

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

**Item 1 – Cover Page**

**ESO MANAGEMENT SERVICES, LLC**

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**March 2023**

**This Brochure provides information about the qualifications and business practices of ESO Management Services, LLC (also referred to as the “Firm”). If you have any questions about the contents of this Brochure, please contact the Firm at 650-262-6670. 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.**

**ESO Management Services LLC is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any certain level of skill or training.**

**Additional information about ESO Management Services LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view the Firm’s information on this website by searching for “ESO Management Services, LLC”. You can also search using the firm’s CRD number. The CRD number for the firm is 165564.**

## **Item 2 – Material Changes**

### Material Changes

No material changes have been made to this Disclosure Brochure since the last filing and distribution to Clients.

### Future Changes

From time to time, the Advisor may amend this Disclosure Brochure to reflect changes in business practices, changes in regulations or routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each you annually and if a material change occurs.

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## **Item 4 – Advisory Business**

### **A. Description of the Advisory Firm**

ESO Management Services LLC is a Delaware Limited Liability Company formed in October 2011. Its principal owners are Scott S. Chou, James D. Lackie, and Stephen M. Roberts.

### **B. Types of Advisory Services**

ESO Management Services LLC serves as investment adviser to the series of ESO venture capital funds, which are organized as Delaware limited partnerships each a “Fund” and collectively referred to throughout this brochure as the “Funds”). Affiliated entities of ESO Management Services LLC serve as the General Partners of the Funds.

ESO Management Services LLC is a venture capital and private equity firm. The Funds it manages invest directly and indirectly in private technology related companies (see Item 8B below) primarily in the United States, in accordance with the strategy described in each Funds’ offering memorandum, limited partnership agreement, and subscription documents (“Constituent Documents”).

The Funds offer limited partnership interests (“Interests”) to certain qualified investors as described in response to Item 7, below (such investors are referred to herein as “Investors”).

### **C. Client Tailored Services and Client Imposed Restrictions**

ESO Management Services LLC does not currently have individual, natural-person clients. The Firm serves as the Investment Manager to the Funds and it has no other clients. All management and investment decisions regarding the Funds are based on each Fund’s objectives, strategies and policies. As Investment Manager of the Funds along with our affiliated entities serving as General Partners, we are responsible for all major investment decisions of the Funds, including, without limitation, amending or changing each Fund’s investment objectives, investment strategies and investment policies or limitations.

### **D. Wrap Fee Programs**

ESO Management Services LLC does not participate in wrap fee programs.

### **E. Amounts Under Management**

As of December 31, 2022 ESO Management Services LLC has approximately \$484 million of regulatory assets under management on a discretionary basis. It does not manage assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **A. Fee Schedule**

Our fee arrangements may be higher than the fees charged and profits retained by other fund managers for the same or similar services.

Each Fund maintains for each investor a capital account that is adjusted to reflect the management fee, profits allocation, start-up/placement fees, other fund expenses, capital contributions, and other similar changes during the term of the investment. The range of fees and compensation payable to ESO Management Services LLC is generally as follows:

### 1. Management Fee

With respect to the Funds, ESO Management Services LLC typically receives a quarterly asset-based management fee calculated as a percentage of each Investor's capital commitment, payable quarterly in advance. The management fee is generally between 0% and 2.5%.

The General Partner may elect to reduce, otherwise modify or waive the Management Fee with respect to any Investor.

### 2. Performance-based Fees

Our affiliated companies, serving as the respective Fund's General Partner generally receives a carried interest allocation equal to a percentage of all realized profits, as described more fully in each Fund's Constituent Documents. The carried interest is generally subject to a giveback at the end of life of the Funds if the General Partner has received excess cumulative distributions.

The carried interest will only be charged to accounts of those Investors who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act").

### 3. Fee Comparison

Total expenses, including the management fee and any performance-based fees, may constitute a higher percentage of average net assets than could be found in other investment programs.

#### B. Payment of Fees

Management fees, performance-based fees, and third-party fees (discussed below) are deducted from the Funds. Management fees, which are paid in advance, are withdrawn at the beginning of the quarter based on committed capital. Performance-based fees are calculated as of the last business day of the calendar quarter, but are only paid when the Funds distribute realized proceeds pursuant to the Fund's Constituent Documents.

#### Termination of Services

ESO Management Services LLC's management services will be terminated automatically in the event that the Funds are dissolved or terminated. In addition, services may be terminated in the event that Fund Investors (i.e. limited partners) decide to select a different investment manager for the Funds and written notice is provided to ESO Management Services LLC. In the event services are terminated, the investment management fee shall cease to accrue and the final quarterly fee paid in advance will be refunded to the Fund pro-rata based on the number of days remaining in the final quarter.

#### C. Third-Party Fees

Expenses to be borne by each Fund typically include the following costs and expenses associated with the formation, operation, dissolution, winding-up, or termination of such Fund: all costs and expenses incurred in the identification, research, evaluation, sourcing, investigation, holding, purchase, monitoring, sale or exchange of investments (whether or not ultimately consummated), including, but not by way of limitation, private placement fees, finder's fees, interest on and fees and expenses arising out of borrowed money, real property or personal property taxes on investments, including documentary, recording, stamp and transfer taxes, brokerage fees or commissions or other similar charges (including any merger fees payable to third parties), travel expenses, legal fees and

expenses, expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the Fund, including claims by or against a governmental authority, audit, appraisal and accounting fees and expenses, fees and expenses related to consulting, advisory or professional services relating to investments or proposed investments, taxes applicable to the Fund on account of its operations, fees incurred in connection with the maintenance of bank or custodian accounts, and all expenses incurred in connection with the registration of the Fund's securities under applicable securities laws or regulations, any sales or other taxes, fees or government charges which may be assessed against the Fund, the cost of liability and other premiums for insurance protecting the Fund, the General Partner, the members of the General Partner, ESO Management Services LLC, the members of ESO Management Services LLC and any of their respective partners, members, shareholders, managers, managing directors, officers, directors, trustees, employees, consultants, agents or affiliates in connection with the activities of the Fund, expenses associated with Fund communications with Investors, including preparation and distribution of financial statements and annual or other reports to the Investors, expenses associated with preparation and filing of tax returns, costs associated with Fund communications and meetings, all legal, accounting, audit, administration, banking, registration, appraisal, consulting, advisory, bookkeeping, recordkeeping or professional services fees and expenses relating to the Fund and its activities, fees and expenses relating to outsourced finance, reporting, administration, accounting and back-office services, all fees and expenses relating to the regulatory compliance of ESO Management Services LLC and its affiliates, all expenses incurred by the tax matter partner and/or representative of the Fund, all fees and expenses incurred in connection with the maintenance of a registered agent and office in the State of Delaware, all fees, costs and expenses relating to litigation and threatened litigation involving the Fund, including the Fund's indemnification obligation pursuant to the Fund's Constituent Documents, liquidation expenses of the Fund (including but not limited to legal and accounting fees and expenses), all expenses that are not normal operating expenses and all other expenses properly chargeable to the activities of the Fund, all of the organizational costs, fees, and other expenses incurred in connection with the formation and organization of the Fund, and the General Partner, including, without limitation, legal and accounting fees, travel and expenses incident thereto with such formation and organization, and all liquidation costs, fees, and expenses in connection with the liquidation of the Partnership at the end of the Partnership's term, including, without limitation, legal and accounting fees and expenses.

#### D. Prepayment of Fees

The Funds invest in the securities of private companies on a long-term basis. Accordingly, all fees are paid during the term of the Funds and Investors are generally not permitted to withdraw or redeem Interests in the Funds. Fees paid at the beginning of a fiscal period (such as management fees) will not be refunded or prorated for partial periods.

#### E. Outside Compensation for the Sale of Securities

Neither ESO Management Services LLC nor its supervised persons accept compensation for the sale of securities or other investment products outside of its association with ESO Management Services LLC.

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

As discussed in Item 5.A., affiliated entities of ESO Management Services LLC serve as the General Partners of the Funds and generally receive carried interest equal to a percentage of all realized profits in a particular Fund. Due to the Fund's structure, ESO Management Services LLC allocates investment opportunities to the Funds, and not to individual Investor accounts.

ESO Management Services LLC anticipates that its Affiliated General Partners of the Funds will receive performance-based compensation from the Funds.

Prior to the time that the Limited Partners have received aggregate distributions (with any in-kind distributions valued at the time of distribution) equal to the sum of their capital contributions to the Fund (“Payback”), all such distributions shall be made to all Partners in proportion to their committed capital. Subsequent to Payback, all such distributions shall be made 20% to the affiliated General Partners and 80% to all Partners in proportion to their committed capital.

The nature of this arrangement poses an opportunity for ESO Management Services LLC to earn more income than through the stand-alone asset based fee (as described in Item 5 of this Disclosure Brochure). There are conflicts associated with this arrangement that are not as common under an asset-based fee arrangement. The nature of this arrangement can encourage unnecessary speculation with Fund assets in order to earn or increase the amount of profits retained by the Fund. Although riskier investments could yield higher returns to the Fund, they historically have a higher chance of losing value. Also, the profits interest arrangement could give ESO Management Services LLC an incentive to time transactions in the Fund to serve the interests of ESO Management Services LLC rather than the best interest of the Fund.

We control for these conflicts of interest by fully disclosing the performance allocation fee to the Fund and all investors in the Fund. Our investment strategy is based on parameters set forth by the Fund and we are held to such standards. Overall, our procedures are designed to manage the Fund based on the interests of the underlying Fund investors and not solely on our interests of attaining a higher performance allocation fee.

## **Item 7 – Types of Clients**

ESO Management Services LLC only clients are the affiliated Funds under our management.

ESO Management Services LLC intends to restrict the number of Investors in the Funds and will offer Interests only through non-public transactions in order to maintain their exclusion from “investment company” status under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

Prospective Investors in the Funds must meet eligibility criteria, and are subject to certain withdrawal requirements and limitations. Prospective Investors are encouraged to thoroughly review a Fund’s Constituent Documents, which set forth all of the terms in detail. Though the Clients generally pursue the same strategy, offering terms may differ.

Each Investor generally must be an “accredited investor” (as defined in Regulation D under the Securities Act of 1933) and “qualified client” (as defined in Rule 205-3 under the Investment Advisers Act of 1940) and must meet other criteria as specified in the Constituent Documents. The minimum initial investment varies by Fund but is generally in the range of \$100,000 to \$25,000,000 subject to waiver at the discretion of ESO Management Services LLC.

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

### **A. Methods of Analysis**

ESO Management Services LLC sources opportunities from the extensive social network of private

company founders, executives, and investors its investment team has built over years in Silicon Valley, as well as through relationships with key lawyers, tax accountants, and wealth managers that service early employees of companies of interest as well other referrals. Its criteria generally includes the size and rate of revenue growth, the structure of the capitalization table, the liquidation preference of any outstanding preferred stock, the liquidity of the equity in secondary markets, the quality of the management and investor team, and other drivers of continued and sustained rapid company growth.

## **B. Investment Strategies**

The Funds typically make investments by employing various investment structures including nonrecourse advances (or other analogous financing arrangements) to individuals or entities holding equity securities of select private technology companies or installment purchases of equity securities in such companies. The Funds may also engage in other investment activities, including but not limited to direct and/or secondary direct investments.

The Funds will have a flexible investment mandate but the majority of the Funds' investments will be comprised of advances and installment purchases. However, the Funds may also engage in direct or secondary purchases and may develop other investment structures. ESO Management Services LLC will also seek to work with management of such selected private company issuers and their current and former employees to source additional opportunities for the Funds' available investment capital.

ESO Management Services LLC intends to enter into transactions with shareholders who hold sufficient equity in targeted private company issuers to meet the long-term investment return objectives of the Funds.

## **C. Risks of Investments and Strategies Utilized**

**Investing in securities involves risk of loss that Investors should be prepared to bear.** Because of the inherent risk of loss associated with investing in securities, the Firm is unable to represent, guarantee, or even imply that its services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Investment risk factors may include:

### **General Risks**

**Reliance on the General Partner.** The Investors in Funds (also referred to as "Limited Partners") will not have a right or power to participate in the management of the Funds. Accordingly, no Investor should purchase any interests in the Funds unless it is willing to entrust all aspects of management of the Funds to the General Partner. The Limited Partners will not receive detailed financial information issued by companies in which the Fund has an investment interest.

**Competition for investments.** The Funds may compete with other entities for the acquisition of investments. Such competition may come from groups such as high net worth individuals, institutional investors, investment managers, industrial groups, and merchant banks which have greater resources than the Fund and are owned by large and well-capitalized investors. There may be intense competition for investments of the type in which the Funds intend to invest, and such competition may result in less favorable investment terms than would otherwise be the case. The Funds may be unable to find a sufficient number of attractive opportunities to meet its investment



objectives. There can, therefore, be no assurance that investments of the Funds will meet their investment objectives, or that the Funds will be able to invest all of their available capital.

**Unspecified investments.** The capital commitments received from the Limited Partners are going into a blind pool. The Funds have not identified the investments they will make in the future. Accordingly, an investor in the Funds must rely on the ability of the General Partner in making investments consistent with the Funds' investment objectives and policies. The Investor will not have the opportunity to individually evaluate the relevant economic, financial and other information that will be utilized by the General Partner in its selection of investments or otherwise approve of such investments.

**No assurance of investment return.** The Funds' task of identifying opportunities in private operating companies, managing such investments and realizing a significant return for investors is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage, and realize such investments successfully. There is no assurance that the Funds will be able to invest their capital on attractive terms or generate returns for its Investors. There is no assurance that the Funds' investments will be profitable and there is a risk that the Funds' losses and expenses will exceed its income and gains. As such, there is no assurance of any distribution to the Limited Partners prior to, or upon, liquidation of the Funds.

**Long-term & illiquid investment within the Fund.** An investment in the Funds is a long-term commitment. Interests in the Funds are highly illiquid and have no public market value. No secondary market for the interests exists, and no such market will be established or supported by the General Partners. Furthermore, the sale or transfer of Interests is subject to approval of the General Partner and other restrictions contained in the Funds' Constituent Documents. Consequently, Limited Partners may not be able to liquidate an investment in the event of an emergency or for any other reason. An investment in the Funds are suitable only for persons and entities which have no need for liquidity with respect to their investment. The interests in the Funds have not been registered under the Securities Act of 1933, nor is any such registration contemplated.

**Diverse Limited Partner group.** The Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in the Funds. The conflicting interests of individual Limited Partners may relate to or arise from, among other things, the nature of investments made by the Funds, the structuring or the acquisition of investments, and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with 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, particularly with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Fund, the General Partner of the applicable Fund will consider the investment and tax objectives of the Funds and the Limited Partners as a whole, not the investment, tax, or other objectives of any Limited Partner individually.

**Consequences of default.** If a Limited Partner fails to pay in full any requested capital contributions, the General Partner may take certain actions which may result in a sale of such Limited Partner's interest in the Funds or a forfeiture of all or a portion of such Limited Partner's interest in the Funds. Additionally, the General Partner may pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by such defaulting Limited Partner. The General Partner will be granted additional powers to deal with defaulting Limited Partners in the Funds' Partnership Agreement. Also, the failure of any Limited Partner to contribute any portion of its commitment on a timely basis may adversely affect the Funds' access to capital and, among other things, the ability of the Fund to enter into or consummate investments.

**Risk of dilution.** Limited Partners admitted at subsequent closings will participate in existing investments of the Funds, diluting the interest of existing investors therein. Although such Investors will contribute their pro rata share of previously-made Fund draws plus interest, there can be no assurance that this payment will reflect the fair value of the Funds' existing investments at the time such additional investors are admitted.

**Conflicts.** The Funds will be subject to certain conflicts of interest arising out of its relationship with the General Partner, its members, and their affiliates, which will provide management services to the Fund. The agreements and arrangements among the Funds, the General Partner, its members, and their affiliates have been established by the General Partner of each Fund and are not the result of arm's-length negotiations.

**Withdrawals.** Voluntary withdrawals of Limited Partner interests are not permitted, except in limited instances when required or when necessary to comply with the laws or regulations applicable to a Limited Partner, including ERISA regulations. As a result, Investors may not be able to liquidate their investments prior to the end of the Funds' term. A withdrawn Limited Partner may not be entitled to immediate payment for its interest in the Funds. Any withdrawal of a Limited Partner may reduce the amount of the Funds' capital available for investment or other activities.

**Economic interest of General Partner.** Because the percentage of profits allocated to the General Partner of the Funds will exceed the capital contribution percentage of the General Partner, and because certain net losses otherwise allocable to the General Partner will be specially allocated to all the Partners (up to the point that the Limited Partners' capital account balances reach zero), 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.

### **Portfolio Company Risks**

**Dealing with private individuals.** The Funds will engage in financial transactions with private individuals ("Holders"). Individuals have been known to act improperly in an effort to achieve financial gain. Because the Funds will advance funds on a nonrecourse basis insulating such individuals from risk of loss and will typically not obtain a perfected security interest in the underlying stock due to pledge restrictions imposed by the issuing company, some counterparties may behave differently from how the party would behave if they were fully exposed to the risk, including attempting to induce the Funds to invest regardless of the merit of the transaction. The Funds will take steps to mitigate this moral hazard risk, including the due diligence procedures outlined in the Constituent Documents. In certain circumstances, the Funds may require Holders to co-invest or otherwise use their own funds for some portion of the option exercise price or tax payment. However, it is anticipated that the Funds' investments will generally have little or no co-investment from counterparties.

**Right of first refusal and other transfer restrictions.** Most employee stock option agreements include a right of first refusal ("ROFR") clause allows the company to repurchase stock that is sold, pledged, or transferred by the employee unless the transfer is in connection with a merger, sale or IPO of the company. A related clause in most agreements also restricts Holders from pledging or transferring the options held by them. The Funds' transaction documents are designed to avoid conflicts with the ROFR and other transfer restrictions. However, an issuing company may still attempt to invalidate a transaction by claiming that a transaction is subject to a ROFR or otherwise violates a transfer restriction.

**Venture investments.** The Funds will have indirect investment interests in privately-held, venture backed companies. These companies are often not profitable and may require considerable

additional capital to develop technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. To the extent that companies are required to raise additional funding at prices less than prior funding rounds, such actions may impair the value of the common stock of the companies in which the Funds have an interest. Further, the technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any stage. To the extent that a company experiences a decline in value through business failure, financing risks, or macroeconomic issues, the common stock value of the company may be impaired and the Fund's investment related to that company will be impaired.

**Lack of diversification.** The Funds are not subject to any diversification requirements and may invest in a limited number of companies or sectors. To the extent the Funds concentrate investments in a particular company or sector its investments will become more susceptible to fluctuations in value resulting from adverse business or economic conditions affecting that particular company or sector. As a consequence, the aggregate return of the Funds may be adversely affected by the unfavorable performance of one or a small number of companies or sectors.

**Lack of liquidity within investment portfolio.** The Funds' investment portfolio will consist of indirect investment interests in privately held companies. The marketability and value of each such investment will depend upon many factors beyond the General Partner's control. The investments made by the Funds will be illiquid and difficult to value, and there will be little or no collateral to protect an investment once made. At the time of the Funds' investment, a company in which the Funds hold an interest may lack one or more key attributes (*e.g.*, proven technology, marketable product, complete management team, or strategic alliances) necessary for success. There may be no readily available market for the Funds' investments, many of which will be difficult to value, and the disposal of a portfolio investment by the Funds may be prohibited or delayed many years from the date of initial investment for legal and/or regulatory reasons. The public market for high technology and other emerging growth companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the Fund to dispose of investments, and the value of the Fund's investments on the date of sale or distribution by the Fund.

**In-kind distributions.** The Funds' investments will be in the form of illiquid securities. If the General Partner so determines, in lieu of any cash distributions, Limited Partners may receive in-kind distributions of such illiquid securities. Any securities distributed may not be readily marketable or saleable and may have to be held by the Limited Partners for an indefinite period of time.

**Non-controlling investments.** The Funds will generally not directly own the securities of the company in which the Holder has exercised his or her stock options; instead the Funds will generally have rights to an agreed upon portion of the proceeds resulting from a liquidity event involving the securities of the company in which the Holder has exercised his or her options. The Funds will have a limited ability to protect its position in such companies. To the extent that the company engages in dilutive transactions (*e.g.*, issuing additional shares at prices less than prior rounds), the Funds' investment interest in such company will be impaired.

### **Management Risks**

**Lack of operating history.** Although the General Partners' management team has experience with the Funds, any new Fund will have no operating history and an investment in such a Fund must be

considered in light of the risk, expense and difficulties encountered by funds in an early stage of development.

**Dependence on the management team.** The Funds will be dependent on the activities of the General Partner's management team and will be particularly dependent upon the principals of the General Partner as identified in the Constituent Documents and the principals of ESO Management Services LLC (the "Principals"). The Limited Partners will be relying on the management expertise of the General Partner and ESO in identifying, acquiring, administering and disposing of the Fund's investments. Past investment performance by members of the General Partner provides no assurance of future results. The loss of any individual members of the management team could have a material, adverse effect on the Fund. Additional members may be admitted to the General Partner of the Funds and the Limited Partners will have no power to prevent any specific person from being admitted to the General Partner as a member thereof. If for any reason the Principals should cease to be involved in the investment management of the Funds, suitable replacements may be difficult to obtain, with the result that the performance of the Funds may be adversely affected.

**Allocation of investment opportunities.** As to any reinvestment or investment opportunities arising from earlier Funds which are fully invested or are actively investing, earlier Funds will have priority in the allocation over any Funds organized at a later date as to investments in companies that are already in the portfolios of prior Funds. The General Partner does not expect there to be a significant overlap in such investment opportunities between the Funds. Any allocations among the Funds would be made on what ESO Management Services LLC believes to be a fair and equitable basis.

**Other activities.** The Principals and their affiliates will devote only such portion of their time to the affairs of the Funds as they consider appropriate in their respective judgment to manage effectively the affairs of the Funds. Other activities of affiliates of the General Partner and its members with which such personnel are associated, or with which they may become associated in the future, may require them to devote substantial amounts of their time to matters unrelated to the business of the Fund.

### **Legal, Tax and Regulatory Risks**

**Legal, tax & regulatory risks.** Legal, tax, and regulatory changes could occur during the term of the Funds that may adversely affect the Funds, their portfolio companies, or the Investors. The Funds may have limited legal recourse in the event of a dispute, and remedies might have to be pursued in the courts of a variety of countries. There can be no assurance that regulations promulgated in countries where the Funds invest will not adversely affect the Funds or their portfolio investments.

**Regulatory concerns.** The General Partner believes the nature of the Funds will not subject it to the registration requirements of the United States Investment Company Act of 1940, as amended (the "Company Act"). There is no assurance that the General Partner's belief in this regard will continue to be correct. In order to ensure that the Funds may continue to rely upon an exemption from registration under the Company Act, appropriate representation and undertakings will be obtained from the Limited Partners. Due to the various burdens of compliance with the Company Act, the performance of the Funds' investment portfolio could be materially adversely affected, and risks involved in financing developing companies could substantially increase, if the Funds become subject to the Company Act. Neither the Funds nor its counsel can assure investors that, under certain conditions, changing circumstances, or changes in the law, the Fund may not become subject to the Company Act or other burdensome regulation.

**Absence of recourse.** The governing documents of the Funds limit the circumstances under which the General Partner, the Principals, and their affiliates, including their officers, directors, partners, employees, shareholders, members, and other agents, can be held liable to the Funds. As a result, Investors may have a more limited right of action in certain cases than they would have in the absence of such a limitation.

**Audit risks.** It is possible that an audit of the Fund's tax return by the Internal Revenue Service (the "Service"), if conducted, may result in an audit of a Limited Partner's U.S. tax return, if any. A Limited Partner that files a U.S. tax return must report each Fund item for U.S. federal income tax purposes consistent with its treatments on the Funds' return, unless such Limited Partner files a statement with his or her return which identifies the inconsistency. In the event of an audit, the tax treatment of all Fund items may be determined at the Fund level in a single proceeding rather than in separate proceedings with each Limited Partner. The General Partner may take primary responsibility for contesting federal income tax adjustments proposed by the Service, to extend the statute of limitations as to all Limited Partners and, in certain circumstances, the General Partner may be able to bind the Limited Partners to a settlement with the Service. The General Partner will inform each Limited Partner of a commencement and disposition of any such administrative proceeding. Nevertheless, a Limited Partner's participation in administrative or judicial proceedings relating to Fund items would be restricted.

**Loss of pass-through tax treatment.** The Funds intend to be classified as a partnership for federal income tax purposes. Failure to maintain that status would have material adverse tax consequences for members.

**General Tax Considerations.** In view of the complexity of the tax aspects of an investment in the Funds, particularly in light of the fact that certain of the tax aspects will not be the same for all Investors, prospective Investors are strongly advised to consult their tax advisors with specific reference to their own tax situations prior to an investment in the Funds. The Funds' investment and documentation strategy is novel and the tax treatment of such arrangements is untested and not free from doubt. In addition, there is no assurance that tax reporting by the Holders will be consistent with the Funds' tax reporting. Such inconsistencies may increase the risk of challenge to the Funds' tax reporting, or may increase the risk of audit of either the Funds or the Holders. Accordingly, there can be no assurances concerning the tax treatment of the Funds' investments.

More information about the Funds' investments and the associated risk factors is available in the Constituent Documents.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the every risk involved in an investment with ESO Management Services LLC. Prospective Investors and Investors should read the entire Brochure as well the Constituent Documents and other materials that may be provided by ESO Management Services LLC and consult with their own advisers prior to engaging ESO Management Services LLC' services.**

## **Item 9 – Disciplinary Information**

This item is not applicable because ESO Management Services LLC and its management persons have not been a party to any legal or disciplinary events that would be material to an Investor's or prospective Investor's evaluation of its investment advisory business or the integrity of its management.

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

### **A. Registration as a Broker-Dealer or Broker-Dealer Representative**

Neither ESO Management Services LLC nor its management persons are registered as a broker-dealer or broker-dealer representative.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Adviser**

Neither ESO Management Services LLC nor its management persons are registered as a futures commission merchant, commodity pool operator, or a commodity trading adviser.

### **C. Relationships Material to this Advisory Business and Possible Conflicts of Interest**

We have formed related entities to serve as general partners for the Funds under our management. As related entities, the Funds do not negotiate their terms on an arm's length basis with ESO Management Services LLC. ESO Management Services LLC fully discloses its fees to investors prior to their purchase of interests in the Funds.

ESO Management Services LLC is not and does not have a related person that is a municipal securities dealer, government securities dealer or broker, another investment adviser or financial planner, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, or a real estate broker or dealer.

Certain of the Funds may have California State Lender Licenses as may be required or necessitated by the types of investments held in the Fund and/or strategies implemented by the Funds.

The Funds may co-invest with third parties in one or more specific portfolio companies. Where possible and appropriate, the Funds may, but will be under no obligation to, provide co-investment opportunities to one or more Investors before making such opportunities available to others. Any allocations among the Funds and co-investment vehicles would be made on what ESO Management Services LLC believes to be a fair and equitable basis. ESO Management Services LLC may receive a portion of such third-party manager or operator's revenues through an equity ownership in such third party, and may receive certain fees or payments including directors' fees, origination fees, consulting fees, advisory fees, transaction fees, and closing fees. This arrangement may create a conflict of interest and ESO Management Services LLC addresses this risk by providing disclosure to all clients about these conflicts in this Form ADV Part 2A and the applicable PPM or similar documents/disclosures. ESO Management Services LLC intends to mitigate this conflict by generally providing 50% of any such fees and revenues to the applicable Private Fund or applicable series or class within the Private Fund.

Principals and employees of ESO Management Services, LLC may engage in outside business activities unrelated to ESO Management Services, LLC or the Funds. Pursuant to the Firm's Code of Ethics, in order to avoid potential conflicts of interest such outside business activities must be reviewed and approved by the Firm's Chief Compliance Officer and such outside business activities will be subject to ongoing monitoring for potential conflicts of interest.

### **D. Selection of Other Advisors or Managers**

ESO Management Services LLC does not utilize nor select other advisors or third party managers. All assets are managed by ESO Management Services LLC.

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

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

ESO Management Services LLC has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code governs the activities of each member, officer, director and employee of ESO Management Services LLC (collectively, “Employees”). ESO Management Services LLC holds its Employees to a high standard of integrity and business practices that reflects its fiduciary duty to Clients. In serving its Clients, ESO Management Services LLC strives to avoid conflicts of interest or the appearance of conflicts of interest in connection with the personal trading activities of its Employees and Client securities transactions. When persons covered by the Code engage in personal securities transactions, they must adhere to the following general principles as well as to the Code’s specific provisions: (a) at all times the interests of Client must be paramount; (b) personal transactions must be conducted consistent with the Code in manner that avoids any actual or potential conflict of interest; and (c) no inappropriate advantage should be taken of any position of trust and responsibility. Employees covered by the Code have certain trading restrictions and reporting obligations of their personal securities transactions. Each Employee is provided with a copy of the Code and must annually certify that he or she has received it and have complied with its provisions. In addition, any Employee who becomes aware of any potential violation of the Code is obligated to report the potential violation to the Chief Compliance Officer.

This disclosure is provided as a summary of the Firm’s Code of Ethics. However, if you would like to review the Firm’s Code of Ethics in its entirety, a copy will be provided promptly upon request by submitting a written request to ESO Management Services LLC at the address on the cover page to this Brochure.

### **B. Recommendations Involving Material Financial Interests**

We serve as the investment advisor to the Funds and we have formed affiliated entities to serve as General Partners to the Funds. As investment advisor and general partners, the Firm and our affiliated entities have sole and complete responsibility for managing each Fund’s investment portfolio pursuant to the investment objectives and investment policies of the respective Fund.

Principals and employees of ESO Management Services LLC and its affiliates may directly or indirectly own an interest in private investment funds, including the Funds managed by ESO Management Services LLC. The fact that ESO Management Services LLC, its employees and other related persons may have a financial ownership interest in the Funds creates a conflict in that it could cause the Firm to make different investment decisions than if they did not have such a financial ownership interest.

### **C. Investing Personal Money in the Same Securities as Clients**

ESO Management Services LLC invests in the securities of private companies. As noted above, ESO Management Services LLC, its employees and other related persons (including family members and close personal friends) may invest directly in the Funds. Further, such parties may also make investments in the types of securities that the Funds invest in.

ESO Management Services LLC or its related persons may, from time to time, also invest in portfolio companies. As investors of the same portfolio companies (and their related products) in which the Funds invest, such persons may participate in any capital gains (or losses) along with the Funds. Additionally, a third-party co-investor or current or prospective investor may have or could have an ownership interest or otherwise an affiliation with a portfolio company. The investment by ESO Management Services LLC, its related persons, a third-party co-investor, or current or prospective investor in a portfolio company may present a conflict of interest between the Firm's economic interest (including using the investment as an incentive for a current or prospective Investor to invest in current or future Funds) and what is in the best interests of the Funds.

The Code requires Employees to obtain preapproval of any investments in private offerings to identify and manage potential conflicts with the Funds' investments. ESO Management Services LLC requires Employees to sign and adhere to the Code and to report personal securities holdings and transactions to its Chief Compliance Officer.

#### D. Trading Securities At/Around the Same Time as Clients' Securities

ESO Management Services LLC invests in the securities of private companies. The Code requires Employees to obtain preapproval of any investments in private offerings to minimize the possibility of conflicts with the Funds' investments. ESO Management Services LLC will document any transactions that could be construed as conflicts of interest and will always transact Client business before the business of its Employees and/or related persons when similar securities are being bought or sold.

### **Item 12 – Brokerage Practices**

#### A. Factors Used to Select or Recommend Broker-Dealers

ESO Management Services LLC invests in the securities of private companies and generally transacts via privately-negotiated transactions with the Holder. ESO Management Services LLC may also distribute securities to Investors in the Funds or sell such securities, including through using a broker-dealer, if a public or private trading market exists. Although ESO Management Services LLC does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

ESO Management Services LLC will always have discretion as to the placement of brokerage (and accordingly, the commission rates paid). In selecting brokers to effect portfolio transactions, ESO Management Services LLC considers such factors as price, quality of execution, expertise in particular markets, the ability of the brokers to effect the transactions, the brokers' facilities, reliability, reputation, experience, financial responsibility in particular markets, familiarity both with investment practices generally and techniques employed by clients and certain brokerage or research services ("soft dollar items") provided by such brokers and clearing and settlement capabilities, subject at all times to principles of best execution, in accordance with the ESO Management Services LLC' policies and procedures. In selecting broker/dealers to execute transactions, the ESO Management Services LLC need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. ESO Management Services LLC believes that the broker-dealers it recommends provide competitive transaction and custody costs, helping clients to eliminate or control costs and optimize the custodial structure to the benefit of account holders. When possible, ESO Management Services LLC seeks to pre-negotiate preferred terms for its clients providing clients with the benefits associated with the economy of scale and custodial knowledge of the firm.



Certain brokers utilized by ESO Management Services LLC may provide general assistance to ESO Management Services LLC, including, but not limited to technical support, consulting services, and consulting services related to staffing needs. In selecting a broker, ESO Management Services LLC may consider the broker's general assistance and consulting services. To the extent ESO Management Services LLC would otherwise be obligated to pay for such assistance, it has a conflict of interest in considering those services when selecting a broker.

### 1. Research and Other Soft Dollar Agreements

ESO Management Services LLC currently does not anticipate entering into written soft-dollar agreements with third parties to receive research or other products or service other than execution from a broker-dealer or third-party in connection with Client securities transactions. However, in the future, ESO Management Services LLC shall have the right if, in good faith, it considers it to be in the best interest of its Clients and consistent with ESO Management Services LLC's obligations to do so, to enter into written "soft dollar" agreements with one or more broker-dealers. We anticipate that all "soft dollar" arrangements will fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act, as that safe harbor is currently interpreted by the Securities and Exchange Commission. If in the future ESO Management Services LLC executes a written soft-dollar agreement, this Brochure will be appropriately amended.

### 2. Brokerage for Client Referrals

ESO Management Services LLC does not consider, in selecting or recommending broker-dealers, client referrals from a broker-dealer. ESO Management Services LLC may receive referrals in the future and if it does it will appropriately amend this Brochure.

### 3. Directed Brokerage

ESO Management Services LLC does not accept directed brokerage arrangements which means investors in our Funds do not select the brokerage platforms we use. Transactions are executed by brokers selected by ESO Management Services LLC in its discretion and without the consent of the Clients or Fund Investors. ESO Management Services LLC may enter into directed brokerage arrangements only in its discretion.

### B. Aggregating Trading for Multiple Client Accounts

As discussed elsewhere in this Item, ESO Management Services LLC invests in the securities of private companies and generally does not trade in public securities or similar instruments on behalf of Client accounts. To the extent it does so, ESO Management Services LLC policies permit (but do not require) it to combine orders on behalf of one Fund account with orders for other Fund accounts for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, ESO Management Services LLC will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. ESO Management Services LLC believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to one Fund than if that Fund had been the only account effecting the transaction or had completed its transaction before the other participants. Because of ESO Management Services LLC's relationship to the Funds it manages by virtue of its position as an investment manager, there may be circumstances in which transactions for those entities may not, under certain laws, regulations and internal policies, be combined with those of some of ESO Management Services LLC's and its affiliates' other Funds, which may result in less advantageous execution for those Funds.

ESO Management Services LLC may place orders for the same security for different Funds at different

times and in different relative amounts due to differences in investment objectives, cash availability, size of order and practicability of participating in “block” transactions. The level of participation by different Funds in the same security may also be dependent upon other factors relating to the suitability of the security for the particular Fund.

In addition, ESO Management Services LLC and/or its related persons or Funds may buy or sell specific securities for its or their own account that are not deemed appropriate for Fund accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments in Fund accounts are made. Where execution opportunities for a particular security are limited, ESO Management Services LLC attempts in good faith to allocate such opportunities among Funds in a manner that, over time, is equitable to all Funds.

### **Item 13 – Review of Accounts**

#### **A. Frequency and Nature of Periodic Review and Who Makes Those Reviews**

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. However, ESO Management Services LLC closely monitors companies in which the Funds invest and its policies require checks no less than annually, but generally quarterly, to confirm that each Fund is maintained in accordance with its stated objectives.

The ESO Management Services LLC Investment Committee is responsible for investment decisions of the Fund and providing on-going reviews. Currently the Investment Committee is comprised of Stephen Roberts, Scott Chou, James Lackie and Michael Sousoulas.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may take place more frequently if triggered by economic, market, or political conditions.

#### **C. Content and Frequency of Regular Reports**

Investors in the Funds will generally receive unaudited reports of performance quarterly and will receive audited year-end financial statements annually for each Fund.

The Funds are audited at the end of each fiscal year by an independent certified public accountant. ESO Management Services LLC delivers to each investor audited financial statements for their Private Fund, including an income statement for the year then ended and a balance sheet as of the end of such year and a statement of changes to such investor’s capital account.

ESO Management Services LLC will furnish a Schedule K-1 to each investor as promptly as practicable after the close of the fiscal year. Because ESO Management Services LLC cannot provide annual tax information until such information is received from the underlying funds and portfolio companies in which the Private Funds invest, it is possible that, in any taxable year, annual tax information will not be provided by ESO Management Services LLC until sometime after April 15, and that the investors will need to apply for an extension of time to file tax returns.

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

### **A. Economic Benefits Provided by Third Parties**

ESO Management Services LLC does not receive any economic benefit, directly or indirectly from any third party for advice rendered to the Funds and underlying investors.

### **B. Compensation to Non-Advisory Personnel for Client Referrals**

Currently, neither ESO Management Services LLC nor its related persons directly or indirectly compensates any person who is not advisory personnel for Client referrals. If in the future ESO Management Services LLC enters into such arrangements, this Brochure will be appropriately amended.

## **Item 15 – Custody**

A rule under the Investment Advisers Act provides that General Partners of a Fund are considered to have “custody” of the Fund’s assets, even though independent, qualified custodians actually hold those assets. That rule generally requires investment advisers to cause certain account statements detailing holdings and transactions to be sent to Clients, and imposes certain other obligations. However, advisers to investment funds like the Funds need not comply with those requirements if, among other things, the Funds provide Investors with audited financial statements by a specified time each year and those financial statements meet certain requirements. ESO Management Services LLC satisfies those conditions.

## **Item 16 – Investment Discretion**

ESO Management Services LLC maintains discretionary authority over the trading accounts of the Funds to select investments on a privately negotiated basis. We will have the authority to determine the type of assets or securities to purchase or sell. Our discretionary authority will be granted in the investment management agreement between ESO Management Services LLC and the Funds. As noted elsewhere in this Brochure, the investment strategy of the Funds is set forth in detail in such Funds’ PPM or similar documents. Prospective investors are provided with the PPM prior to their investment and are encouraged to carefully review the and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective investors must also execute a subscription agreement, in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, prospective investors must execute a limited partnership agreement of the Fund.

## **Item 17 – Voting Client Securities**

ESO Management Services LLC is responsible for voting securities on behalf of the Funds under our management. However, currently we primarily invest in the securities of private companies and therefore do not anticipate the opportunity to heavily vote proxies on behalf of Clients (i.e. the private funds). However, we may hold publicly traded securities from time-to-time and have the opportunity to vote such securities. To the extent that changes and we were to recognize a conflict of interest with respect to the voting of proxies on behalf of a Fund, we will request that the investors in the Fund, or a committee represented by such investors, assist with voting. To the extent we vote proxies, the objective is to maximize the value of the investments held in fund portfolios. A copy of the Firm’s proxy voting policies and procedures is available upon request.

### **Item 18 – Financial Information**

This Item 18 is not applicable to this Brochure. ESO Management Services LLC does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance so we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, ESO Management Services LLC has not been the subject of a bankruptcy petition.