

**Item 1: Cover Page**

Part 2A of Form ADV

Firm Brochure for:

**3000 Management, Inc. d/b/a Paul Capital**

**March 30, 2021**

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**This brochure provides information about the qualifications and business practices of 3000 Management, Inc. d/b/a Paul Capital. If you have any questions about the contents of this brochure, please contact us at 415-283-4300. 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.**

**Paul Capital is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended. However, such registration does not imply a certain level of skill or training.**

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

## **Item 2: Material Changes**

This Brochure has been updated to reflect the following material changes since the last annual updated version of the Brochure:

- Item 4 was updated to reflect Paul Capital's assets under management.

Please note that this summary of material changes discusses only those material changes that have occurred since the last annual update of the Brochure. Paul Capital may have revised the language in certain sections but has not materially altered any of its other responses in this Brochure.

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## Item 4: Advisory Business

### Company Overview:

3000 Management, Inc. d/b/a Paul Capital (the “**Adviser**”) is a California Corporation, formed in 2002 and headquartered in San Francisco California. 3000 Management, Inc. is a wholly owned subsidiary of Paul Capital Advisors, LLC, a limited liability company formed under the laws of Delaware. Randall Schwed serves as the Chief Financial Officer, Chief Executive Officer, President, Chief Compliance Officer, Secretary, and Director. Additionally, Paul Capital Advisors is 100% owned by certain principals of the firm. Paul Capital Advisors does not have any greater than 25% owners.

The Adviser is affiliated with and commonly controlled by the principals of Paul Capital Advisors, LLC. The Adviser together with the Paul Capital Advisors, LLC collectively conduct a single advisory business under the name “Paul Capital”. As such, Paul Capital has aggregated the information contained within this Brochure to refer to, and include all information concerning, each of the affiliated entities identified above. All references to Paul Capital in this Brochure should be considered references to the commonly controlled entities referenced above.

Paul Capital provides investment advisory and administrative services to pooled investment vehicles on a discretionary basis primarily in the secondary equity market, providing early liquidity options to existing investors in private equity limited partnerships and portfolios of direct investments (each a “**Client Fund**” or the “**Client**”). The Client Funds typically invest both in private equity investment funds and, directly or through special purpose holding companies, in privately-held operating companies located largely in North America and the European Union and emerging and rapidly developing markets. Private equity includes leveraged buyout, venture capital, growth equity, mezzanine, distressed debt and related investments, including investments in thinly traded, restricted, or illiquid public securities.

### Fund Structure:

Each Client Fund has a manager, a general partner, and an SEC registered investment adviser. Paul Capital Advisors serves as the manager of the Client Funds and ultimately of each general partner. The manager has ultimate authority to manage the business and affairs of the Client Funds. Each Client Fund is governed by its related organizational documents including but not limited to private placement memoranda, limited partnership agreements or operating agreements, and investment management agreements (together the “**Organizational Documents**”).

Paul Capital does not tailor its advisory services to the individual needs of underlying investors in the Client Funds. The investment advice provided to Clients is determined by the investment objectives, strategies and restrictions set forth in the Organizational Documents. The Adviser generally enters into advisory contracts and provide investment management advice solely with respect to private equity investment funds and their respective portfolios of investments.

### Wrap-Fee Programs

Not applicable. The Adviser does not participate in wrap fee programs.

### Assets Under Management

As of December 31, 2020, the Adviser had assets under management of \$908,895,848, all of which is managed on a discretionary basis.

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

The Client Funds managed by the Adviser have varying management fee schedules which are defined by the Client Funds' limited partnership agreements or other Governing Documents (the "**Management Fee**"). Management Fees are 1.25% (or less) of investor subscriptions, investor contributions, or the net asset value of the assets under management. In some instances, the fee is only applied to the portion of an investor's subscription that has been committed to investments.

After the initial investment period, during which the Client Funds' investment commitments are made, Management Fee typically decrease over time until the end of the Client Funds life, which typically ranges from 5 to 12 years. Management Fees are generally called from investors on a quarterly basis in advance, but in some instances the fees are deducted directly from the Client Funds' assets. Fees may be included as part of an investor's total subscription commitment to the Client Fund ("inside the fund"), or may be paid in addition to the subscription commitment ("outside the fund").

The Client Funds incur operating, brokerage, and transaction related costs (see Item 12, Brokerage Practices) which may be advanced by the manager, general partner, or Adviser and subsequently reimbursed by the Client Funds from fund assets or from amounts called from investors. Examples of operating expenses that Client Funds may incur include costs associated with making, holding, restructuring, refinancing, winding up, liquidating or otherwise disposing of investments or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, consultants and similar professionals in connection therewith (whether or not the transactions are ultimately consummated); tax, legal, accounting, auditing, directors and officers liability insurance, errors and omissions liability insurance, research, administrator (including third party administrator), appraisal, valuation (including third party valuation, appraisals or pricing services), third party consultants, and bank fees; interest and other costs associated with borrowed money; and organizational expenses. The general partner will bear the cost (through an offset against the Management Fee or otherwise) of all organizational expenses in excess of the amounts permitted under the Organizational Documents, and of any placement fees payable to any placement agent in connection with the formation of the Client Fund.

The Client Funds may also pay a performance based fee which is described in further detail in Item 6, Performance-Based Fees and Side-By-Side Management.

*Investors should refer to the Organizational Documents for each Client Fund for a complete understanding of how fees are paid to Paul Capital as well as for a more detailed discussion of the fees and expenses borne by Client Funds and investors. The information contained herein is a summary only and is qualified in its entirety by such documents.*

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

As mentioned in Item 5, Fees and Compensation, the general partner of each Client Fund is entitled to receive a performance-based fee (also known as “**Carried Interest**”) ranging from 12.5% to 75% of the Client Fund’s net cash profits. Carried interest is only paid to the extent that cumulative distributions have exceeded the sum of contributed capital plus a minimum defined investor return (known as “preferred return”). Carried interest may be calculated and payable based on aggregate Client Fund profits, or based on individual investment transactions’ profits within a Client Fund (also known as “deal-by-deal carry”).

Certain investments may be shared by more than one Client Fund, and the performance fee provisions for the Client Funds sharing an investment may be different. However, the Adviser typically does not control the timing or amounts of exits from shared investments in such situations, thus avoiding the possibility of conflicts arising by virtue of the different performance fee provisions.

The Adviser, or its affiliates, may have offered opportunities for certain existing limited partners or other unaffiliated parties to co-invest in a given investment transaction in parallel with a Client Fund. It is the policy of the Adviser and its affiliates to first offer investment opportunities to Client Funds up to an amount the Adviser deems prudent taking into account the Client Fund’s investment guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits, an assessment of investment risk and other factors. Any excess available investment opportunity may be offered to individual co-investors on a fair and equitable basis. The Adviser and its affiliates may consider a number of factors in determining the allocation of investments offered to co-investors, including but not limited to an investor’s previous expression of interest in co-investment opportunities, an investor’s ability to evaluate and approve an investment within an expected timeframe, tax and regulatory considerations and the level of participation requested by the investor. In this specific situation, affiliates of the Adviser may or may not be entitled to receive administrative, management or performance (including Carried Interest) fees from co-investors, the terms of which may vary across different transactions.

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

As described in Item 4, Advisory Business, the Clients are pooled investment vehicles which are the Client Funds. These Client Funds may consist of investment partnerships or other investment

entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended.

While they are not direct Clients, the investors in those Client Funds include banks, foundations, universities, corporations, foreign governmental entities, pension plans and other institutional investors and may also include directly, or indirectly principals or other employees of Paul Capital Advisors or its affiliates.

Each Client Fund generally has a minimum investment requirement for investors of \$10 million and the limited partnership interests are offered and sold solely to qualified purchasers or qualified knowledgeable employees of Paul Capital Advisors. The minimum investment amount may be waived by each Client Fund's general partner in its sole discretion, but typically will not be less than \$10 million, or other amounts as may be specified by law.

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

The investment period for the Client Funds generally is complete; accordingly, Paul Capital's activities on behalf of the Client Funds are currently limited to monitoring, and to a limited extent, identifying and advising regarding follow-on investments related to such Client Funds' existing investment portfolios during a negotiated wind-down period. Descriptions of investment activities herein should be read to refer to Paul Capital's activities undertaken during each relevant investment period and/or activities with respect to such follow-on investments, to the extent applicable.

There can be no assurance that the Adviser will achieve the investment objectives of the Client Funds, and a loss of investment is possible. The investors within the Client Funds understand the risks associated with investing in unregistered and illiquid securities.

#### **Investment Strategy**

Understanding the value of an underlying asset is an integral part of Paul Capital's investment philosophy. We focus on the following key investment strategies: (i) purchase assets at meaningful discounts to estimate of intrinsic fair value; (ii) target largely funded portfolios (generally underlying funds where at least 75% of capital commitments have been called) to limit exposure to underlying investments that we have not specifically examined; (iii) confirm asset values through forensic due diligence; and (iv) employ creative transaction structuring to protect downside.

We apply a rigorous and fundamentals-based approach to investment analysis. At a macro level, we assess the quality of the fund managers, the quality of the underlying portfolio company assets and the historical performance of the fund managers. At a micro level, a forecast for the underlying portfolio companies is prepared, which is derived from an evaluation of the underlying companies' market opportunities, sustainable competitive advantages, profitability potential, management capabilities, and financial conditions. To mitigate pricing risk, we

examine every company in a portfolio to assess whether its financing risk and current status are reflected in an accurate, appropriate valuation. These analyses are then compiled into cash flow forecasts to determine the return potential and volatility of the portfolio, to analyze risk factors such as reductions in realization amounts and delays in the timing of such realizations and to establish acquisition-pricing parameters. In compiling these cash flow forecasts, we also take into account economic considerations such as Management Fees, Carried Interests and other expenses and liabilities.

### Conflict of Interest

Certain principals of the Adviser and the general partner's investment staff continue to manage and monitor Client Funds and investments to the extent required by the Client Funds' governing documents but may devote the majority of their business time and attention to other investment funds and opportunities. The significant investment of the principals of the Adviser in the Client Funds, as well as the principals' interest in the Carried Interest, operate to align, to some extent, the interest of the principals with the interest of the Client Funds. The principals may have economic interests in such other investment funds and investments.

In considering participation in a Client Fund, investors should be aware of certain risk factors, which include, but are not limited to, the following:

*Business Risks.* The Client Funds primarily will invest in private equity investment funds ("**Investment Funds**") and, directly or through special purpose holding companies, in privately held operating companies (collectively, the entities in which the Client Fund directly invests, "Portfolio Entities"), and operating results in a specified period will be difficult to predict. Certain Client Funds are expected to hold equity in private companies during the wind-down periods. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Future and Past Performance.* The performance of Paul Capital's principals' prior investments is not necessarily indicative of the Client Funds future results. While the general partner intended for the Client Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

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

*Concentration of Investments.* The Client Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Client Fund's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return. Furthermore, to the extent that



the capital raised is less than the targeted amount, the Client Fund may invest in fewer Portfolio Entities and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* The success of the Client Fund depends upon the ability of the general partner to identify, select and consummate investments that the general partner believes offer the potential for superior returns. The availability of such opportunities will depend, in part, upon general market conditions. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty, which will affect the portfolio company investments made by the Client Fund directly or indirectly through the Investment Funds. Furthermore, a change in market conditions could lead to substantially fewer Investment Funds being raised, thereby reducing the number of opportunities available to the Client Fund to invest in Investment Funds. Even if the General Partner identifies attractive investment opportunities, there can be no assurance that the Client Fund will be permitted to invest in such opportunities. As a result, it is possible that due to lack of sufficient investment opportunities, the Client Fund may never be fully invested. However, limited partners will be required to pay annual Management Fees based on the entire amount of their commitments, regardless if funded.

*Illiquidity; Lack of Current Distributions.* An investment in the Client Fund should be viewed as illiquid. Illiquidity results both from the absence of an established market for the Client Funds' investments (which market is not expected to develop), as well as from legal and contractual restrictions on transfer of such investments. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Client Fund (including the annual Management Fee payable to the general partner) may exceed its income, thereby requiring that the difference be paid from the Client Funds capital.

*Limited Transferability of Client Fund Interests.* There will be no public market for the Client Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Client Fund interests under the Client Fund Agreement and applicable securities laws. In general, withdrawals of Client Fund interests are not permitted. In addition, Client Fund interests are not redeemable.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of the Client Funds' investments, and hence, most of the Client Funds' investments will be difficult to value. Certain investments may be distributed in kind to the Partners.

*Reliance on the General Partner; No Management Control.* The Client Fund has no operating history and will be entirely dependent on the General Partner. Control over the operation of the

Client Fund will be vested entirely with the General Partner, and the Client Fund's future profitability will depend largely upon the business and investment acumen of the principals of Paul Capital. The loss of service of one or more of the Adviser's principals could have an adverse effect on the Client Fund's ability to realize its investment objectives. Limited partners will have no right or power to participate in the management or control of the business of the Client Fund and, thus, will depend solely upon the ability of the General Partner with respect to making, monitoring and realizing investments. The Client Fund will likely be a limited partner in its Investment Funds, with no management authority. Neither the Client Fund nor the General Partner will have the opportunity to evaluate specific portfolio company investments made indirectly through the Investment Funds. Generally, the Client Fund will be relying on the management skills of the Investment Funds' general partners or similar governing bodies with respect to such investments. The Client Fund may make investments in Investment Funds (a) with short investment histories, (b) that rely on a few key principals and (c) that invest in companies with (i) short operating histories, (ii) that rely on a few key managers, (iii) that are organized and/or operated outside of the United States, (iv) that are highly leveraged and/or (v) that operate in rapidly changing markets.

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

*Non-U.S. Investments.* The Client Fund intends to invest in Investment Funds, and directly and indirectly in companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Client Fund), the application of complex U.S. and foreign tax rules to cross-border investments, possible imposition of foreign taxes on the Client Fund and/or the Partners with respect to the Client Funds income, and possible foreign tax return filing requirements for the Client Fund and/or the Partners. The foregoing factors may increase transaction costs and adversely affect the value of the Client Funds' investments.

*Failure to Make Capital Contributions; Significant Default Penalties.* The General Partner anticipates that the Client Fund will have a large number of limited partners, any of which could fail to meet a Client Fund capital call. Since the General Partner expects that investments in Investment Funds (and possibly other investments) will include commitments to meet capital calls over an extended period of time, failure by a Partner to meet a Client Fund capital call could result in the failure of the Client Fund to meet a capital call of an Investment Fund or other Portfolio Entity. Such failure could have adverse consequences for the Client Fund (including,

without limitation, the possibility of forfeiture of all or a portion of the Client Funds interest in such Investment Fund or other Portfolio Entity) and thus the other Partners. In the event that a limited partner fails to meet a Client Fund capital call, the General Partner, in its sole discretion, may take any of a number of actions to seek to avoid such adverse consequences (including calling additional amounts from other Partners). In addition, failure of a limited partner to meet a Client Fund capital call gives the General Partner the right to take certain remedial actions against such defaulting limited partner.

*Return of Distributions; Indemnification.* Generally, the Limited Partners will not have personal liability for the obligations of the Client Fund in excess of their respective unfulfilled capital Commitments. However, under Delaware law, Limited Partners could be required to return distributions previously made by the Client Fund if it is determined that such distributions were wrongfully made. Additionally, limited partners may have to return all or a portion of distributions to the extent the Client Fund has an obligation to withhold any amounts from such distribution for tax purposes.

In addition, pursuant to the Client Fund Agreement, distributions also will be subject to recontribution to the Client Fund to the extent necessary to fund recontribution, indemnification or similar obligations of the Client Fund in respect of Investment Funds or to fund indemnification obligations of the Client Fund under the Client Fund Agreement. Certain of these obligations may extend beyond the termination of the Client Fund.

*Tiered Fee/Carried Interest Structure.* In addition to the Management Fee and the general partner's Carried Interest, Client Funds will impose Management Fees and other administrative expenses as well as Carried Interest payments on appreciation and other income. This will result in greater expense to the limited partners than if the limited partners were able to invest directly in funds or their underlying portfolio companies.

*General Partner's Carried Interest.* The fact that the general partner's Carried Interest is based on a percentage of net profits may have created an incentive for the General Partner to cause the Client Fund to make riskier or more speculative investments than would otherwise be the case.

*Taxes Without Distributions.* Potential timing differences between income recognition for tax purposes and actual cash distributions to limited partners may cause limited partners to incur income tax liabilities in excess of actual cash distributions in certain tax years.

*Potential Delay in Receipt of Tax Information.* The Client Fund will likely not be able to provide final Schedule K-1s to limited partners for any given fiscal year until after April 15 of the following year. The General Partner will use reasonable efforts to provide limited partners with final Schedule K-1s or with estimates of the taxable income or loss allocated to their investment in the Client Fund on or before such date, but final Schedule K-1s will not be available until the Client Fund has received tax-reporting information from its portfolio entities necessary to prepare final Schedule K-1s. Limited partners should plan to obtain extensions of the filing dates for their U.S.

federal, state and local and non-U.S. income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Client Fund.

*State, Local and Foreign Taxes.* Limited partners may be subject to U.S. state and local and non-U.S. taxes in jurisdictions in which Portfolio Entities directly or indirectly invest or operate or in which the underlying portfolio companies of the Investment Funds operate. Limited partners may also be required to file tax returns in such jurisdictions.

*Uncertain Economic and Political Environment.* The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate, and financial confidence to weaken, increasing the risk of a “self-reinforcing” economic downturn. Foreign governments’ seizure of foreign territory as well as corporations adds additional possible uncertainty and volatility. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the Portfolio Entities and underlying portfolio companies of the Investment Funds.

*Cybersecurity.* Paul Capital, Client Funds’ service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect Client Funds and their investors, despite the efforts of Paul Capital and Client Funds’ service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to Client Funds and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of Paul Capital, Client Funds’ service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of Paul Capital’s systems to disclose sensitive information in order to gain access to Paul Capital’s data or that of the Client Funds’ investors. A successful penetration or circumvention of the security of the Paul Capital’s systems could result in the loss or theft of an investor’s data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Client Funds, Paul Capital, or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

*Force Majeure.* Portfolio investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns,

pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a portfolio company or a counterparty to a Client Fund or a portfolio company) to perform its obligations until it is able to remedy the force majeure event. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to a portfolio company or a Client Fund of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which Client Funds would invest. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to Client Funds, including if the investment in such portfolio companies is canceled, unwound or acquired (which could be without adequate compensation).

*Global Pandemic Risk.* As of the date of this Memorandum, there is an outbreak of a novel and highly contagious form of coronavirus (“**COVID-19**”), which the World Health Organization has declared to constitute a “Public Health Emergency of International Concern.” The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the Client Fund and could adversely affect the Fund’s ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on the Client Fund’s operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health

emergency may materially and adversely impact the value and performance of the Client Fund's investments, the Client Fund's ability to, manage and divest investments and the Client Fund's ability to achieve its investment objectives, all of which could result in significant losses to the Client Fund. In addition, the operations of the Client Fund, the general partner and the management company may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

In addition, in response to the spread of COVID-19, many businesses, including Paul Capital, have encouraged or mandated that their personnel work from home in an effort to help slow the spread of the coronavirus pandemic. Notwithstanding such precautionary measures, the Adviser may still experience a significant increase in illness of their respective personnel or otherwise experience potentially detrimental impacts on our business and operations due to COVID-19.

*Privacy and Data Protection Law Compliance Risk.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations ("**Privacy Laws**") in the United States, Europe and elsewhere could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Adviser, the Client Funds and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Client Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Adviser and the Client Funds may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include the Adviser and the Client Funds.

*It is critical that investors carefully review the applicable Organizational Documents for a complete understanding of the material risks involved in an investment in the Client Funds. The information contained herein is a summary only and is qualified in its entirety by such document.*

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of the advisory business.

To our knowledge, there are currently no legal actions or disciplinary events pending against the Adviser or its management persons, or any of the employees of Paul Capital Advisors that are involved in the investment decision-making processes that are required to be disclosed in this Brochure.

## **Item 10: Other Financial Industry Activities and Affiliations**

As discussed in Item 4 above, The Adviser is affiliated with and commonly controlled by the principals of Paul Capital Advisors. The Adviser together with Paul Capital Advisors collectively conduct a single advisory business under the name “Paul Capital”. As such, the Client Funds, their general partners, and the Adviser may share common investors, owners, officers, partners, employees, operational services, and consultants or persons occupying similar positions.

The Adviser neither recommends nor selects other investment advisers for Client Funds nor receives any compensation directly or indirectly from affiliates that create a material conflict of interest.

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

The Adviser has adopted a Code of Ethics and a Securities Trading Policy. Together, these two (2) policies and supporting procedures set forth the high ethical and professional standards of conduct that are expected of employees of the firm. All employees are subject to Paul Capital’s compliance policies and procedures.

### Code of Ethics

The Adviser has adopted a written Code of Ethics that is applicable to all of its members, officers, and employees, as well as officers and employees of its affiliates certain independent contractors. The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Employees who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension, or dismissal. Employees are also required promptly to report any violation of the Code of Ethics of which they become aware. Employees are required to certify annually their compliance with the Code of Ethics.

### Securities Trading Policy

The Securities Trading Policy addresses conflicts that may arise from personal trading. This policy requires the Adviser to monitor all Reportable Securities (as defined in Rule 204A-1 of the Investment Advisers Act of 1940, as amended) of employees and their applicable family members. The Securities Trading Policy establishes guidelines as to prohibited trades, trades of restricted securities, and reporting requirements.

Prohibited Trades: Trading that anticipates or competes with an investment by one of the Client Funds; and trading a security while in possession of material non-public information concerning the issuer of such security.

Restricted Securities: Those issued by an issuer on the Restricted Securities List require pre-clearance from the Chief Compliance Officer. Additionally, direct or indirect acquisition of beneficial ownership of securities through initial public offerings or limited offerings (i.e., investments in all private securities, including the Client Funds) requires pre-clearance from the Chief Compliance Officer.

Reporting Requirements: Employees are required to submit an initial and annual holdings report as well as a quarterly transactions report to the Chief Compliance Officer.

Additionally, should any employee (and certain related parties as defined in the policy) come into possession of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell, or hold a security, under applicable law, such person would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a Client Fund or investor of the Adviser.

As explained above, the Code of Ethics governs the ethical obligations of the Adviser to put the interests of Client Funds first, and the Securities Trading Policy governs individuals' trading of securities within that framework. Any actual, potential, or perceived conflicts are discussed by the Adviser's management group before approving an investment, and in the event that a conflict exists, the interests of Client Funds are placed first.

#### Securities Trading Policy - Investing in the Same Securities Recommended to Client Funds

The Securities Trading Policy stipulates that employees and their related parties (1) may not enter an order or make an investment that anticipates (i.e., front runs) or competes with a Client Fund; (2) may not make any investment that would deprive a Client Fund of a possible investment opportunity that would be consistent with such Client Funds investment guidelines; and (3) may not otherwise engage in any transaction that might be viewed by a knowledgeable independent observer as trading against or in any way contrary to the best interests of any Client Fund.

Neither the Adviser nor its employees invest alongside the same securities that the Adviser recommends to Client Funds. However certain employees may have an interest in the general partner of a Client Fund and may be required to make a capital contribution in relation to an



investment being executed for a Client Fund. Should an investment under consideration be deemed unsuitable for a Client Fund, employees may be permitted to invest in such securities. These employee investments do not create a conflict as each investment is fully vetted against the Client Fund's investment guidelines. Additionally, approval from the Chief Compliance Officer is required before an employee is permitted to invest in an opportunity considered, but not undertaken by a Client Fund.

In sum and as explained above, the Code of Ethics governs the ethical obligations of the Adviser to put the interests of Client Funds first, and the Securities Trading Policy governs individuals' trading of securities within that framework. Additionally, any actual, potential, or perceived conflicts of interest between the Adviser or its employees and the Client Funds that relate to investment decisions are disclosed and discussed in the final investment memoranda that form the basis for investment commitment decisions. Any actual, potential, or perceived conflicts are discussed by the Adviser's management group before approving an investment, and in the event that a conflict exists, the interests of Client Funds are placed first.

Copies of the Adviser's Code of Ethics and Securities Trading Policy can be furnished upon request by contacting investor services at 415-283-4300.

#### **Item 12: Brokerage Practices**

The Adviser has discretionary authority with respect to the Client Funds they manage, including the securities to be acquired and sold by the Client Funds, the timing and amount of any such acquisitions or sales, the broker or dealer to be used (if any) and the commission rates to be paid. Securities transactions are primarily privately-negotiated transactions in which the services of a broker-dealer are not retained. However, in instances in which public securities are bought or sold, the Adviser may retain the services of a registered broker-dealer.

In accordance with Paul Capital's fiduciary obligations to seek "best execution" of Client Fund transactions, Paul Capital's selection of brokers is generally based on their capability to effectively manage the share transfers, promptly execute trades in the securities, and the competitiveness of their commissions. Although the Adviser seeks market-appropriate commission rates for sales of public securities, they may not necessarily pay the lowest commission available and the selection of broker-dealers is primarily determined based on their ability to efficiently manage securities transfers and to execute trades promptly. When an aggregate order is partially filled, the securities bought or sold will normally be allocated on a pro-rata basis to each Client Fund participating in a buy or sell order, and each Client Fund will generally receive the average price obtained on such purchases or sales made during a trading day.

The Adviser does not have any soft dollar arrangements in place and does not obtain significant additional services, such as research, from brokers and therefore these additional services do not factor into brokerage selection decisions.

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

#### Investment and Account Monitoring Procedures:

The applicable investment team and Client Fund controller work together to ensure the assets of the Client Funds are properly managed. The investment team actively monitors each Client Fund's portfolio through ongoing communication with the managers of the underlying funds including participation on their advisory committees as well as by meeting directly with portfolio companies' management. The partners on the investment team are responsible for ensuring the investment teams are providing ongoing oversight. Overall reviews of the performance of the Client Funds are conducted on a quarterly basis.

#### Reports for Investors in the Client Fund:

Investors within the Client Funds receive, among other things, annual audited financial statements, unaudited quarterly financial statements and annual schedule K-1s.

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

The Client Funds are no longer open to new investors so no such referral arrangements are currently in use.

### **Item 15: Custody**

Under SEC rules, the Adviser is deemed to have custody of the funds and securities held by the Client Funds because Paul Capital or its affiliate serves as the general partner or managing member of the Client Funds.

To ensure compliance with Rule 206(4)-2 under the Advisers Act (the "**Custody Rule**"), the Adviser will ensure that the Client Funds are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("**PCAOB**") and that the audited financial statements of each Client Fund will be prepared in accordance with generally accepted accounting principles and distributed to Investors within 120 days of the end of each Fund's fiscal year (180 days in the case of funds of funds). Investors should carefully review the audited financial statements of the Funds upon receipt, and should compare these statements to any account information provided by the Adviser. To the extent any Client Fund is not subject to an annual audit as described above, the Adviser will arrange to have the assets of such Client Funds verified on at least an annual basis by surprise examination conducted by an independent public accountant in accordance with the applicable provisions of the Custody Rule.

The funds and securities owned by the Clients, other than certain uncertificated securities purchased in private transactions, are held with a qualified custodian, as defined in the Custody Rule (i.e. a bank or broker-dealer).

**Item 16: Investment Discretion**

As mentioned in Item 12, Brokerage Practices, the Adviser has discretionary authority with respect to all investments of the Client Funds managed, including the securities to be acquired and sold by the Client Funds, the timing and amount of any such acquisitions or sales, the broker or dealer to be used (if any) and the commission rates to be paid. The discretionary investment authority is provided by the limited partnership or limited liability company agreements of the Client Funds to which the underlying investors are signatories. All investors in the Client Funds execute a subscription agreement and limited partnership agreement which contains explicit provisions outlining the broad, discretionary authority granted to the general partner of such Client Funds to manage all assets of the Client Funds on behalf of their investors.

The term of the investor's investment in a Client Fund may be altered or varied, including the right to opt out of certain investments for legal, tax, regulatory or other similar reasons.

**Item 17: Voting Client Securities**

Proxies and other solicitations are always received directly by the Adviser, which have discretionary authority and vote all proxies for securities in the best interest of the Client Funds and in a way we believe can maximize total return to the Client Funds. The Advisers policy is to generally vote all proxies from a specific issuer the same way for each Client Fund absent qualifying restrictions from a Client Fund. In the event of a conflict between the Adviser and the Client Fund, proxies will be voted on in a manner that puts the interest of the Client Fund first. Underlying investors may obtain information about how proxies were voted or may obtain a copy of the proxy voting policy upon request at no charge and by contacting investor services at 415-283-4300.

**Item 18: Financial Information**

As a registered investment adviser we are required in this Item to provide you with certain financial information or disclosures about Paul Capital's financial condition. Paul Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding. In addition, Paul Capital does not require or solicit prepayment of more than \$1,200 in fees, six months or more in advance and therefore is not required to include a balance sheet for its most recent fiscal year.