person must read, sign and deliver a certificate of compliance with the Code of Ethics. Access Persons also must provide initial securities holdings reports, annual securities holding reports and quarterly securities transaction reports in accordance with Rule 204A-1 to the Chief Compliance Officer or provide or have copies of all brokerage account statements related to personal securities transactions in which the Access Person or any member of his or her immediately family has a beneficial ownership interest sent directly to the Chief Compliance Officer.

Certain transactions involving Sverica may require for business or legal reasons that Access Persons not trade in certain securities for specified time periods. A security will be designated as "restricted" if: (i) a publicly traded company is involved in a proposed portfolio transaction, purchase or sale (a "Deal") for a Client fund; or (ii) if a publicly traded company is entering a significant transaction (\$5,000,000 or more) of any type with an existing portfolio company of a Client fund, unless such public company has a market capitalization in excess of \$1 billion. Sverica maintains an internal electronic shared listing of Deals and deal teams are responsible for reporting Deals involving publicly traded companies to the Chief Compliance Officer. In addition, Managing Partners are responsible for reporting proposed transactions involving \$5,000,000 or more between their respective portfolio companies and publicly traded companies to the Chief Compliance Officer. The Chief Compliance Officer maintains an internal electronic shared restricted list of public companies identified through these means. It is the Access Person's responsibility to determine whether a security is on Sverica's restricted list prior to the execution of any personal securities transactions.

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### **B. Participation or Interest in Client Transactions**

Sverica and its related persons have not recommended to its Clients, or bought or sold for Clients' accounts, securities in which Sverica or its related persons share a material financial interest. Should circumstances arise where Sverica believes it would be a suitable opportunity for the Client(s) if Sverica were to make such a recommendation, the potential conflict would be addressed by a review and pre-approval of the proposed transaction with the limited partner committee(s) of the Client(s). In addition, there can be circumstances where one Client holds an interest in a particular security and an opportunity arises that Sverica believes is suitable for another Client to acquire or expand an interest in the same security. Sverica and its related persons would have an interest in the security by virtue of the first Client as set forth in the response to Item 11.C. below. To address the potential conflict Sverica reviews the proposed transaction with the respective limited partner committees representing each of the Clients.

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C. Participation or Interest in Client Transactions

Sverica and its related persons invest in the same securities as private equity fund Clients advised by Sverica. These investments take the form of investments by Sverica Managing Partners, Former Members, a Sverica officer and certain employees in the General Partners and/or as limited partners of the private equity funds that Sverica manages. These investments do not create a conflict of interest. Such investments actually create an alignment of interests since the General Partner and its Managing Partners are invested in the same securities at the same time as Sverica's private equity fund Clients.

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D. Participation or Interest in Client Transactions

See response above to Item 11.C.

## Item 12: Brokerage Practices

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### A. Selecting Brokerage Firms

Sverica may utilize various investment banking firms that are broker-dealers to assist it in identifying and evaluating portfolio company investments for its private equity funds. Sverica considers such factors as price, the ability of the broker-dealers to effect the transactions, their personnel, experience, particular industry knowledge, reliability and financial responsibility. Accordingly, if Sverica determines in good faith that the fees charged by a broker-dealer are reasonable in relation to the value of the service provided by such broker-dealer, the Clients may pay fees to such broker-dealer that are greater than those fees another might charge.

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Research and Other Soft Dollar Benefits. Not applicable.

- a. Not applicable.
- b. Not applicable.
- c. Not applicable.
- d. Not applicable.
- e. Not applicable.
- f. Not applicable.

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2. Brokerage for Client Referrals. Not applicable.

- a. Not applicable.
- b. Not applicable.

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3. Directed Brokerage. Not applicable.

- a. Not applicable.
- b. Not applicable.

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### B. Aggregation

Sverica does not aggregate the purchase or sale of securities for various accounts through-broker dealers. In some circumstances Sverica may determine that it is appropriate for more than one private equity fund Client to invest in the same portfolio company. Such transactions close simultaneously and related costs are prorated among the participating Clients.

## **Item 13: Review of Accounts**

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### **A. Periodic Reviews**

Account reviews are performed annually by the Managing Partners in conjunction with the annual meeting of partners of the Clients organized as limited partnerships and in conjunction with quarterly reporting. George Aggouras, Chief Compliance Officer, conducts reviews of compliance with the governing Client agreements when appropriate.

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### **B. Review Triggers**

Other conditions that may trigger a review are changes in applicable laws, new investment information, and changes in a particular Client's circumstances.

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### **C. Regular Reports**

The General Partner of each private equity fund limited partnership managed by Sverica shall use commercially reasonable or its reasonable best efforts to transmit to each limited partner of each respective partnership within ninety (90) days, but in no event later than one hundred twenty (120) days, after the close of the partnership's fiscal year, audited financial statements in accordance with generally accepted accounting principles ("GAAP") including: (i) an income statement for the year then ended; (ii) a balance sheet as of the end of such year; (iii) a statement of changes in partners' capital accounts; and (iv) a list of investments then held.

The General Partner of each private equity fund limited partnership managed by Sverica shall use its reasonable best efforts to transmit: (i) to each limited partner of each respective partnership; (ii) to each limited partner then a limited partner of such fund; and (iii) to each person (or such limited partner's or person's legal representative) who was a limited partner during any part of the fiscal year in question, a Schedule K-1 within such ninety (90) day period showing such limited partner's taxable income from the fund for such fiscal year. Each fund shall also transmit a Schedule K-1 to each former limited partner within such ninety (90) day period.

The General Partner of each private equity fund limited partnership shall use commercially reasonable or its reasonable best efforts to transmit to the limited partners of such fund within sixty (60) days after the close of each of the first three (3) calendar quarters of each year, a summary of acquisitions and dispositions of investments made by the fund during that quarter, a list of investments then held, together with a valuation of such investments, and summary unaudited financial information of the partnership. Typically, the quarterly reports are accompanied by a letter discussing recent financial performance and other developments at each of the portfolio companies held by the respective private equity fund limited partnerships.



#### **Item 14: Client Referrals and Other Compensation**

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##### **A. Referrals**

Not applicable.

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##### **B. Other Compensation**

Not applicable.

## **Item 15: Custody**

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Sverica is deemed to have custody by virtue of the fact that a related person serves as General Partner of the private equity funds. The SEC's custody rule sets forth certain requirements for the safekeeping of Client assets. Pursuant to the rule, Sverica has retained an independent accounting firm that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board ("PCAOB") to conduct an annual audit of the funds, and the audited financial statements are distributed to each investor in the fund within 120 days of the fiscal year end of the investment pool.

First Republic Bank and Silicon Valley Bank, both qualified custodians, maintain custody of Client cash, and Citizen's Private Bank & Trust, a qualified custodian, maintains physical custody of Client securities to the extent required by the Investment Advisers Act's Custody Rule. In accordance with SEC interpretative guidance relating to the Custody Rule issued by the SEC's Division of Investment Management in August 2013, Sverica is not required to maintain with a qualified custodian privately offered stock certificates issued by a portfolio company (or other issuer) to a Client fund if such certificates are subject to certain transfer-related restrictions and meet certain other pre-requisites set forth in such interpretative guidance.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

Sverica accepts discretionary authority to manage securities on behalf of its Clients. Sverica has the authority to determine, without obtaining specific Client consent, the investments to be bought or sold, and the amount of the investments to be bought or sold on behalf of Clients. Clients do not customarily place any limitations on this discretionary authority.

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### **Limited Power of Attorney**

Before Sverica assumes discretionary authority, limited partners investing in a private equity fund Client sign a limited power of attorney by execution of the limited partnership agreement for that particular private equity fund Client.

## **Item 17: Voting Client Securities**

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### **A. Proxy Votes**

Sverica's private equity fund Clients make no public company investments. However, it is possible that a Client(s) might receive securities of a public company in connection with a sale of a portfolio company. In such circumstances, Sverica expects to sell such securities as soon as possible following receipt. Therefore, Sverica anticipates that proxy voting will be extremely infrequent and involve an insignificant number of shares. In the event that Sverica has a private equity fund Client with one or more significant share positions in one or more public companies, it will adopt appropriate policies and procedures for proxy voting pursuant to Rule 206(4)-6.

**B. Not applicable.**

## **Item 18: Financial Information**

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### **A. Balance Sheet**

Sverica has not provided a balance sheet because Sverica does not require prepayment of any fees by any Client six (6) months or more in advance.

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### **B. Financial Condition**

Sverica does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

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### **C. Bankruptcy Petition**

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