

## **Part 2A of Form ADV - FIRM BROCHURE**

### **Item 1 – Cover Page**

#### **CROSTIMBERS CAPITAL GROUP, LLC**

10000 Memorial Drive, Suite 740

Houston, TX 77024

(832) 487-0000

[www.crosstimbers.com](http://www.crosstimbers.com)

This brochure (the “Brochure”) provides information about the qualifications and business practices of Crosstimbers Capital Group, LLC. If you have any questions about the contents of this Brochure, please contact us at (832) 487-0000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

Crosstimbers Capital Group, LLC is a registered investment adviser. Registration with the SEC or any state as an investment adviser does not imply that Crosstimbers Capital Group, LLC or any principal employees of Crosstimbers Capital Group, LLC possess a particular level of skill or training.

**May 10, 2021**

## **Item 2 – Material Changes**

This section of the Brochure addresses “material changes” that have taken place since the last annual update and will be posted on the SEC’s public disclosure website (IAPD). Pursuant to SEC Rules, Crosstimbers Capital Group, LLC will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. No material changes have occurred since the previous annual update.

Currently, a copy of this brochure may be requested by contacting Marty Morrison, Chief Compliance Officer at 832-487-0008.

Additional information about Crosstimbers Capital Group, LLC is also available via the SEC’s web site [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Crosstimbers Capital Group, LLC who are registered, or are required to be registered, as investment Advisor representatives.

### **Item 3 – Table of Contents**

Crosstimbers Capital Group, LLC

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 - Advisory Business .....	4
Item 5 - Fees and Compensation .....	5
Item 6 - Performance Based Fees and Side-By-Side Management.....	7
Item 7 - Types of Clients.....	8
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9 - Disciplinary Information.....	14
Item 10 - Other Financial Industry Activities and Affiliations .....	15
Item 11 - Code of Ethics, Participation in Client Transactions and Personal Trading.....	16
Item 12 - Brokerage Practices .....	17
Item 13 - Review of Accounts.....	18
Item 14 - Client Referrals and Other Compensation .....	19
Item 15 - Custody .....	20
Item 16 - Investment Discretion .....	21
Item 17 - Voting Client Securities.....	22
Item 18 - Financial Information .....	23

#### Item 4 - Advisory Business

- A. Crosstimbers Capital Group, LLC (“Crosstimbers” or the “Adviser”) is a Delaware limited liability company and has its principal place of business in Houston, Texas. Crosstimbers acts as an investment adviser to private funds, Crosstimbers Opportunity Fund, LP (“COF”), Crosstimbers Opportunity Fund QP, LP (“COF QP”), XT Undine Co-Investment, LP (“XUC”), XT Tachus Co-Investment, LP (“XTC”), and Crosstimbers Ventures, LP (“XTV”) (each a “Fund” and, collectively, the “Funds”), for sophisticated, qualified investors (“Investors” or “Limited Partners”) that contribute capital (“Capital Contributions”) to the Funds held in the Funds’ “Capital Account.”\*

The Adviser was formed in 2016. The Adviser’s principal owners are DLH Advisors, LLC, solely owned by David Hollon, and Treadstone Advisors, LLC, solely owned by Trevor Brock (with David Hollon and Trevor Brock being collectively referred to as the “Principals”).

- B. Crosstimbers pursues its investment strategy through managing the Funds. Crosstimbers has discretion with respect to investment decisions made for the Funds. Crosstimbers provides investment advisory services to the Funds based on the investment objectives and strategies described in the Funds’ confidential offering memorandum and governing documents (referred to collectively as “Offering Documents”).
- C. Crosstimbers has five clients, the Funds. Crosstimbers follows the investment strategy described in the Funds’ Offering Documents.
- D. The Adviser will not participate in wrap fee programs.
- E. As of December 31, 2020, the Adviser managed \$167,414,188 on a discretionary basis. Client accounts advised on a non-discretionary basis had approximately \$0 in assets under management.

---

\* As a registered investment adviser, the Adviser owes a fiduciary duty to all of its clients. In 2006, the decision by the Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, 451 F.3d 873 (D.C. Cir. June 23, 2006), with respect to private funds, clarified that the “client” of an investment adviser to a private fund is the fund itself and not an Investor in the fund.

## Item 5 - Fees and Compensation

The fees and expenses associated with investments in the Funds are described in detail in each Funds' Offering Documents. Crosstimbers acts as investment adviser to the Funds, each a Delaware limited partnership. An affiliate of Crosstimbers, Crosstimbers Opportunity Fund GP, LP, acts as general partner to each Fund, with the exception of XTV for which Crosstimbers Ventures GP, LP serves as general partner. Crosstimbers Opportunity Fund GP, LP and Crosstimbers Ventures GP, LP are each referred to herein as a "General Partner."

Crosstimbers may, in its sole discretion, manage other funds or accounts with higher or lower fees, different fee structures and different expense payment arrangements than the Funds. Further, the General Partner, in its sole discretion, may agree with a Limited Partner to waive or modify the application provisions of each Funds' Offering Documents, including the fees charged, with respect to such Limited Partner, without obtaining the consent of any other Limited Partner.

A. Set forth below is a description of each Funds' fees and expenses.

*Management Fee.* With respect to COF, COF QP and XTV, the Adviser receives annual compensation, payable quarterly in advance. This fee is equal to a percentage of: (i) the total limited partnership commitments during the investment period, and then a percentage of unfunded commitments following the investment period, in the case of COF and COF QP, and (ii) funded commitments in the case of XTV (the "Management Fee"). Additionally, the Adviser may receive fees from portfolio companies or others in connection with financing, advisory and management services and, subject to the terms of each Fund's Offering Documents, such fees allocable to the Adviser's Fund may be offset against the Management Fees. Offsets against Management Fee may be carried forward as necessary.

XUC and XTC are charged fixed Management Fees.

*Carried Interest.* With respect to COF, COF QP and XTV, net proceeds from the disposition of each such Funds' investments, together with any dividends, distributions or interest earned on such investment, are first distributed to each participating Investor until said Investor receives return of capital and a stated preferred return. Next, the General Partner will receive all remaining proceeds until it has received 20% of the aggregate distributions made with respect to amounts initially apportioned to participating Investors and attributable to such investment. Thereafter, the remaining proceeds will be distributed 80% to participating Investors and 20% to the General Partner ("Carried Interest").

The Adviser does not receive Carried Interest with respect to XUC or XTC.

- B. Management Fees are deducted directly from Fund assets and paid to the Adviser and its affiliates in the same manner and frequency specified in A. above.
- C. The Funds may incur normal and customary expenses relating to its operations, and such expenses are allocated among the Investors in the Fund pursuant to the terms of its operating agreement.

## **Item 5 - Fees and Compensation (Continued)**

- D. The Adviser charges Management Fees quarterly in advance. Management Fee installments for any period other than a full quarterly period shall be adjusted on a pro rata basis according to the actual number of days elapsed.
- E. Other than as described above, neither Crosstimbers nor any of its supervised persons receives any additional compensation from the sale of securities or other investment products. However, in connection with each Fund investment, Crosstimbers or one of its affiliates may enter into a service agreement with the portfolio company for certain consulting, operational and business advisory services, and in connection therewith may earn certain advisory, monitoring, break-up, commitment, directors' or similar fees, which may be offset against Management Fees as specified in subsection A of this Item 5.

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

As stated in Item 5 above, affiliates of Crosstimbers may receive Carried Interest from the Funds. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities.

## **Item 7 - Types of Clients**

Crosstimbers provides investment advisory services to the Funds based on the investment objectives and strategies described in each Funds' Offering Documents. Crosstimbers, in its sole discretion, may manage other funds or accounts with different objectives, higher or lower fees and different fee structures than the Funds.

Investors in the Funds will be required to complete and submit a subscription agreement binding them to the terms of the Funds' governing documents. Crosstimbers only admits "accredited investors", as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 and "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended. The minimum investment in the Funds is generally \$1,000,000, although the General Partner may accept investments in a lesser amount at its sole discretion.

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

- A. With respect to COF and COF QP, Crosstimbers' primary investment strategy is to make early-stage direct investments in platform companies that acquire, develop, and operate hard assets. Crosstimbers' strategy of providing formation capital to hard-asset businesses combines attractive characteristics of early-stage venture, growth private equity, and infrastructure investing. Like venture investors, Crosstimbers seeks to secure favorable valuations by investing early in the life of a business. Like growth private equity, Crosstimbers seeks to invest onto the balance sheet of a company, fund its capital over time, and take a control position to ensure operational execution and manage risk. Finally, like infrastructure investors, Crosstimbers seeks to invest the majority of its capital into hard assets that generate predictable cash flows and provide substantial liquidation value and downside protection.

In service of the firm's strategy, Crosstimbers deploys a consistent investment process, from sourcing to exit, that seeks to maximize the likelihood of a company's success. Crosstimbers sources proprietary investment opportunities directly from its established network of high-trust relationships and structures each partnership for mutual benefit. Crosstimbers expects to face limited competition for deal flow due to the scarcity of infrastructure sponsors competing at the venture stage and the scarcity of venture sponsors competing for asset-intensive businesses.

Once an investment is made, Crosstimbers deploys a repeatable, proprietary playbook to help solve the problems common to fast-growing infrastructure platforms. As an engaged partner, Crosstimbers also plays a key role in enabling its companies to access the capital markets and best position themselves for exit.

Crosstimbers recognizes that compelling investment opportunities can take many forms and retains the right selectively to pursue other types of portfolio investments, such as certain project financings.

With respect to XTV, Crosstimbers seeks to provide early-stage equity capital to private companies and compelling venture capital opportunities.

**The foregoing discussion includes and is based upon numerous assumptions and opinions of Crosstimbers concerning world financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that each Funds' investment strategy will achieve profitable results or that the Limited Partners will not incur substantial or total losses.**

## Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

- B. Crosstimbers' private equity investment strategies and the securities invested in to carry out this strategy involves a high degree of business and financial risk that could result in substantial losses and are suitable only for Investors prepared to bear such risk. The risk factors below are not intended to be exhaustive. Prospective Investors should carefully review the risks described in each Funds' Offering Documents.

*General Nature of the Funds' Investments.* A substantial portion of the Funds' investments will be in equity or equity-related investments which by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that the Principals will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Valuations and market movements of the Funds' investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Funds' activities and the value of the Funds' investments. As a result, the Funds' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods. A portion of the Funds' investments may involve under-performing companies or companies identified by the Management Company as being in need of additional capital. The financial condition of such companies may be weak or their balance sheets highly leveraged, and any investment in them may involve a high degree of risk.

*Portfolio Concentration.* Diversification is not an objective of the Fund. Each Funds' portfolio may include a small number of large positions. While this portfolio concentration may enhance total returns to the Partners, if any large position has a material loss, then returns to the Partners may be lower than if they had invested in a well-diversified portfolio.

*Illiquidity of Investments.* An investment in the Funds require a long-term commitment with no certainty of return. It is unlikely there will be near-term cash flow available. Many of the Funds' investments will be highly illiquid, and there can be no assurance that the Funds will be able to realize such investments at attractive valuations or otherwise be able to affect a successful realization or exit strategy. Consequently, dispositions of such investments may require a lengthy period or may result in distributions in-kind. Additionally, the Funds may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for the Funds' investments.

*Contingent Liability on Disposition of Investments.* Many of the Funds' investments will involve private securities. In connection with the disposition of an investment in private securities, the Funds may be required to make representations about the business and financial affairs of the company typical of those made in connection with the sale of a business. The Funds also may be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may

## Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

incur contingent liabilities that ultimately might yield funding obligations that must be satisfied by the Limited Partners to the extent of their capital commitments.

*Difficulty of Locating Suitable Investments.* Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. Competition for such opportunities is expected to be substantial. There can be no assurance that the Funds will be able to locate and complete a sufficient number of suitable opportunities to enable it to invest all of its commitments in opportunities that satisfy its investment objectives, or that such investment opportunities will lead to completed investments by the Funds.

*Need for Additional Investments.* The Funds may be called upon to provide follow-on funding for its portfolio companies or have the opportunity to increase its investment in portfolio companies. There can be no assurance that the Funds will be able to make such additional investments or that the Funds will have sufficient funds to do so. Any decision not to make such additional investments or the inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish the Funds' ability to influence the portfolio company's future development.

*Risks Associated with Foreign Investments.* Although the Funds intend to invest principally in companies headquartered in the United States, the Funds may from time to time invest in non-U.S. portfolio companies. Investing outside the United States may involve substantially greater risks than investing in the United States. In particular, the value of the Funds' investments in foreign securities may be affected by changes in currency exchange rates, which may be volatile. Additional risks may include: (i) economic dislocations in the host country; (ii) less publicly available information; (iii) less developed regulatory institutions; and (iv) greater difficulty of enforcing legal rights in a foreign jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards comparable to those that apply to U.S. companies. Finally, in some foreign countries, there is the possibility of expropriation of value, including through confiscatory taxation, limitations on the repatriation or sale of securities, property or other assets of the Funds, political or social instability or diplomatic developments, each of which could have an adverse effect on the Funds' investments in such countries.

*Provision of Managerial Assistance and Control.* The Funds may obtain rights to substantially participate in, or influence substantially the conduct of, the management of certain of the Funds' portfolio companies. The Funds typically will designate directors (and nonexecutive chairmen) to serve on the boards of directors of the Funds' portfolio companies. The designation of directors and other measures contemplated could expose the assets of the Funds to claims by a portfolio company, its security holders and its creditors. The exercise of control over a company could impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability. If these liabilities were to occur, the

## Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss (Continued)

Funds could suffer losses in its investments. While the General Partner and the Management Company intend to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

*Risk Inherent in Venture Capital Investments.* Venture capital involve a high degree of risk. In general, financial and operating risks confronting portfolio companies can be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there can be no assurance that a Fund will be adequately compensated for risks taken. A loss of an investor's entire investment is possible. The timing of profit realization is highly uncertain. Losses are likely to occur early in the Fund's term, while successes often require a long maturation.

Early-stage and development-stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing, which may not be available through institutional private placements or the public markets. In addition, the markets that such companies target are highly competitive and in many cases the competition consists of larger companies with access to greater resources. The percentage of companies that survive and prosper can be small.

*Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues.* Crosstimbers business activities as well as the Funds and their operations and investments, could be materially adversely affected by pandemics, epidemics and outbreaks of disease in Asia, Europe, North America and/or globally or regionally, such as novel coronavirus, or COVID-19, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, and/or other epidemics, pandemics, outbreaks of disease, viruses and/or public health issues. Specifically, novel coronavirus, or COVID-19, has spread (and is currently spreading) rapidly around the world since its initial emergence in China in December 2019 and has severely negatively affected (and may continue to materially adversely affect) the global economy and equity markets (including, in particular, equity markets in Asia, Europe and the United States). Although the long-term effects or consequences of novel coronavirus (or COVID-19) and/or other epidemics, pandemics and outbreaks of disease cannot currently be predicted, previous occurrences of other pandemics, epidemics and other outbreaks of disease, such as H5N1 flu, H1N1 flu, SARS and the Spanish flu, had a material adverse effect on the economies and markets of those countries and regions in which they were most prevalent. Any occurrence or recurrence (or continued spread) of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally (or cause the global economy to enter into a recession or depression), which would adversely affect the business, financial condition and operations of Crosstimbers and the Funds. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to spread or materially impact the day to day lives of persons around the globe), Crosstimbers and the Funds could be adversely affected by more stringent travel restrictions, additional limitations

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss (Continued)**

on Crosstimbers' operations or business and/or governmental actions limiting the movement of people between regions and other activities or operations (or to otherwise stop the spread or continued spread of any disease or outbreak).

**Investing in securities involves risk of loss that Investors should be prepared to bear. There can be no assurance that the Funds' objective will be achieved or that the investment strategies Crosstimbers employs will be successful. Investors must be prepared to lose all or substantially all their investment in the Funds.**

C. See Section 8.B. above.

## **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 the evaluation of the Adviser or the integrity of Adviser's management.

There are no legal or disciplinary events with respect to an evaluation of the Adviser's advisory services or the integrity of management.

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

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. In connection with sponsoring the Funds, the Adviser also sponsors an affiliated general partner for the Funds, which will receive the compensation described in Items 5 and 6. Other than this affiliated general partner entity, the Adviser has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to the Funds.

The Adviser is member and control person of Flatirons Asset Management, LLC (“FAM”), a sponsor of Delaware statutory trusts which invests, through subsidiary trusts, in real property. The Adviser is also a member and control person of Yeoman Capital Partners, LLC (“YCP”), which invests and manages real property through its subsidiaries. Neither FAM nor YCP are an investment adviser and, given that their investment strategies are unrelated to that of the Adviser, the Adviser does not believe that its affiliations with FAM or YCP present any material conflicts of interest as it relates to its investment advisory and management services to the Funds.

Additionally, the Principals of the Adviser have certain limited investment management responsibilities with respect to a predecessor firm. The Adviser does not believe that these responsibilities present any material conflicts of interest as it relates to its investment advisory and management services to the Funds.

The Adviser has implemented reasonably designed policies and procedures regarding the identification, mitigation, and monitoring of conflicts of interests that will be followed should a conflict arise in the future with respect to any affiliations or outside responsibilities.

- D. The Adviser does not recommend or select other investment advisers for the Funds.

## **Item 11 - Code of Ethics, Participation in Client Transactions and Personal Trading**

- A. The Adviser has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's employees. The Code contains policies and procedures that Adviser employees execute personal securities trading in a manner that mitigates actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser requires pre-clearance of purchases of an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

As part of its Code, the Adviser has established procedures to reduce the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non-public information, and, therefore, may not trade on the basis of that information.

The Adviser will provide a copy of the Code to any client or prospective client upon request.

- B. Neither the Adviser nor any of its related persons recommend to the Funds' investments in which the Adviser or any related persons have a material financial interest.
- C. In connection with sponsoring the Funds, the Adviser and certain affiliates may have an economic interest in the Funds, the General Partner or both. Other than with respect to these interests, neither the Adviser nor any of its related persons invest in the same or related securities that either the Adviser or its related persons recommend to the Funds.
- D. See Item 11.C. above.

## **Item 12 - Brokerage Practices**

- A. The Adviser's investment strategy involves making investments in private equity and venture capital investments in SMEs. As a result, the Adviser does not select or recommend broker-dealers for the purchase and sales of securities. Furthermore, the Adviser does not maintain any trading accounts and does not use "soft" dollars received from broker-dealers from the purchase and sales of securities for its clients.
- B. Not Applicable.

### **Item 13 - Review of Accounts**

- A. The Adviser maintains comprehensive review procedures for the ongoing monitoring of the portfolio investments of the Funds. In connection therewith, the Adviser conducts periodic reviews of all portfolio company investments held by the Funds as it deems appropriate. All of the Adviser's investment and operational staff participate in the ongoing monitoring of the Funds' portfolio, although responsibilities vary by individual. Performance, security positions and investment opportunities are among some of the matters that may be reviewed.
- B. See Item 13.A. above.
- C. The Adviser provides written periodic financial reports, such as audited annual financial statements, to the Investors in the Funds. This reporting includes customary financials relating to the business and operations of the Funds.

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

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.
- B. Despite that the Adviser currently does not use a placement agent, it may enter into agreements with certain third-party placement agents in the future. Any such agreement would provide for compensation to be paid to the placement agent for referring Investors to the Funds. Under such an agreement, the placement agent would receive a percentage of the capital commitments attributable to each prospective Investor referred depending upon specific circumstances and restrictions. These agreements with a placement agent would be disclosed to prospective Investors in the Funds.

## **Item 15 - Custody**

Crosstimbers may be deemed under Rule 206(4)-2 of the Advisers Act to have custody of the assets of the Funds by virtue of its relationship with the General Partner. The Funds' assets and securities will be held by qualified custodians. As noted in Item 13 above, Fund Limited Partners will receive annual financial statements audited by an independent public accounting firm. Fund Limited Partners are urged to carefully review such statements.

## **Item 16 - Investment Discretion**

Crosstimbers will exercise discretion in managing the investments of the Funds, based on the Funds' investment objectives, policies and strategies disclosed in its Offering Documents. The limitations on such authority are described in the Funds' Offering Documents.

Crosstimbers will contractually assume discretionary authority over the assets of the Funds under an investment management agreement entered into among Crosstimbers, the Funds and the Funds' General Partner.

**Item 17 - Voting Client Securities**

The Adviser's investment strategy involves private equity and venture capital investments in SMEs. As a result, the Adviser does not generally hold Fund investments in public equity securities and therefore does not generally receive proxies on behalf of its clients.

**Item 18 - Financial Information**

- A. Crosstimbers will not require or solicit prepayment of more than \$1,200, six months or more in advance.
- B. Crosstimbers does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds.
- C. Crosstimbers has not been the subject of a bankruptcy petition at any time during the past ten years.