



Item 1 – Cover Page

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SEC Form ADV Part 2A Firm Brochure

March 30, 2023

This brochure provides information about the qualifications and business practices of Mercato Management, LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at telephone number (801) 220-0055. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

THIS BROCHURE DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES. POTENTIAL INVESTORS SHOULD REFER TO THE OFFERING DOCUMENTS OF THE APPLICABLE PRIVATE FUND CLIENT (AS DEFINED HEREIN) PRIOR TO CONSIDERING AN INVESTMENT IN SUCH PRIVATE FUND CLIENT.

Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

This Brochure is a document that the Adviser provides to its clients as required by the SEC's rules.

Since the last annual amendment of the Adviser's Brochure on March 31, 2022, the Adviser provided additional disclosures relating to the Mercato Partners Acquisition Corporation. There are no material changes to report.

The Adviser will further provide clients with a new Brochure as necessary based on changes, new information, or at a client's request, at any time, without charge.

Item 3 - Table of Contents

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

Item 4 - Advisory Business

General Information

Mercato Management, LLC (the “Adviser”) is a Delaware limited liability company organized in 2006.

Fund Investment Advisory Services

The Adviser provides investment advisory services to certain pooled investment vehicles (each a “Fund” and collectively, the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). As the investment adviser to each Fund, the Adviser identifies investment opportunities for, and participates in the acquisition, management, monitoring and disposition of investments of, the applicable Fund.

The following related persons of the Adviser, each of which is under common control with the Adviser, serve as the general partners of the Funds (the “General Partners”): (i) Mercato Partners, LLC; (ii) Mercato Partners Growth II GP, LLC; (iii) Mercato Partners Growth III GP, LLC; (iv) Mercato Savory Fund IV GP, LLC; (v) Prelude Fund II GP, LLC; and (vi) Mercato Partners Traverse IV GP, LLC. In providing services to the Funds, the Adviser and the General Partners seek to tailor their services to the needs of the Funds.

Traverse Funds. The Adviser provides discretionary investment advisory services to the following Funds: (i) Mercato Partners, L.P.; (ii) Mercato Partners QP, L.P.; (iii) Mercato Partners Growth II, L.P.; (iv) Mercato Partners Growth Affiliates II, L.P.; (v) Mercato Partners Growth AI II, L.P.; (vi) Mercato Partners Growth III, L.P.; (vii) Mercato Partners Growth AI III, L.P.; Mercato Partners Traverse IV, LLC; and the Mercato Partners Traverse Affiliates IV, L.P. (the “Traverse Funds”). For the Traverse Funds, the Adviser focuses on lower middle market, growth stage companies, such as technology and branded consumer products, primarily located in geographies underserved by growth equity capital providers.

Savory Fund. The Adviser provides discretionary investment advisory services to: (i) Mercato Savory Fund IV, LP; and (ii) Mercato Savory Fund IV QP, LP (the “Savory Funds”). The Adviser focuses on unlevered controlling equity positions, creating value through revenue growth execution and operational efficiency, and middle market mergers and acquisitions liquidity. This focus is on manufacturing, technology, and brands all relating to the food and beverage sector.

Prelude Fund. The Adviser provides discretionary investment advisory services to the Prelude Fund II, LP. (the “Prelude Fund”). For the Prelude Fund, the Adviser focusses on partnerships with early stage companies that are developing technology critical to their customers operations. Prelude companies have demonstrated product-market-fit and have deep customer relations obtained through product leadership and nimble execution.

Investment Discretion

All the Adviser's investment advisory services are provided on a discretionary basis. As of December 31, 2022, the Adviser had approximately \$1.34 billion in assets under management.

Principal Owners

Gregory H. Warnock is the principal owner of the Advisor.

Item 5 - Fees and Compensation

Fees for Traverse Funds Investment Advisory Services

The Traverse Funds generally pay the Adviser an annualized management fee of up to 2.0% of total capital commitments as further described in each Traverse Fund's offering documents (the "Management Fee"). The Management Fee is typically paid quarterly in advance and is deducted from the applicable Traverse Fund. The Management Fee shall be reduced by ten percent (10%) per year under certain conditions described in the offering documents; provided, however, that the Management Fee shall not be reduced below 1.5% unless the term of the Fund is extended by the General Partner.

Fees for Savory Fund Investment Advisory Services

The Savory Funds generally pay the Adviser an annualized management fee of up to 2.0% of total capital commitments as further described in the Savory Fund's offering documents (the "Management Fee"). The largest investor in the Savory Funds pays the Adviser an annualized management fee of 1.75% of called capital. The Management Fee is typically paid quarterly in advance.

Fees for Prelude Fund Investment Advisory Services

The Prelude Fund generally pays the Adviser an annualized management fee of up to 2.0% of total capital commitments as further described in the Prelude Fund's offering documents (the "Management Fee"). The Management Fee is typically paid quarterly in advance.

Other Fees

In addition, each client is also responsible for certain of its operating expenses including, without limitation, legal, accounting, tax, auditing and administrative fees, as outlined in its offering documents. Each client is also responsible for brokerage commissions and custodial fees paid to third parties.

Miscellaneous Information about Fees and Compensation

In the event of a termination of a client's investment advisory agreement, fees will be pro-rated. Any paid but unearned fees will be promptly refunded to such client, and any fees due to the Adviser from this client will be invoiced or deducted from the client's account prior to termination. Notwithstanding the foregoing, the Adviser may

negotiate or set a management fee different from the foregoing with respect to any Fund it manages.

Additional information related to the foregoing fee discussion is set forth below under Item 6 “*Performance-Based Fees and Side-By-Side Management*” and Item 12 “*Brokerage Practices*”.

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

While the Adviser does not receive a performance-based fee, the General Partner of each Fund generally is entitled to receive a distribution of carried interest of up to 20% of the net profits earned by each limited partner in each Fund, subject to a 7% preferred return hurdle to the limited partners. While the Funds have long-term investment strategies, potential investors should note that a carried interest arrangement may nonetheless provide an incentive for the Adviser to seek higher returns by making investments that are riskier or more speculative than would be the case in the absence of such an arrangement.

Notwithstanding the foregoing, the Adviser or its affiliates may negotiate or set carried interest or other terms that are different from the foregoing with respect to each Fund.

Item 7 - Types of Clients

The Adviser currently provides investment advisory services exclusively to the Funds which are the Adviser’s clients, subject to the direction and control of the General Partner of each Fund, and not individually to the limited partners of a Fund.

Minimum Investment Requirement for the Funds

The minimum investment requirement for the Funds generally ranges between \$1,000,000 to \$5,000,000. However, the General Partner of each Fund, in its sole discretion, may permit investments that are less than the required minimum investment commitment set forth in the applicable Fund’s offering documents.

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

Methods of Analysis and Investment Strategies

Investment Strategies for the Traverse Funds. The Adviser’s strategy for the Traverse Funds consists of investing in lower middle market, growth stage companies primarily located in underserved geographies. The Adviser targets investments in technology and branded consumer products in cost-effective geographies with strong startup ecosystems that are underserved by growth-stage capital. The investment criteria for the Traverse Funds are companies with historically high revenue growth, scalable business models, clearly defined customer value propositions in expanding markets, and capable stage-specific management.

Methods of Analysis for the Traverse Funds. The Adviser has a disciplined approach to screening and evaluating potential investments that yields actionable opportunities with the potential to produce outsized returns. The investment team then leverages its principal investing experience to structure investments with upside potential and downside protection.

Investment Strategies for the Savory Fund. The Adviser's strategy for the Savory Funds consists of seeking unlevered controlling equity positions, creating value through revenue growth execution and operational efficiency, and driving toward middle market M&A liquidity. The Adviser targets investments in manufacturing, technology, and brands all relating to the food and beverage sector. The investment criteria for the Savory Fund is high growth companies or brands with scalable business models, leadership in expanding sub-markets, and growth-oriented management teams.

Methods of Analysis for the Savory Fund. The Adviser has a disciplined approach to screening and evaluating potential investments that yields actionable opportunities with the potential to produce outsized returns. The investment team then leverages its principal investing experience to structure majority-control equity investments providing strategic and operational control.

Methods of Analysis for the Prelude Fund. The Adviser has a disciplined approach to seek partnerships with early stage companies that are developing technology critical to their customers operations. Prelude companies have demonstrated product-market-fit and have deep customer relations obtained through product leadership and nimble execution..

Risk of Loss

While the Adviser seeks to diversify each Fund's investment portfolio by investing in multiple companies, all investment portfolios are subject to risks. Accordingly, there can be no assurance that a Fund will be able to fully meet its investment objectives and goals, or that investments will not lose money. Below is a description of several of the principal risks that each Fund may face.

Risk Inherent in Private Equity Investments. The types of investments that the Funds anticipate making involve a high degree of risk. In general, financial and operating risks confronting portfolio companies can be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there can be no assurance that the Funds will be adequately compensated for risks taken. A loss of principal is possible. The timing of profit realization is highly uncertain. Losses are likely to occur early in the Funds' life, while successes often require a long maturation.

Early-stage and development stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing, and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing, which may not be available

through institutional private placements or the public markets. The percentage of companies that survive and prosper can be small.

Investments in more mature companies in the expansion or profitable stage involve substantial risks. Such companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire other businesses, or develop new products and markets. These activities by definition involve a significant amount of change in a company and could give rise to significant problems in sales, manufacturing, and general management of these activities.

Changing Economic Conditions. The success of the General Partner's investment strategy could be significantly impacted by changing external economic conditions in the United States and global economies. The stability and sustainability of growth in global economies may be impacted by terrorism or acts of war. Changing economic conditions could potentially adversely impact the valuation of portfolio holdings.

No Assurance of Returns. There can be no assurance that the Limited Partners will receive distributions from the Funds in an amount equal to their investment in the Funds. The timing of profit realization, if any, is highly uncertain.

Lack of Operating History. The Funds and the General Partner are newly formed entities, and, accordingly have no operating history or investments upon which investors can evaluate the potential performance of the Funds. The prior performance of the Managing Directors or their investments is not necessarily indicative of the Funds' future results. There can be no assurance that investments by the Funds will achieve returns comparable to the historical performance of the Managing Directors or their investments, and in any event, the returns achieved by the Funds will be subject to the management fee and the General Partner's carried interest. Any given investment made by the Funds may prove to be worthless, and there is a risk that investors could lose money.

Reliance on the General Partner. The General Partner of the Funds will have sole discretion over the investment of the funds committed to the Funds as well as the ultimate realization of any profits. As such, the pool of funds in the Funds represents a blind pool of funds. Investors in the Funds will be relying on the General Partner to conduct the business of the Funds. The loss of one or more senior investment professionals of the General Partner could have a significant adverse impact on the business of the Funds. No assurances can be given that each of the managing members of the General Partner will continue to be affiliated with the Funds throughout its term. Notwithstanding any prior experience that the managing members may have in making investments of the type expected to be made by the Funds, any such prior experience necessarily was obtained under different market conditions and with different technologies at the forefront of development. There can be no assurance that members of the General Partner will be able to duplicate prior levels of success.

Future and Past Performance. The performance of the prior funds is not necessarily indicative of the Funds' future results. While the General Partner intends for the Funds to make investments that have estimated returns commensurate with the risks taken, there can be no assurance that targeted results will be achieved. Loss of principal is possible on any given investment.

Competitive Marketplace. The marketplace for private equity investing has become increasingly competitive. Involvement by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector and the competition for investment opportunities is at historically high levels. Some of the Funds' potential competitors may have more relevant experience, greater financial resources and more personnel than the General Partner. There can be no assurances that the General Partner will locate inadequate number of attractive investment opportunities. To the extent that the Funds encounter competition for investments, returns to Limited Partners may vary.

Limitations on Ability to Exit Investments. The General Partner expects to exit from its investments in two principal ways: (i) private sales (including acquisitions of its portfolio companies) and (ii) initial and secondary public offerings. At any particular time, one or both of these exits may not be open to the Funds, or timing with respect to these exit mechanisms may be inopportune. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

Bridge Financing. The Funds may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Funds' control, such long-term securities may not issue and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Funds.

Potential Liabilities. In connection with its investments, the Funds may negotiate the right to appoint one or more of the investment professionals of the General Partner as a member of the portfolio company's board of directors. Such membership on the board of directors of a company can result in the Funds or the individual director being named as a defendant in litigation. Typically, portfolio companies will have insurance to protect directors and officers, but this insurance may be inadequate. The Funds will also indemnify the General Partner and its principals, among others, for liabilities incurred in connection with operations of the Funds, including liabilities arising from such suits. Such indemnification obligations and other liabilities could be substantial.

Contingent Liabilities on Disposition of Investments. 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 such company typical of those made in connection with the sale of a business. The Funds may be

required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the General Partner may establish reserves and escrows. In that regard, distributions may be delayed or withheld until such reserve is no longer needed or the escrow period expires.

Absence of Liquidity and Public Markets. The Funds' investments will generally be private, illiquid holdings. As such, there will be no public markets for the securities held by the Funds and no readily available liquidity mechanism at any particular time for any of the investments held by the Funds. In addition, the realization of value from any investments will not be possible or known with any certainty until the General Partner elects, in its sole discretion, to sell the Funds' investments and subsequently distribute the proceeds to its investors or to distribute securities to investors in lieu of cash.

No Market; Illiquidity of Fund Interests. An investment in the Funds will be illiquid and involves a high degree of risk. There is no public market for limited partnership interests in the Funds, and it is not expected that a public market will develop. Consequently, Limited Partners will bear the economic risks of their investment for the term of the Funds. Prospective investors will be required to represent and agree that they are purchasing the limited partnership interests for their own account for investment only and not with a view to the resale or distribution thereof.

Limited Portfolio Diversification. As is typical of private equity firms, the portfolio holdings of the Funds will not be broadly diversified. A downturn of the economy or in the business of any one company could impact the aggregate returns delivered to investors by the Funds. In general, the General Partner expects to mitigate this risk by closely controlling and monitoring its investments and by limiting its total number of holdings to a manageable level.

Conflicts of Interest. Instances may arise where the interest of the General Partner (or its members) may potentially or actually conflict with the interests of the Funds and the Limited Partners. For example, the existence of the General Partner's carried interest may create an incentive for the General Partner to make more speculative investments on behalf of the Funds than it would otherwise make in the absence of such performance-based arrangements. Further, conflicts of interest may arise as a result of the Funds' partners having investments in portfolio companies of existing Mercato entities and the Funds, as well as other investments both public and private.

Please see each Fund's offering documents for information about the specific risks associated with an investment in that Fund.

Item 9 - Disciplinary Information

The Adviser has no disciplinary events to disclose.

Item 10 - Other Financial Industry Activities and Affiliations

The General Partner of each Fund is an advisory affiliate of the Adviser. Mercato Savory Management, LLC is an advisory affiliate of the Adviser, providing advisory services primarily to the Savory Funds.

The principal of the Adviser and certain other employees manage and provide services to other private funds unaffiliated with the Adviser. The Adviser does not provide any services to these unaffiliated funds. In addition, the principal of the Adviser is involved with Mercato Partners Acquisition Corporation (the “SPAC”) that will not hold securities. The sponsor of the SPAC is controlled by a family trust managed by a principal’s wife and two sons, one of which maintains management responsibility for Mercato’s private funds.

The SPAC intends to capitalize on the ability of Mercato’s management team and the broader Mercato Partners platform to identify, acquire and operate a business in either the technology or branded consumer products sector that possesses the suitable characteristics to achieve attractive long-term risk adjusted returns, though the SPAC reserves the right to pursue an acquisition opportunity in any business or industry. In addition, the SPAC intends to appropriately leverage the full capabilities of the Mercato brand and its Traverse practice, and expects to have access to Mercato’s team, deal prospects, and network, along with any necessary resources to aid in the identification, diligence, and operational support of a target for our initial business combination. The SPAC believes that Mercato, and in particular its Traverse growth equity practice, possesses key insights and a strong network of relationships and deep industry knowledge that will provide the SPAC insight and access to potential acquisition targets that fall outside the Traverse investment strategy.

Although the firm and the SPAC hunt for target companies in very different stages of development and size, the CEO of the Adviser is also the CEO of the SPAC. In addition, the Adviser and other Mercato principals devote time to SPAC activities which might detract from time spent on the Mercato’s private funds. Additionally, the potential financial incentives the CEO and his family could gain from a successful IPO of the SPAC could influence the advice provided to Mercato’s private funds (specifically, the Traverse Funds since the SPAC may consider one of the Traverse Fund portfolio companies as an acquisition target). Conflicts of interest arise due to the items mentioned above or in a potential financial incentive and/or acquisition. Therefore, the Adviser looks to the Mercato private funds’ Limited Partners Advisory Committees and SPAC Board for oversight of activities that may result in conflicts of interests (including but not limited to considering one of the Traverse Fund portfolio companies as an acquisition target) and to evaluate and approve any such combination in order to obtain consent from limited partners and the SPAC’s Board. If deemed necessary, the SPAC would obtain an opinion from an independent investment banking firm which is a member of the Financial Industry Regulatory Authority, Inc.

(“FINRA”) or an independent accounting firm for fairness from a financial point of view.

Item 11 - Code of Ethics, Participation or Interest in Client

Transactions

Code of Ethics (“Code”)

Under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), the Adviser and its principals and certain employees (“Supervised Persons”) owe fiduciary duties to their clients. Consistent with these duties, the Adviser has adopted the Code that, among other things, requires that its Supervised Persons reflect the professional standards expected of investment advisers and comply with federal and state securities laws and regulations pertaining to the Adviser. Under the Code, Supervised Persons should place the interests of clients first, ahead of their own personal interests, and generally seek to treat clients fairly. In addition, Supervised Persons are prohibited from engaging in any practice that defrauds or misleads any client or investor or engaging in any manipulative or deceitful practice with respect to clients, investors or securities.

The Code also includes provisions addressing personal trading by Supervised Persons, as summarized below:

Personal Trading. Under the Code, Supervised Persons are generally required to submit information about their personal trading activities to the Adviser’s CCO or the CCO’s de-signee for review. In addition, Supervised Persons are generally required to notify the CCO or the CCO’s designee and obtain advance approval of certain personal trades in securities that may be traded by the Adviser for client accounts or otherwise affected by investments made on behalf of clients. Violations of the Code may result in disciplinary action up to and including dismissal.

Participation or Interest in Client Transactions. Under the Code, Supervised Persons are prohibited from trading in securities on the basis of material, non-public information of communicating material, non-public information about the issuer of any security to any other person.

The Adviser will provide a copy of the Code to any investor in one of our Funds upon request.

Item 12 - Brokerage Practices

The Adviser does not normally utilize the services of broker-dealers for transaction related services. If the Adviser chooses to use a broker-dealer for a securities transaction, the Adviser will seek to obtain best execution for any such transactions.

Aggregation of Trades

The Funds normally do not actively trade in securities. However, the Adviser may aggregate a Fund's securities trades with those of another Fund. Generally, Funds participating in an aggregated order receive a same price of all trades placed that trading day and pay their ratable share of applicable fees and costs. In some cases, the Adviser may be excluded from aggregated block trades due to available committed capital, legal or regulatory concerns, or other reasons.

Item 13 - Review of Accounts

Oversight and Monitoring

Generally, the portfolio managers of each Fund review Fund accounts quarterly. These reviews will focus on appropriateness of the Fund's investments for the Fund's portfolio and the performance of the Fund.

Reporting

Investors in the Funds generally receive, among other things, a copy of audited financial statements of the relevant Fund within 90 days after the fiscal year end of the Fund. In addition, investors in each Fund may receive unaudited summary financial information regarding the Fund following the end of each financial quarter. Investors in the Funds also receive regular reporting updates through letters and investor meetings.

Item 14 - Client Referrals and Other Compensation

The Adviser does not engage solicitors who refer investors. The Adviser or its affiliates may, in certain instances, receive discounts on products and services provided by portfolio companies, and/or receive compensation for services provided to portfolio companies. The Adviser or its affiliates use placement agents to assist with fundraising.

Item 15 - Custody

The Adviser (through the General Partners) is deemed to have custody of certain assets of the Funds. The Adviser does not use the qualified custodian to send quarterly account statements directly to the Funds or investors in the Funds. Each Fund is audited annually, and the annual audited financial statements of each Fund are sent to the Fund's investors.

Item 16 - Investment Discretion

The Adviser has discretionary authority to determine the investments to be bought or sold and the amounts to invest for each client, including the Funds under the governing documents of the Funds and other agreements.

Item 17 - Voting Client Securities

As a general policy, the Adviser votes proxies related to securities held in Fund

accounts in a manner that serves the best interests of the Fund. Clients have no authority to direct the vote of the Adviser. In voting securities held by a Fund, the Adviser will attempt to resolve any conflict of interest between the Fund and the Adviser's business interests in the way that will most benefit the Fund. The Adviser maintains a detailed Proxy Voting Policy and a record of how the Adviser has voted proxies, each of which is available to the Funds' investors upon request.

Item 18 - Financial Information

The Adviser does not require or solicit prepayment of fees six months or more in advance, and the Adviser currently does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.