

**Item 1 – Cover Page**

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**Part 2A of Form ADV: Firm Brochure**

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**March 28, 2022**

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Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Scaleworks Capital, LLC (“Scaleworks”). If you have any questions about the contents of this Brochure, please contact us at (210) 544-5409 or [legal@scaleworks.com](mailto:legal@scaleworks.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Scaleworks is an investment adviser that registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration of an investment adviser does not imply any level of skill or training.

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

## **Item 2 - Material Changes**

This Brochure updates Scaleworks' previous Brochure dated March 29, 2021 and includes the following updates:

- Item 4 – updated information regarding client regulatory assets under management

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. The information set forth herein is qualified in its entirety by reference to applicable offering and governing documents. In the event of a conflict between the information set forth in this Brochure and the information in the applicable governing and/or offering documents, the governing and/or offering documents shall control.

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#### **Item 4 - Advisory Business**

Scaleworks Capital, LLC (the “Adviser” or “Scaleworks”), a Delaware limited liability Company formed in December 2019 is an investment advisor registered with the SEC since July 2020 with its headquarters in San Antonio, Texas<sup>1</sup>. The Adviser is led and managed by Ed Byrne and Lew Moorman (the “Founding Partners” or “Principals”).

The Adviser is a private equity firm and invests in business to business software as a service (“SaaS”) companies as well as regenerative agriculture companies. The Adviser also makes private loans to SaaS companies. The Adviser provides investment advisory, management and other services on a discretionary basis to private investment funds (each a “Fund”, “Client”, or “Partnership,” and collectively, the “Funds”, “Clients”, or “Partnerships”), for sophisticated, qualified investors (“Investors” or “Limited Partners”).

The general partner or equivalent of each Fund is, or will be, an affiliate of the Adviser (each a “General Partner”). Each General Partner is, or will be, subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”) pursuant to the Adviser’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Adviser. The governing documents of each Client may also provide for the establishment of parallel or other alternative investment vehicles in certain circumstances. Investors may participate in such vehicles for the purposes of certain investments, and if formed, such vehicles would also become Clients of the Adviser. In this Brochure, because it is uncertain whether such additional parallel or alternative investment vehicles will be classified as Clients of the Adviser, when we refer to a Fund or Client, we are also referring to such additional parallel or alternative investment vehicles, if any.

The Funds invest through negotiated equity and debt transactions in operating entities, generally referred to herein as “portfolio companies.” The Adviser’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. With respect to equity transactions, the Adviser invests in the form of buyouts in both domestic and international, high-potential companies in the SaaS and regenerative agriculture sectors with a particular emphasis on companies that could benefit from increased focus on strategy, go-to-market and team building. The Adviser focuses on companies it believes has a proven product with a stable customer base and investment are made to acquire a substantial majority of the company. The Principals or other affiliated personnel of the Adviser or its affiliates are expected to serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested. With respect to debt transactions, the Adviser intends to make loans pursuant to the terms of promissory notes and other debt instruments (collectively, “Debt Instruments”) that are entrepreneur friendly and generally have repayment terms of one to five years to private U.S. and foreign companies, and which will be repayable at rates determined as a percentage of a company’s revenue.

The Adviser’s advisory services to the funds are detailed in the applicable term sheet, private placement memoranda or other offering documents, investment management agreements, limited partnership or other operating agreements (each, a “Partnership Agreement”), subscription agreements or similar governing documents, and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” While it is anticipated that each of its Clients will follow the

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<sup>1</sup> Registration of an investment adviser does not imply any level of skill or training.

strategy described above, the Adviser may tailor the specific advisory services with respect to each Client to the individual investment strategy of that Client. In addition, the governing documents of Clients may, in certain limited circumstances, impose restrictions on investing in certain securities or types of securities, for example in connection with regulatory or compliance reasons.

Investors in the Funds participate in the overall investment program for the applicable Fund but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant governing documents. The Funds and the General Partners have, and may in the future, entered into side letters or other similar agreements (“Side Letters”) with certain Investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the relevant governing documents with respect to such Investors.

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

As of December 31, 2021, the Adviser manages approximately \$256,536,646 in Client assets on a discretionary basis through the Funds. The Adviser is controlled by the Principals.

## **Item 5 - Fees and Compensation**

In general, the Adviser or its affiliates receive a management fee from each of the Funds that it manages as compensation for the investment advisory services rendered to the applicable Fund. The Adviser also typically receives performance-based compensation or carried interest pursuant to the applicable governing documents for such Fund.

The Adviser or its affiliates expect to receive additional compensation in connection with management and other services performed for portfolio companies of the Funds, and such additional compensation generally will offset in whole or in part the management fees otherwise payable to the Adviser in accordance with the relevant governing documents. Investors in a Fund also bear certain expenses, as set forth in the governing documents of such Fund.

The precise amount, the manner of calculation and the manner and timing of payment of any such management fee, carried interest, or performance-based compensation for each such Fund are established by the Adviser, as modified by negotiations with Investors in the applicable Fund, and are

set forth in such Fund's governing documents provided to each Investor prior to investment in such Fund. Nonetheless, the structure of the management fee and carried interest which the Adviser currently employs and which the Adviser expects to employ with respect to future Funds going forward is summarized below.

### **Management Fees**

Certain Funds generally will pay the applicable General Partner an annual management fee (the "Management Fee") equal to a fixed percentage of the applicable Fund's capital commitments, as specified in the Fund's Partnership Agreement. Management Fees are determined and payable in advance on a quarterly basis. The Management Fee fixed percentage typically ranges from 2 % to 2.5% of a Limited Partner's committed capital. Management Fees for certain Funds may be reduced on a particular anniversary of a Fund's initial closing date or upon the expiration of a Fund's investment period.

To the extent applicable, a General Partner will reduce the Management Fee on a dollar-for-dollar basis against any portion of the General Partner's capital contribution obligation to a Fund not previously made in cash. All transaction fees, advisory fees, break-up fees, directors' fees, or other similar fees received by the General Partner, the Adviser or the Principals in connection with investments in portfolio companies (other than as reimbursement of expenses, or from portfolio companies with publicly-traded securities) will be applied to offset the Management Fee. Loan origination fees payable on loans paid to a General Partner of the applicable Fund or its affiliates will not reduce the Management Fee for that Fund.

The Adviser may receive compensation of the type referred to in the preceding paragraph from, or on behalf of or with respect to co-investors in an investment. The receipt of such compensation will not reduce any Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such compensation and not the portion of any compensation that relates to such co-investors which have the potential to be significant. Similarly, in certain circumstances, co-investors or other parties may negotiate the right to share a portion of such fees from a particular investment, and the above-described offset will be applied after excluding any amounts paid to such persons.

### **Carried Interest**

Subject to each Fund's governing documents, the Adviser and/or its affiliates will receive a carried interest with respect to certain Funds equal to a percentage (generally 20%) of all realized profits. The carried interest distributed to the Adviser and/or its affiliates is dependent on the cumulative amount of proceeds distributed to a Limited Partner as a percentage of contributions made to the applicable Fund by such Limited Partner in respect of fund investments and for certain Funds is subject to preferred return generally in the range of 8% annually, as more fully described in the applicable governing documents of the applicable Funds. With respect to certain Funds, the carried interest allocation to the Adviser and/or its affiliates will remain provisional until final liquidation of the Fund as provided in the governing documents.

As noted above, certain General Partners may also receive a carried interest with respect to certain co-investors that are unaffiliated with the Adviser and that invest directly in investments in which certain Funds also invest. The carried interest distributed to the applicable General Partners are

detailed in certain agreements between the applicable General Partners and the unaffiliated co-investors. Please see “Potential Conflicts of Interest” in Item 8 below for more information pertaining to conflicts related to non-advisory activities and co-investments offered to third parties.

### **Other Information**

In certain circumstances, the management fees payable to the Adviser by individual Investors in the Funds can vary among such Investors (*e.g.*, based on size of commitment, aggregate commitments to the Funds, timing of admission or other strategic or relationship factors) and may be negotiable. Moreover, the Adviser is permitted to exempt certain “affiliated partner” Investors in the Funds from payment of all or a portion of management Fees and/or carried interest, including the Adviser and any other person designated by the Adviser, such as “friends and family” and certain business associates of the Adviser or its personnel, or other Investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors.

Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by the Adviser and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where an Adviser professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the management fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant governing documents, the Adviser has the right to permit Investors, affiliated with the Adviser or otherwise, to invest through vehicles that do not bear management fees, carried interest, or performance-based compensation. In general, the management fee offsets described above apply only with respect to the capital commitments of fee-paying Investors.

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

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

In addition to the management fee and carried interest allocable to the Adviser, the Funds will pay all other fees, costs, expenses, liabilities, and obligations relating to the Funds and their activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company) (such expenses, “Partnership Expenses”) including, but not limited to, all fees, costs, expenses, liabilities and obligations attributable to: (i) All expenses that are attributable to the organization of the Funds, a General Partner and the Management Company and the sale of interests in a Fund to the Limited Partners and to any limited partners of a parallel fund (including without limitation, legal, travel, accounting, filing, capital-raising and other similar expenses and any amounts reimbursed to any person acting on behalf of a General Partner or any of its affiliates in connection with the organization of the Funds or the sale of interests in a Fund), but excluding placement fees; costs and expenses associated with any proposed financing (whether or not any such financing is consummated); liquidation expenses of a Fund; any sales or other taxes (other than taxes treated as amounts distributed pursuant to the Partnership Agreement but including without limitation any value added tax assessed against a Fund, a General Partner or any affiliate of a General Partner on account of payments or distributions made pursuant to this Agreement), fees or government charges which may be assessed against the Fund; commissions or brokerage fees or similar charges incurred

in connection with the purchase, holding or sale of securities (including any merger fees payable to third parties and whether or not any such purchase or sale is consummated); the costs and expenses (including travel-related expenses) of hosting special meetings for a Fund, or otherwise holding meetings or conferences with Limited Partners, whether individually or in a group; interest expense for borrowed money (if any); all expenses relating to litigation and threatened litigation involving a Fund, including indemnification expenses; expenses attributable to normal and extraordinary investment banking, commercial banking, accounting, auditing, appraisal, legal, finder's, custodial, transfer and registration services provided to a Fund and any expenses attributable to consulting services, including in each case services with respect to the proposed purchase or sale of securities by a Fund that are not reimbursed by the issuer of such securities or others (whether or not any such purchase or sale is consummated); travel expenses in connection with the investment activities of a Fund; all expenses associated with attending industry conferences and membership expenses for trade associations; expenses associated with outsourcing certain financial reporting and accounting services provided to a Fund; costs of financial statements and other reports (including Schedule K-1s) to and other communications with the Limited Partners, as well as costs of all governmental returns, reports and filings; governmental registration, filing and licensing costs and fees relating to a Fund, a General Partner and the Adviser; premiums for liability or other insurance to protect a Fund, a General Partner and any of their respective partners, members, stockholders, officers, directors, employees, agents or affiliates in connection with the activities of the Partnership; and all other expenses properly chargeable to the activities of a Fund.

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds (including, without limitation, legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While the Adviser believes such circumstances to be highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, the Adviser is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain Investors to co-invest in portfolio companies alongside one or more Funds, subject to the Adviser's related policies and the relevant Partnership Agreement and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned ultimately is not consummated, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, or would otherwise be beneficial, in the judgment of the relevant General Partner, all broken deal expenses relating to such proposed transaction generally will be paid solely by the Fund(s) and it is expected that any such potential co-investors will not bear any portion of such broken deal costs and expenses. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such broken deal expenses.

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



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

As described above in Item 5 “Fees and Compensation,” the Adviser or its affiliates may receive a carried interest allocation on certain realized profits in the Funds. These payments are subject to Section 205(a)(1) of the Advisers Act, in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Additionally, to the extent that the Adviser’s personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

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

The Adviser seeks to address the potential for conflicts of interest in these matters with allocation policies and/or practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund’s investment guidelines and governing documents, as well as other factors that do not include the amount of performance-based compensation received by the Adviser or any personnel.

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

As described in Item 4 “Advisory Business,” the Adviser provides investment advisory services only to Funds, which are investment partnerships, or similar entities, which are exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”). The Investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, Principals or other employees of the Adviser and its affiliates and members of their families, and other service providers retained by the Adviser.

Each Fund will generally have a minimum investment amount of \$2 million for institutional third-party Investors in the Funds and \$250,000 for individual Investors in the Funds, and Fund interests will be offered and sold solely to qualified purchasers or qualified knowledgeable personnel of the Adviser. Such minimum investment amounts may be waived by the Adviser.

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

The Funds invest through negotiated equity and debt transactions in operating entities, generally referred to herein as “portfolio companies.” The Adviser’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments.

With respect to equity transactions, the Adviser invests in the form of buyouts in both domestic and international, high-potential companies in the B2B/SaaS space with a particular emphasis on technology companies that could benefit from increased focus on strategy, go-to-market and team building. The Adviser focuses on companies it believes has a proven product with a stable customer

base and revenue of over US\$ 1 million annually. Additionally, the Adviser makes equity investments in high potential companies in the regenerative agriculture space. A Fund generally will seek to make investment resulting in significant or majority control and to buy, hold and sell these interests.

With respect to debt transactions, the Adviser intends to make loans pursuant to the terms of Debt Instruments that are entrepreneur friendly and generally have repayment terms of one to five years to private U.S. and foreign companies, and which will be repayable at rates determined as a percentage of a company's revenue. The Adviser anticipates that the Debt Instruments will generally be in the form of promissory notes secured by all of the borrower's assets, however, a Fund may invest in other Debt Instruments that the General Partner deems appropriate. The Adviser seeks Debt Instruments that are secured, senior in priority and repaid in monthly installments based on a percentage of the borrower's revenue, generally between 5% and 10% of monthly revenue depending on the size of the loan. The Fund will target Debt Instruments with a total anticipated return varying upon the term.

#### *Risks Involved with an Investment in a Fund and Portfolio Investments*

The purchase of a limited partnership interest in a Fund involves a number of significant risks and other important factors relating to investments in limited partnerships generally and relating to the structure and investment objectives of the Fund in particular. Prospective investors should carefully review the risks associated with investing in the Fund with their financial, tax and legal advisers.

*Long Term Investment.* An investment in the interests of a Fund is a long-term investment. The inherent nature of private equity investing dictates a significant length of time between the initial investment and realization of gains, if any. Limited Partners must be able to bear the economic risks of an investment in a Fund for an indefinite period of time.

*Nature of Investments.* Fund investments may have substantial variations in operating results from period to period, and experience failures or substantial declines in value at any stage or may be unable to pay their debts when due, as applicable. The investments in which the Fund will invest are likely to face intense competition, including competition from companies with greater financial resources, more extensive development, production, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular investment will be successful or that its business will be profitable.

Many of the Fund's investments may be unseasoned, unprofitable and/or have limited established operating history or earnings. These companies may also lack technical, marketing, financial and other resources or may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of a manager or management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Furthermore, these companies may be more vulnerable to competition and to overall economic conditions than larger, more established entities.

Although the Funds expect that most of its investments will be in companies with existing operations, it may invest in companies at early and expansion stages of development. Particularly in early stage enterprises, a major risk exists that a proposed service or product cannot be developed successfully with the resources available to the company. There is no assurance that the development efforts of any company will be successful or, if successful, will be completed within the budget or time period originally estimated.

Following its initial equity investment, the Funds anticipate that companies will require additional funding, and that the applicable Fund may have the opportunity to increase its investment in successful companies. There can be no assurance that the Fund will make, or will have the resources to make, follow-on investments. Any decision by the Fund not to make follow on investments, or its inability to make them, may have a substantial adverse effect on a company in need of such an investment, may result in a missed opportunity for the Fund to increase its participation in a successful enterprise, may result in significant dilution of any existing investment, or may cause a decrease in the value of the Fund's portfolio.

The market for high technology and other emerging growth enterprises is highly illiquid and extremely volatile. This volatility may adversely affect the development of a company, the ability of the Fund to dispose of investments, and the value of investment securities on the date of sale or distribution by a Fund. The General Partner will in many cases have to determine the carrying value of portfolio companies, and decide whether to hold or dispose of investments, in the absence of a liquid market for such investments. We anticipate that the receptiveness of potential acquirors to a Fund's portfolio companies will vary over time and, even if a portfolio company investment is disposed of via a public offering, merger, consolidation or similar transaction, the Fund's stock, security or other interests in the surviving entity may not be marketable. There can be no guarantee that any portfolio company investment will result in a liquidity event via public offering, merger, acquisition or otherwise, and there is a significant risk that the Fund's investments will yield little or no return. Generally, the investments made by a Fund initially will be illiquid and difficult to value, and there will be little or no collateral to protect an investment once made.

Additionally, this volatility may adversely affect the ability for companies to repay loans made by a Fund. There can be no guarantee that any Fund will be able to repay Debt Instruments purchased by a Fund, and there is significant risk that the Fund's investments will yield little or no return.

At the time of the Fund's investment, the company in question may lack on or more key attributes (e.g., proven technology, appropriate patent protection, marketable product, complete management team, distribution channels or strategic alliances) necessary for success. The success of a Fund's portfolio company or the ability of the company to repay Debt Instruments purchased by the Fund will be dependent on the company's success upon the development, implementation, marketing, and customer acceptance of new technologies that can be rendered obsolete or otherwise unattractive at any time.

*Portfolio Company Management.* The General Partner will generally seek a controlling ownership interest in the portfolio companies and seek to secure controlling representation on the board of directors of portfolio companies. Upon acquisition of that controlling interest, the General Partner may or may not implement a change in the management of such companies.

While typically the General Partner and the Principals intend to be actively involved in management of the portfolio companies and to develop close and good working relationships with the management of the portfolio companies, each portfolio company will be managed by its own officers. While Funds do not expect to have such an active role in the day to day management of the companies in which it invests, on occasion one of the Principals may temporarily take the role as senior management of a portfolio company as the Fund searches for replacement management.

As such, in the event a Fund makes loans to affiliates of the General Partner, the General Partner and the Principals may be directly involved in Fund portfolio companies, including management and executive positions pursuant to their relationship with such affiliates.

In general, however, a Fund that makes loans to a portfolio company generally will not seek management or executive positions in that portfolio company. Such portfolio company will be managed by their own officers and directors without any involvement by the Fund, the General Partner, the Principals, or anybody else affiliated with the Fund. As such, the Fund will have no control over or say in the business or other decisions related to that portfolio company.

To the extent that the senior management of a portfolio company performs poorly, or if a key manager terminates employment, a Fund's investment in such company could be adversely affected or the portfolio company's ability to repay Debt Instruments owned by a Fund could be adversely affected, resulting in a total loss of that Fund's investment, as applicable.

*Risks of Technological Change.* The market for new technology in which the Funds plan to invest is characterized by periodic new product introductions and evolving industry standards. The emerging nature of these products and services with their rapid evolution will require that the companies that receive investment continually improve the performance, features, and reliability of its service, particularly in response to possible competitive offerings. There can be no assurance that these companies will be successful in achieving wide-spread acceptance before competitors offer products and services with features and performance similar to the portfolio companies of the Fund. In addition, the widespread adoption of new technologies or standards, could require substantial expenditures by the portfolio companies to modify or adapt its product or service and which could have a material adverse effect on the profitability of these companies and in turn the investment returns of the Funds.

The market for new technology, products, and services in the regenerative agriculture industry is characterized by periodic new introductions and evolving industry standards. The emerging nature of these products and services with their rapid evolution will require that the companies that receive investment continually improve the performance features, and reliability of its service, particularly in response to possible competitive offerings. There can be no assurance that the applicable Fund will be successful in achieving wide-spread acceptance before competitors offer products and services with features and performance similar to the Fund. In addition, the widespread adoption of the new technologies or standards, could require substantial expenditures by the Fund to modify or adapt its product or service and which could have a material adverse effect on the profitability of these companies and in turn the investment returns of the Fund.

*Regenerative Agriculture.* The regenerative agriculture market is dynamic and the business may have substantial variations in operating results from period to period, and experience failures or substantial declines in value at any stage. The business is likely to face intense competition, including competition from companies with greater financial resources, more extensive development, production, marketing and service capabilities and a large number of qualified managerial and technical personnel.

*Changes in Environment.* Certain Funds intend to make investments in growth enterprises and follow-on investments in existing portfolio companies over a period of years, during which the business, economic, political, regulatory, and technology environment within which the Funds operate is expected to undergo substantial changes, some of which may be adverse to the Funds. The General Partner will have the exclusive right and authority (within limitations set forth in the Fund's Partnership Agreement) to determine the manner in which the Funds respond to such changes, and Limited Partners generally will have no right to withdraw from the Fund or to demand specific modifications to the

Funds' operations in consequence thereof. Prospective investors are particularly cautioned that the investment sourcing, selection, management and liquidation strategies and procedures exercised by members of the General Partner in the past may not be successful, or even practicable, during the Funds' term. Within the limitations set forth in the Funds' Partnership Agreement, the General Partner will have the right and authority to cause the Fund's investment sourcing, selection, management and liquidation strategies and procedures to deviate from those described in this Memorandum.

Additionally, certain Funds will make loans to growth enterprises that are repayable over the course of many years, during which the business, economic, political, regulatory, and technology environment within which those portfolio companies operate may undergo substantial changes, some of which may be adverse to the portfolio companies. Such factors are unpredictable, and may negatively affect portfolio companies' performance, resulting in the portfolio companies being unable to repay any or all of the Debt Instrument owned by the Fund.

*The Use of Leverage.* The Funds have the power to borrow and may do so when deemed appropriate by the General Partner, in an attempt to enhance a Fund's returns and make investments, to increase the amount lendable to portfolio companies or meet other financing requirements. The use of leverage will magnify the potential for both gains and losses with respect to investments made by the Fund. As a result of the commitment fees, repayment, obligations and interest payments payable in respect of the Fund's borrowings, the Fund's investors may realize a lower return than they otherwise would have realized if they had made an investment in a fund that did not use leverage, and may realize no return when they would have realized a positive return if they had made their investment in such a fund. There can be no assurance that the Fund will generate returns that exceed the crossover point for return enhancement attributable to its use of leverage.

Additionally, the use of leverage to acquire Debt Instruments increases the potential return on investment, since it reduces the amount of equity capital required to make the investment; however, it also increases the risk of loss, particularly because changes in economic or business conditions may adversely affect the ability of the portfolio company to generate the revenue necessary to service the Debt Instruments, thereby affecting the Funds' ability to repay its lender. Under adverse circumstances, certain Funds might have to curtail distributions to its Investors to assure the availability of the funds necessary to pay the institutional debt and, if the institutional debt could not be paid, the Funds might be forced to sell Debt Instruments at a loss and its Investors could suffer a loss of their entire investment.

*SBIC Financing.* The General Partner of certain Funds may apply for an SBIC license with the SBA. The SBIC program was established by the U.S. Congress in 1958 to stimulate the growth of small businesses and support job growth in the U.S. An SBIC is a privately held and managed fund that is granted a license from the SBA, which gives it access to up to twice the amount of SBA capital as the amount of its privately committed capital. The primary benefits of obtaining an SBIC license are that it offers the opportunity to greatly enhance returns by giving the Fund access to inexpensive, long term, fixed rate financing and expands the Fund's capital base so that it may achieve greater diversity in its investments.

However, the terms of principal agreements of the Fund may be substantially modified to accommodate the requests and requirements of the SBA and the Fund will be subject to such requirements during the life of the Fund in ways that might require the Fund to alter its business activities. The SBA may exercise significant influence over the Fund's ability to make investments and the Fund may be required to seek consent from the SBA on certain governance matters (e.g., removal of the General Partner) with respect to the operation of the Fund, which may limit the power of Limited

Partners to make such decisions. The Fund may also be required to comply with SBA requirements, which could delay or otherwise impact the Fund's ability to react quickly to investment opportunities.

*Ongoing Availability of SBA Leverage.* Becoming licensed as an SBIC does not automatically assure that the applicable Funds will receive funding. Receipt of SBA leverage funding is dependent upon the Fund continuing to be in compliance with SBA regulations and policies and there being funding available. The amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and in the future, may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient funding available at the times desired by the Fund.

*Investments Longer Than Term.* Certain Funds may invest in investments which may not be advantageously disposed of prior to the date that the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although the General Partner expects that investments will be either disposed of prior to dissolution or suitable for in-kind distribution at dissolution, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

*Lack of Diversification.* The Funds intend to participate in a limited number of portfolio investments and, as a consequence, the aggregate return of the Fund may be materially and adversely affected by the unfavorable performance of even a single portfolio investment or by a small number of portfolio companies being unable to repay the Debt Instruments owned by the Funds. In addition, while it is the intention of the General Partner not to invest more than 20% of a Fund's committed capital in any one portfolio company, there is no assurance that sufficient diversification of investments can be properly achieved. In addition, the Funds may invest more than 20% of committed capital in a single portfolio company with the approval of the Advisory Committee.

The Funds will focus on investments in companies in the technology sector. There can be no assurance that the Funds' strategy in focusing on investments in such companies will result in success. Thus, the performance of the Funds will be closely linked to the performance of the technology sector in general, and the Funds could be severely impacted by adverse developments affecting the technology sector. The Funds have not adopted policies requiring that portfolio companies be diversified in different geographic areas. If several Fund investments are concentrated in one geographic area, that Fund could be severely impacted by adverse developments affecting that geographic area.

*Projections.* Projected operating results of a company in which the Funds invest normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections. Deviations from projections may result in portfolio company being significantly less profitable than anticipated, and adversely affect the company's ability to repay a Debt Instrument held by the Fund.

*Lack of Control.* Certain Funds will generally seek to structure investments so that it will have control over Portfolio Companies, while others, specifically those investing in Debt Instruments, do not anticipate having any control in the management or operations, or any voting rights, of portfolio companies to which they make loans.

Funds investing directly in portfolio companies expect that they may hold minority interests in some companies and, therefore, may have limited ability to protect its position and investment. Generally, as a condition to any investment, these Funds will seek to obtain special rights and protective provisions, which will be negotiated at the time of the investment. In the event the Funds elect to take a minority interest, there can be no assurance that the Funds will be able to obtain such protective provisions, or that if such provisions are obtained, that they will be effective.

Funds investing in Debt Instruments will be completely passive. The success or failure off these portfolio companies will be heavily dependent on a management team that the Funds have no control over, and all business decisions will be outside of the Funds' control. As such, these portfolio companies may make decisions that the Funds disagree with, which could have an adverse effect on their financial position and ability to repay Debt Instruments held by the Funds.

*Repayment Based on Revenue.* The Debt Instruments in which certain Funds invest will generally be repayable in monthly installments based on the revenue generated by the borrower portfolio company, rather than being repayable in equal amortized monthly amounts. While this will result in faster loan repayment for the portfolio companies generating high revenue, it will also result in slower loan repayment for the portfolio companies generating little to no revenue. Furthermore, the monthly payments on Debt Instruments for portfolio companies generating little or no revenue may be significantly lower than the monthly amount that would be payable based on equal amortized monthly payments. Therefore, there is a significant risk that basing monthly payments on portfolio company revenue will result in slower repayment than a more conventional monthly amortization schedule.

*Loan Collateral.* The Debt Instruments in which the Fund invests will generally be secured by all of the borrowing portfolio company's assets. In the event the portfolio company defaults in its payment obligations to the Funds, the Funds may exercise its security interest in such assets, take ownership of such assets, and sell such assets in order to receive repayment of the related Debt Instrument. While this provides certain recourse for the Funds in an event of default, there is no guarantee that (a) the portfolio company's assets will be marketable or that the Funds will be able to sell them, or (b) even if the Funds are able to sell such assets, that the proceeds generated from the sale will be sufficient to repay the underlying Debt Instrument, the interest due thereunder, and the amounts incurred by the Funds in exercising its security interest and selling the assets. A such, the Funds' security interest in a portfolio company's assets does not ensure that the Funds will be able to recover all or any amounts due under a Debt Instrument in the event of a default and, in the event of a default, the Funds may lose its entire investment amount in a Debt Instrument.

*No Assurance of Profitability.* No assurance can be given as to the Funds' ability to choose, make and realize any particular investment. There can be no assurance that the Funds will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of investments and transactions described herein. Investments made by the Fund are subject to a wide range of risks, including the impact of terrorist acts or threats thereof, economic trends and other externalities beyond the control of the Funds or the General Partner, which could cause such investments to lose value. There can be no assurance that any Limited Partner will receive any distribution from the Funds. Accordingly, an investment in the Funds should only be considered by persons that can afford a loss of their entire investment.

*Illiquid Fund Investments.* The portfolio companies in which the Funds expect to make investments will be privately held and the Debt Instruments in which Funds invest will be illiquid. As a result, there will be no readily available secondary market for the Fund's interests in such portfolio companies and Debt Instruments, and those interests will be subject to legal restrictions on transfer.

As such, applicable Funds will have to wait until the maturity of the Debt Instruments to realize its full return on the Debt Instruments, if any; those Funds are not expected to have liquidity in the Debt Instruments prior to that time.

Additionally, there is no assurance that certain Funds will be able to realize liquidity for such investments in a timely manner, if at all. Unless a portfolio company subsequently succeeds in obtaining approval from the relevant authorities to list its shares on a recognized exchange, this avenue to liquidity will not be available to these Funds, which must then rely on other means to achieve liquidity. In addition, the Funds may be precluded from selling its shares in a public portfolio company for some time after such portfolio company's initial public offering, if any. As a result, the values ascribed to these Funds' assets by the General Partner may differ substantially from the values that would be ascribed to such assets by a third party.

*Restrictions on the Sale or Distribution of Portfolio Company Securities.* Certain Funds may be prohibited by lock up agreements or insider trading restrictions from distributing or selling portfolio company securities for a period of time, during which the price of a portfolio company's securities could decline. In addition, the General Partner may, in its sole discretion, withhold distribution of securities beyond the lock up period.

*Distributions in Kind.* The General Partner may distribute certain of the Funds' investments in securities or other non-cash property. Any such distribution could put downward pressure on the price of a portfolio company's securities and could reduce the Funds' influence in the portfolio company's affairs. Further, distributions in kind, particularly on dissolution of the Funds, may result in the receipt by Limited Partners of highly illiquid unregistered securities. A Limited Partner that receives assets other than cash from the Funds may incur substantial costs and delays in converting those assets to cash.

*Liability of Limited Partners.* The General Partner may require each Limited Partner to return distributions made to such Limited Partner for the purpose of meeting such Limited Partner's pro rata share of the Fund's indemnification and other obligations.

*Limited Operating History.* Information provided to potential investors relating to the performance of prior investments made and managed by the Principals is not indicative of the future performance of any Fund. Limited Partners should not rely on any operating history or prior performance in determining whether to invest in a Fund.

*Competition for Investments.* The business of identifying and structuring investments of the types contemplated by the Funds is competitive and involves a high degree of uncertainty. The Funds expect to encounter intense competition from other investment funds and strategic investors having investment objectives similar to that of the Funds. There is no assurance that the Funds will succeed in finding investments on similar or favorable terms in comparison to its competitors.

*Difficulty of Locating Suitable Investments.* The Funds may be unable to find a sufficient number of attractive investment opportunities to meet its investment objectives and therefore there is no assurance that the Funds will succeed in sourcing investment opportunities that meet the Funds' investment criteria and, even if successful, that those selected investments will produce competitive returns. A Limited Partner must rely on the ability of the General Partner and the Principals to identify, structure and implement investments consistent with the Funds' objectives and policies. Limited Partners will not have the opportunity to evaluate the business, financial and other information which



will be used by the General Partner and the Principals in their analysis, selection and monitoring of portfolio company investments for the Funds.

*Expedited Transactions.* Investment analyses and decisions by the Adviser and/or General Partner may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Funds at the time of making an investment decision may be limited, and the Funds may not have access to detailed information regarding the investment. Therefore, no assurance can be given that the Adviser and/or General Partner will have knowledge of all circumstances that may adversely affect an investment.

*Risks of Certain Dispositions of Assets.* In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Limited Partners to the extent of their capital commitment to a Fund or previous distributions made to them.

*Reliance on the General Partner.* The General Partner and its affiliates will have exclusive responsibility for managing the Funds' activities, and Limited Partners will not be able to make investment or any other decisions in the management of the Funds. Additional partners may be admitted to the General Partner following the Fund's initial closing, existing partners may withdraw, and the Limited Partners will have no power to prevent any specific person from being admitted to, or withdrawing from, the General Partner.

*Dependence on the Principals.* The success of the Funds depends, in large part, on the skills and expertise of the Principals. In the event that the Principals no longer are engaged in the active day to day management of the Funds, the Adviser and/or the General Partner, there is no assurance that the Funds will be able to make further investments or successfully realize any existing investments. The loss of one or both Principals could have a material adverse effect on the performance of the Funds.

*U.S. Dollar Denomination of Interests.* Fund interests are denominated in U.S. dollars and the Funds intend to make distributions to Limited Partners in U.S. dollars. Limited Partners subscribing for interests in any country in which U.S. dollars are not the local currency should note that changes in the value of exchange between U.S. dollars and such currency may have an adverse effect on the value, price or income of the investment to such Limited Partner. There may be non-U.S. exchange regulations applicable to investment in non-U.S. currencies in certain jurisdictions. Each prospective Investor should consult with his or her own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in the interests.

*Non-U.S. Investments.* The Funds may invest in domestic and foreign companies. Investing outside of the U.S involves certain risks not associated with investing in U.S. companies. These risks include, but are not limited to, political and economic considerations, such as higher risk of nationalization, confiscatory taxation, social, political and economic instability terrorism, civil conflict or other similar developments beyond the control of the Funds, fluctuations in exchange rates between currencies, lower levels of regulation, and comparatively lower accounting standards.

Generally, the Funds' investments will be denominated in the target company's local currency. Changes in the value of exchange between U.S. dollars and such currencies may have an adverse effect on the Funds' Non-U.S. investments.

*Dilution from Subsequent Closings.* Limited Partners subscribing for interests in a Fund after the initial drawdown date will participate in existing investments of the Fund, diluting the interest of existing Limited Partners therein. Although such Limited Partners will contribute their pro rata share of previously made Fund draws (plus an additional amount relating to the cost of money previously contributed by existing Limited Partners), there can be no assurance that this payment will reflect the fair value of the Fund's existing investments at the time such additional Limited Partners subscribe for interests in the Fund.

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

*Absence of Effective Remedies Against the General Partner.* There can be no assurance that adequate remedies will be available to any Limited Partner if the General Partner fails to perform its duties. The Limited Partnership Agreement does not afford the Limited Partners rights to remove the General Partner. The Limited Partnership Agreement includes provisions for exculpation and indemnification of the General Partner and its respective partners, members, managers, officers, directors, shareholders, employees and affiliates.

*Expenses.* The Partnership Agreement contains detailed provisions regarding the apportionment of expenses between the General Partner (or Adviser), on the one hand, and the Funds, on the other hand. The apportionment of expenses inherently creates conflicts of interest between the General Partner and the Funds. For example, the same individual could be admitted or engaged as a member or employee of the General Partner or the Adviser (in which case, the General Partner or the Adviser generally would bear the expense of such individual's salary, etc.) or as a consultant/advisor (in which case the Funds or a portfolio company generally would bear the expense of fees paid to such individual). In general, Limited Partners will have no right to require that any particular individual be admitted, engaged or retained as a member or employee of the General Partner or the Adviser, with the result that decisions regarding such matters generally will be made by the General Partner and the Adviser. Related to the foregoing, investors should be aware that an individual designated as an entrepreneur-in-residence, executive-in-residence, operating partner, private equity partner, private equity advisor or in similar manner may be compensated by the General Partner or the Adviser (e.g., as member or employee), by a Fund (e.g., as a consultant to the Fund), or by a portfolio company (e.g., as a consultant to, or founder/officer/director/employee of, such portfolio company) generally as determined by the General Partner or the Portfolio Company in its discretion. In certain cases, a portfolio company may reimburse the General Partner or the Adviser for costs that otherwise would be borne by the General Partner or the Adviser under the Partnership Agreement. In general, the Funds would not be entitled to benefit from any such reimbursement.

*Side Letters.* The General Partner may, from time to time in its sole and absolute discretion, enter into so called "side letters" concerning a Limited Partner's investment in a Fund. Generally, a side letter may (i) contractually require the General Partner to take or prohibit the General Partner from

taking, (ii) contractually require the General Partner to permit the applicable Limited Partner to take, certain actions concerning the Limited Partner's investment in the Fund, (iii) provide greater transparency rights into the Fund's portfolio, or (iv) provide for economic terms which are more favorable for the applicable Limited Partner than the economic terms of the other Limited Partners. The General Partner may, but is not required to, disclose the existence or terms of any such side letters to any other Limited Partner or to offer the terms of any such side letters to any other Limited Partner. If the General Partner enters into a side letter concerning a Limited Partner's investment in a Fund, that Limited Partner may have rights and benefits that are more favorable in some respect to other Limited Partners.

*Establishment of Additional Funds.* Subject to the terms of the Partnership Agreement, the General Partner and the Principals may organize a new investment fund similar to a Fund, after certain benchmarks have been achieved and upon the occurrence of certain other events. Any such new fund may be interested in the same investment opportunities as the Fund in question. There is no assurance that Limited Partners in that Fund will be offered the opportunity to participate in any subsequent funds.

*Penalty for Failure to Make Capital Contributions.* Failure of a Limited Partner to meet a capital call could have materially adverse consequences, including, without limitation, forfeiture of all or a portion of the interest of the defaulting Limited Partner or forced sale of the defaulting Limited Partner's interest.

*General Partner's Profits Interest.* The capital contribution of the General Partner will represent a smaller percentage of a Fund's capital than the capital contributions of the Limited Partners as a whole. Limited Partners will invest greater amounts and receive a proportionately smaller interest in the profits of the Fund than the General Partner. Because the percentage of profits allocated to the General Partner will exceed the capital percentage of the General Partner, the General Partner may have an incentive to make investments that are riskier or more speculative than if the General Partner received allocations on a basis identical to that of the Limited Partners or were compensated on a basis not tied to the performance of the Fund.

*Restrictions on Transfer and Withdrawal.* There is no market for the Fund interests, and none is expected to develop. In addition, the interests are not transferable except with the consent of the General Partner, which may be withheld for any reason. Limited Partners may not withdraw capital from a Fund, and interests may not be redeemed. Consequently, Limited Partners may not be able to liquidate their investments prior to the end of the Fund's term. In addition, the interests have not been registered under the Securities Act of 1933, as amended (the "Securities Act") or any other applicable securities laws, and such laws will further restrict a Limited Partner's ability to transfer its interest in a Fund.

*Certain Litigation Risks.* The Funds will be subject to a variety of litigation risks, particularly if one or more of its portfolio companies face financial or other difficulties during the term of the Funds. Legal disputes, involving any or all of the Funds, the General Partner, its partners or its affiliates, may arise from the foregoing activities (or any other activities relating to the operation of the Funds or the General Partner) and could have a significant adverse effect on the Funds.

*Service on the Board of Directors.* The Principals or other persons affiliated with the General Partner may serve as directors of certain of the Funds' portfolio companies. Such service, especially in light of new statutes and regulations relating to corporate governance and increased scrutiny of corporate boards, could expose a Fund or the General Partner and its partners and affiliates to regulatory action and/or claims by a portfolio company, its security holders and its creditors. While the General

Partner intends to manage these Funds in a way that will minimize exposure to these risks, the possibility of successful claims or adverse regulatory actions cannot be eliminated, and such events may have a significant adverse effect on the Funds.

In their capacity as directors of portfolio companies, such persons will be subject to fiduciary and other duties to the portfolio company on whose board they serve, which duties may on occasion conflict with the best interests of the Funds. For example, the Funds' ability to sell the publicly traded securities of a portfolio company may be limited if any of them are in possession of material nonpublic information relating to such portfolio company.

*Cybersecurity Risks.* Cyber-attacks and other malicious Internet-based activity continue to increase in frequency and magnitude. Recent events have illustrated such ongoing cybersecurity risks to which operating companies are subject. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. Therefore, companies, as well as their third-party partners (including vendors and portfolio companies), may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. The General Partner's and its portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, denial-of-service attacks, 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.

Although the General Partner has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the General Partner, the Funds and/or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information, including personal information relating to Investors (and the beneficial owners of Investors); (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the Funds, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the Adviser or one of its service providers holding its financial or Investor data, the Adviser, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks.

*Pandemics and COVID-19.* Occurrences of epidemics or pandemics, depending on their scale, may cause different degrees of damage to global, national and local economies. COVID-19 (also known as novel coronavirus) presents unique, rapidly changing and hard to quantify risks. In general, it has resulted in a significant reduction in commercial activity on a global scale that has adversely impacted many businesses. Governments, on the national, local and state level, are instituting and revising a variety of measures including lockdowns, quarantines and states of emergencies, which collectively may continue to slow the global economy to the point where it enters a recession. Although there is reason to believe that the COVID-19 outbreak may be contained over a reasonable period of time, there can be no assurance this will be the case and, in the meantime, global equity, bond and credit markets

may be adversely affected. Such disruption may adversely affect Client returns, operating results and financial condition.

## **Conflicts of Interest**

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

Certain Funds may invest in Debt Instruments of portfolio companies of other funds managed or owned directly or indirectly by the General Partner or the Principals. Such investments involve a significant conflict of interest because the General Partner and/or the Principals are on both sides of the transaction. While the General Partner will be conflicted, the Funds will make such investments only if the General Partner, in good faith, believes that the terms of the Debt Instrument are arm's length and reasonable and fair to the Fund, and the investment is in the best interest of the Limited Partners. Any such investment will be subject to review and approval by the Advisory Committee.

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

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

In allocating investment opportunities, the Adviser must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. The Adviser generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Partnership Agreement, where applicable, as well as factors including, but not limited to: investment restrictions

and objectives (including those set forth in the relevant Fund's Partnership Agreement, strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limits, cash level (if any), applicable tax and regulatory considerations, life cycle, structure and other relevant factors. The Adviser will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with the Adviser's obligations and may take into consideration factors such as those set forth above.

Following such determination, the Adviser will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Partnership Agreements, Side Letters and the Adviser's procedures regarding allocation. The Adviser's procedures permit it to take into consideration a variety of factors in making such determinations, including, but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or similar co-investors; the Adviser's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair the Adviser's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether the Adviser believes that allocating investment opportunities to an Investor or other person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds and/or the Adviser. Although a prospective co-investor's willingness to invest in future Funds may be considered by the Adviser, it generally will not be the sole determining factor considered by the Adviser in identifying co-investors. The Adviser may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

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

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

that allocation is made, will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject did not exist.

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

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, (e.g. when certain Funds invest in Debt Instruments of portfolio companies of other Funds), there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide, or be able to provide, such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by the Adviser in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, the Adviser may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of, one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, the Adviser may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. In certain circumstances, Funds may be prohibited from exercising (or the Adviser may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Fund or the other may be subject to creditor claims regarding subordination of interests. The Adviser intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. The Adviser and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be

no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

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

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

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

Additionally, a portfolio company typically will reimburse the Adviser or service providers retained at the Adviser's discretion for expenses (including, without limitation, travel expenses) incurred by the Adviser or such service providers in connection with its performance of services for such portfolio company. This discretion subjects the Adviser and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. The Adviser determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to Investors in any Fund, any fee paid or expense reimbursed to the Adviser or such service providers generally is subject to agreements with or review by management teams and the review and supervision of the board of directors of portfolio companies. These factors may help to mitigate, but will not necessarily eliminate, related potential conflicts of interest.

The Adviser generally expects to exercise its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) the Adviser or a related person of the Adviser (which may include a portfolio company of such Fund), (ii) an entity with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit, or (iii) certain Investors or their affiliates. For example, the Adviser may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain Investors or their



affiliates that are engaged in lending or related business. This discretion subjects the Adviser to conflicts of interest, because although the Adviser selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, the Adviser may have an incentive to recommend the related or other person (including an Investor) because of its financial or other business interest. There is a possibility that the Adviser, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Fund or the Adviser), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not the Adviser has a relationship or receives financial or other benefits from recommending a particular service provider, there can be no assurance that no other service provider will be more qualified to provide the applicable services or could provide such services at lesser cost.

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

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

Because certain expenses are paid for by a Fund and/or portfolio companies or, if incurred by the Adviser, are reimbursed by a Fund and/or portfolio companies, the Adviser will not necessarily

seek out the lowest cost options when incurring (or causing an Fund or portfolio companies to incur) such expenses.

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

Since the Adviser is permitted to retain certain additional compensation (as described under “Fees and Compensation”) in connection with management and other services performed for portfolio companies of the Funds, it could have a conflict of interest in connection with approving transactions and setting such compensation. Additionally, the Adviser its personnel, affiliates or others designated by the Adviser may from time to time receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the relevant governing documents are applied, the Adviser and/or such other recipients will be permitted to retain such securities as additional compensation, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or the Adviser) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund.

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

The Adviser may arrange a program for Funds and portfolio companies to participate in purchasing, vendor or similar arrangements with the Adviser, its affiliates, the Funds, and other portfolio companies. This may enable participants to receive discounts negotiated with various vendors and service providers on a groupwide basis. The Adviser generally would expect to allocate fees and third-party administration costs for the program among the relevant Funds and portfolio companies. The Adviser and its affiliates may also participate in such a program and receive similar benefits and discounts as the portfolio companies and Funds participating therein. No such amounts will result in additional offsets to the Management Fee. The Adviser believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to the Funds and portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the negotiated discounts rates for goods and services are discounted relative to those widely available in the market.

The Adviser has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as the Adviser has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option.

Any of these situations subjects the Adviser and/or its affiliates to potential conflicts of interest. The Adviser attempts to resolve such conflicts of interest in light of its obligations to its Funds and their Investors and attempts to allocate investment opportunities among a Fund and other Funds in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict.

Pursuant to a Fund's governing documents, a Fund's General Partner may appoint an Advisory Committee that includes Limited Partners of the relevant Fund(s). Where appropriate, and to the extent provided in a Fund's governing documents, the Adviser consults and receives consent to conflicts, Advisers Act matters, and other Fund matters from the relevant Advisory Committee.

#### **Item 9 - Disciplinary Information**

If there are any legal or disciplinary events that would be material to an investor's evaluation of an adviser or the integrity of an adviser's management, registered investment advisers are required to disclose all material facts regarding such events. The Adviser and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

Scaleworks is affiliated with the General Partners, which are investment advisers subject to Scaleworks' SEC registration under the Advisers Act in accordance with SEC guidance. These entities operate, for registration purposes, as a single advisory business together with Scaleworks and serve as general partners to the Funds and generally share with Scaleworks common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

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 are reasonably designed to ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid any actual, potential or perceived conflicts of interest or abuse of an individual's position of trust and responsibility. The Adviser prohibits personal trading on restricted securities; requires pre-clearance of personal trades of an IPO, a new private placement, and other limited offerings; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations. Personal securities transactions by employees who manage Client accounts are required to be conducted in a manner that prioritizes the Client's interests in Client eligible investments. A copy of the Code will be provided to any investor or prospective investor upon request to Chris Wittwer, Scaleworks' Chief Compliance Officer, at (805) 455-9230.

As part of its Code, the Adviser has established procedures reasonably designed to prevent 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 Adviser has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, access persons of the Adviser are deemed to be in receipt of material, non-public information, in all instances where any access person of the Adviser has received material, non-public information and, therefore, such access person(s) may not trade on the basis of that information.

Accordingly, should the Adviser or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, the Adviser generally would be prohibited from communicating such information to Clients, and the Adviser will have no responsibility or liability for failing to disclose such information to Clients as a

result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Adviser personnel serving as directors of public companies and may restrict trading on behalf of Clients, including a Fund.

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

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

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

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

The Adviser will effect such borrowings in a manner it believes to be fair and equitable to the relevant Fund, and consistent with the Adviser’s obligations to the Fund under the governing documents.

## **Item 12 – Brokerage Practices**

Scaleworks focuses on securities transactions of private companies and generally purchases and sells, or makes loans to, such companies through privately negotiated transactions in which the services of a broker-dealer may be retained. However, the Adviser may also distribute securities to Investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. To the extent that the Adviser engages in public securities transactions, it follows the brokerage practices described below.

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

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

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

Each Fund generally will provide to each of its Limited Partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Limited Partner's tax return and (iii) at the time of delivery of the financial statements, reports providing a description of all investments held by the Funds and a narrative summary of the status of each such investment.

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

The Adviser and/or its affiliates may provide certain business or consulting services to a Fund's portfolio companies and may receive compensation from these companies in connection with such services. As described in the applicable Partnership Agreements, this compensation may offset a portion of the Management Fees paid by a Fund. However, in other cases (*e.g.*, reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees, as described in Item 5 "Fees and Compensation."

From time to time, the Adviser may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a Limited Partner in a Fund. Any fees payable to any such placement agents will be borne by the Adviser indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including, but not limited to, placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

**Item 15 - Custody**

The Adviser maintains custody of assets held in the name of one or more Funds with the following qualified custodians: Wells Fargo Bank and Texas Capital Bank. Investors have access to annually audited financial statements(a) prepared in accordance with GAAP, (b) audited by an independent accounting firm that is registered with, and subject to regular examination by, the Public Company Accounting Oversight Board (“PCAOB”) and (c) distributed to the Funds’ investors (i) within 120 days following each Fund’s fiscal year end.

**Item 16 - Investment Discretion**

The Adviser has discretionary authority to manage investments on behalf of each Fund. As a general policy, the Adviser does not allow Clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, the Adviser and/or its affiliates may enter into Side Letters with certain Limited Partners whereby the terms applicable to such Limited Partner’s investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Adviser assumes this discretionary authority pursuant to the terms of the governing documents and powers of attorney executed by the Investors in each Fund.

**Item 17 - Voting Client Securities**

The Adviser’s investment strategy involves private equity investments and loan making. 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. If the Adviser were to receive a proxy on behalf of a Fund and is requested or required to vote a proxy, the Adviser will consider, among other things, the financial interests of the applicable Fund and the recommendation of management on the particular issue.

**Item 18 - Financial Information**

The Adviser does not require the prepayment of Management Fees six months or more in advance, nor does it have any other events requiring disclosure under this item of the Brochure.