

## **SAVANO DIRECT CAPITAL PARTNERS, LLC**

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Baltimore, MD 21209**

**March 2023**

This “**Brochure**” provides information about the qualifications and business practices of Savano Direct Capital Partners LP (hereinafter “**Savano**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Gus Koven, by email at [gus@savanocapital.com](mailto:gus@savanocapital.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Savano has applied as an Investment Adviser with the SEC. Registration as an investment adviser does not imply that Savano or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2: Material Changes**

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Savano does not have any material changes to report within this Form ADV update. If a Brochure contains material changes from our last submission of Form ADV, we will always identify and discuss those changes in this section.

### **Item 3: Table of Contents**

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#### Item 4: Advisory Business

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Savano Direct Capital Partners, LLC (hereinafter “**Savano**”, “**we**”, “**us**”, “**our**” or the “**Firm**”) is organized as a Delaware limited liability company with a principal place of business Baltimore, MD. The Firm is principally owned by Thomas Smith, referred to as a “**Principal**”, and together with Gustav Koven, the “**Principals**”.

As of the date of this Brochure, Savano provides discretionary investment management services to qualified investors through its private funds: Savano Capital Partners II, L.P., Savano Capital Partners III, L.P., Savano Opportunities Series, L.P. (Series 1-SC), and Savano Opportunities Series, L.P. (Series 2).

Savano is a growth equity firm that invests on its Clients’ behalf into private companies. Mainly, Savano invests in what it believes are leading late-stage technology companies by providing interim liquidity solutions to individual shareholders, such as, management teams, founders, and early investors. Savano also provides primary growth capital to private companies.

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

Savano’s Clients (defined below) as of the date of this Brochure are the following private, pooled investment vehicles:

- Savano Capital Partners II, L.P., a Delaware limited partnership (the “**Fund II**”);
- Savano Capital Partners III, L.P., a Delaware limited partnership (the “**Fund III**”);
- Savano Opportunities Series, L.P. (Series 1-SC), part of Savano Opportunities Series, L.P., a Delaware series limited partnership (“**Series 1-SC**”); and
- Savano Opportunities Series, L.P. (Series 2), part of Savano Opportunities Series, L.P., a Delaware series limited partnership (“**Series 2**”), and collectively with Series 1-SC, “**Savano Opportunities**”).

Fund II, Fund III, and the Savano Opportunities are herein each referred to as a “**Fund**” or “**Client**”, and collectively referred to as the “**Funds**” or the “**Clients**”.

The Funds’ “**Limited Partners**” are hereafter collectively referred to as the “**Investors**” where appropriate.

Fund II’s “**General Partner**” is Savano Direct GP II, LLC, or “**GP II**”. Fund III’s General Partner is Savano Direct GP III, LLC, or “**GP III**”. The Savano Opportunities’ General Partner is Savano Opportunities GP, LLC “**Opportunities GP**”. Collectively, these entities will be referred to as the “**Fund GPs**” or “**Fund General Partners**”.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**.”

We do not currently participate in any Wrap Fee Programs.

We have \$ 253,527,266 regulatory assets under management.

## Item 5: Fees and Compensation

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The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

### ***Management Fee***

Savano is paid an investment management fee ("**Management Fee**") per annum of the net asset value or committed capital of the Funds, as applicable. Currently, some Funds pay management fees while others do not.

If a Fund pays Management Fees, the fee will range from 1.00% to 2.25% (per annum) and be paid quarterly in advance by the Funds unless otherwise stipulated in the funds governing documents. The Management Fee will start at either 2.00% or 2.25% of committed capital with an annual step-down of 20 basis points after the Investment Period of the Fund with a floor of 1% of asset value unless otherwise stipulated in the funds governing documents. Please see each Fund's Confidential Private Placement Memorandum or other Offering Documents for more information.

The Firm, in its sole discretion, may waive or modify the Management Fee for any Investor.

### ***Other Types of Fees or Expenses***

Savano is authorized to incur and pay in the name and on behalf of the Funds all expenses which they deem necessary or advisable.

The Firm is responsible for and shall pay, or cause to be paid, all of its normal overhead expenses, including salaries, employee benefits, office rent, utilities, phones, travel unrelated to investments or offering of interests in the Funds, and administrative costs associated with providing administrative services to the Funds. For the avoidance of doubt, this does not include outsourced fund administration and related services which are borne by the funds.

Subject to the expenses borne by the Fund General Partners pursuant to each Fund's **Limited Partnership Agreement ("LPA")**, the Funds shall bear all costs and expenses incurred in connection with the formation (subject to the limits below) and the operation of the Funds (such expenses, including expenses below, "**Fund Expenses**"), including without limitation, all costs and expenses incurred:

- (i) in connection with the organization of, and the offering of interests in, the Funds, including governmental registration, filing and licensing costs and fees relating to the Funds, the Fund General Partners and the Firm, but excluding placement agent fees relating to any investment by an Investor in the Funds (which shall be offset against the Management Fees to the extent that such placement agent fees are paid by the Fund(s)); provided that the expenses in this clause (i) shall be borne pro rata by the Funds based on the respective capital commitments to the Funds and the other at the final closing date (and any expenses borne prior to the final closing date shall be borne pro rata based on the respective capital commitments to the Funds at that time and readjusted, if necessary, at the final closing date), and provided, further, that the Funds shall only collectively bear up to an aggregate amount equal to \$750,000 of the expenses set forth in this clause (i), and the Fund General Partner(s) shall bear all such costs and expenses in excess of \$750,000 (or such amounts will be paid by the Funds and offset against the Management Fee in equal instalments over a period of four years following the initial drawdown date);
- (ii) for legal, financial, tax, accounting and auditing services incurred in connection with the operation of the Funds;

- (iii) for consulting, appraisal and other professional services relating to making, managing, or disposing of specific Investments or proposed investments (whether or not consummated) that are provided by persons other than the Firm, provided that expenses for consulting and other professional services shall be limited to expenses for services that are customarily provided by third-party service providers for the benefit of private equity funds similar in nature to the Funds;
- (iv) on account of custodian fees, brokerage fees, commissions, discounts, and other fees incurred in connection with the purchase, retention, custody or sale of securities;
- (v) on account of filing fees (other than filing fees incurred in connection with the organization of the Funds, which shall be borne by the Funds subject to the limitation set forth in clause (i) above);
- (vi) on account of federal, state, county, and municipal taxes and assessments, and other governmental charges assessed against the Funds (other than taxes, assessments or charge attributable to and borne by an Investor);
- (vii) in connection with all meetings, votes, and written consent votes of Investors;
- (viii) in connection with the preparation and distribution of reports to Investors, Fund tax returns and Fund financial statements;
- (ix) in connection with meetings and other activities of the LP Advisory Board;
- (x) in connection with governmental registration, filing and licensing fees and related expenses of the Fund General Partners and the Firm not to exceed \$75,000 per fiscal year;
- (xi) in connection with the purchase and maintenance of errors and omissions and other liability insurance; and
- (xii) in connection with incurring indebtedness for money borrowed in accordance with the terms of the LPA of the respective Fund.

The Funds also shall bear all other costs, expenses, fees, payments and liabilities (including, without limitation, travel expenses, structuring and diligence expenses, judgments, fines, penalties, amounts paid in settlement, attorneys' fees, costs of investigation and other litigation costs) incurred by or on behalf of the Funds in connection with: (A) the investigation of investment opportunities (whether or not consummated), the acquisition, ownership and disposition of securities and all other matters related to the conduct of the business of the Funds, other than those to be borne by the Fund General Partners; or (B), subject to the limitations set forth in the applicable Fund's LPA, if applicable, the defense or disposition of any claim, action, suit, or proceeding, whether civil, criminal, administrative or investigative, arising in connection with the conduct of the business of the Funds. The Fund General Partners and all related parties shall be reimbursed by the Funds for expenditures made on behalf of the Funds in connection with any of the foregoing. The Funds shall pay any placement fee, finder's fee or similar fee which may be payable to others in connection with the investment by an Investor in the Fund(s), and the amount of such fees shall be offset against the Management Fees payable to the Fund General Partner(s) pursuant to the applicable Fund's Offering Documents and LPA.

In general, each Investor will bear its proportionate share of the Fund expenses on a pro rata basis with respect to the size of such Investor's capital account(s) or capital commitment or with respect to the relative net asset value of the shares held by such Investor, as applicable.

Notwithstanding the foregoing, the Fund GPs and/or the Firm, as applicable, may specially allocate the expenses described herein in any other manner, including by allocating certain expenses to certain (but not all) Investors, if the Fund GPs and/or the Firm, as applicable, reasonably determines, in its discretion, that it is more equitable to do so or as permitted by the Funds' governing documents.

To the extent that expenses to be borne by the Funds are paid by the Firm or its affiliates, the Funds will reimburse the Firm or its affiliates for such expenses. We may waive any such reimbursement with respect to any Fund expenses. Any waiver by us for reimbursement of any Fund expenses shall not serve as a waiver of reimbursement for any future Fund expenses to be paid by us or our affiliates.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

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We and our affiliates, including the Fund GPs, are entitled to a performance-based compensation. As a result, we and our affiliates face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement. Currently, some Funds are charged performance-based fees while others are not. However, Savano evaluates each potential deal in a fair and unbiased manner when allocating investments to the Funds..

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

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Our clients are the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors.

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

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The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy, and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

#### ***Investment Objective***

Savano is a growth equity firm that seeks to invest in leading late-stage technology companies. Savano strives to access market leaders at discounted pricing by providing interim liquidity solutions to individual shareholders, including management teams, founders, and early investors. Savano also provides primary growth capital to private companies. Savano focuses on solving an important need to the companies it invests in while seeking maximum return on investment for its Investors.

#### ***Risk Management***

Savano seeks to mitigate risks by managing pricing risk through accumulating positions over time via multiple transactions and putting additional transactions on hold if performance

milestones are not met. Savano also seeks to reduce operating risk by mainly accessing companies when initial product development, business model, market acceptance, team, and financing risks have already been largely eliminated.

### ***Risk of Loss Factors***

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

An investment involves significant risks, and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly-traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with Savano.

### ***Considerations Relating to Investment Activities***

*No Assurance of Investment Return.* The General Partner of each Fund cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. With respect to the Funds' equity positions, there will be either no marketplace or a limited marketplace for the securities of a private portfolio company, and the realization of the success of the investment may require the securities to be sold to other private Investors or in a public offering, or for the portfolio company to be acquired. There can be no assurance that a Fund will generate returns for the Investors, that the returns will be commensurate with the risks associated with such investments, that the investment objectives of each Fund or projected or targeted returns will be achieved, or that there will be any return of capital. An Investor should only invest in a Fund if the Investor can withstand a total loss of its investment.

*Past Performance Does Not Guarantee Return on Investment.* The past investment performance of entities or investments with which the Firm and the officers and employees have been associated should not be construed as an indication of future results of any investment in the Funds.

*Potential Lack of Diversification.* The Funds will make only a limited number of investments and may make several investments in one industry or one industry segment. In addition, certain Funds may invest up to 10%, or more with the respective Fund's Limited Partner Advisory Board "LPAC" approval, of each of their aggregate capital commitments in a single portfolio company. The Funds will otherwise be under no obligation to diversify its investments. Certain Funds are designed to substantially invest or invest all of their capital into singular investments. As a result, the aggregate returns realized by the Investors could be adversely affected in a material manner by the unfavorable performance of even one such investment, industry, or industry segment. To the extent that a Fund's aggregate commitments are less than the targeted amount, that Fund may invest in fewer companies and thus be less diversified.

*Highly Competitive Market for Investment Opportunities.* The business of identifying and structuring private equity investments is highly competitive and involves a high degree of



uncertainty. The Funds will be competing for investments with other private equity investment vehicles and with individuals, financial institutions, and other institutional Investors. Over the past several years, a large number of private equity funds have been formed, and many existing private equity firms have grown in size. Additional funds with similar investment objectives or methods may be formed in the future by other unrelated parties. Furthermore, the availability of investment opportunities generally will be subject to market conditions, as well as, in some cases, the prevailing regulatory or political climate. There can be no assurance that the Funds will be able to locate, complete and exit investments that satisfy their rate of return objectives or realize upon their values, or that it will be able to invest fully its committed capital; however, Investors will be required to pay annual management fees during the term of the Fund in which they are invested based on their capital commitments, regardless of that Fund's performance.

*Risks Associated with Secondary Investments in Portfolio Companies.* In addition to the general risks associated with portfolio company investments otherwise described herein, the Funds' intended focus on secondary direct investments presents specialized risks.

While the secondary direct investment market has grown substantially, it remains a young market relative to more established private equity markets. Thus, it may be more prone to rapid swings in the level of market activity, highly variable inflows, and outflows of competitors, changing deal terms and conditions, and other attributes of a young, developing marketplace. Moreover, the members of the Fund General Partners have achieved their prior levels of success at times when the market was even less developed than it is at present, and they may face a variety of new or enhanced hurdles, challenges or difficulties as the market matures. For example, website operators recently have begun to create quasi-public markets for secondary direct interests and may achieve greater success in the future, with corresponding detriment to the Fund's more proprietary approach.

Sellers of secondary interests may be passive Investors or otherwise have little insight into the true value of such interests and little information to share with the Fund General Partners other than reports that have been generated and provided by portfolio company management. The management of a prospective portfolio company may not be willing to assist the Fund General Partners in conducting factual investigation and analysis ("diligence") with respect to the prospective portfolio company and may be under no obligation to do so. As described in the other Offering Documents, the Fund General Partners typically will seek to position the Funds as an attractive counterparty vis-à-vis portfolio company management, and believes that this positioning often will induce prospective portfolio company management to cooperate with the General Partners' efforts to conduct diligence. However, there can be no assurance that prospective portfolio company management will be inclined to cooperate with the General Partners' efforts at diligence or to take such other steps as are necessary to facilitate an investment by the Funds.

The securities that the Funds will seek to acquire on a secondary basis may be subject to substantial limitations on transferability including, without limitation, prohibitions on transfer, tag-along or drag-along rights, or rights of first refusal. Otherwise, attractive investments may be impracticable or impossible to consummate due to such limitations.

Once a Fund General Partner has identified an attractive secondary investment opportunity, and gained access to that opportunity, the terms and conditions of investment may not be ideal. Overall, as a secondary Investor, the Fund making the investment may have fewer

rights to influence portfolio company management than if it were a primary Investor (see "Minority Investments and Investments in Junior Securities" below).

The Funds' intended investment program includes the accumulation of substantial positions in portfolio companies by means of many incremental investments. Such an approach may result in substantially greater costs per dollar invested relative to typical venture/private equity funds that often invest larger amounts via a smaller number of transactions.

The Funds' intended investment program is based, in significant part, on assumptions regarding the supply of investments available for purchase. That supply is subject to many circumstances beyond the General Partner's control. For example, an unexpectedly active IPO market might significantly reduce the supply of investments available to the Funds by making it possible for erstwhile sellers to cash-out via public market transactions.

*Lack of Operating History.* The Funds and the Fund General Partners are being established in connection with this offering and have no operating history.

Information provided along with the Offering Documents relating to the track records of any of the Firm's employees is for illustrative purposes only. Any past performance described herein is not an indication of future results, and there can be no assurance that the rate of return objectives of the Funds will be realized or that there will be any return of capital to the Investors.

*Reliance on the Principals and on the Management of Portfolio Companies.* The successful investment of the Funds' assets will depend upon, among other things, the skill and expertise of the Firm's employees and officers. There can be no assurance that the Firm's employees or such officers will continue to be associated with the Funds. The loss of key personnel could have a material adverse effect on the Funds, including termination of the investment period. Additionally, competition on a regional and national basis for personnel to assist in operating the Funds is intense, and there can be no assurance that the Fund General Partners will be successful in attracting and retaining such personnel, which may adversely affect the Funds' results.

Subject to certain exceptions, if, during the investment period, any two of the Firm's Principals cease to devote substantially all of their business time and efforts to the affairs of the Funds (subject to limited exceptions), the Funds will enter a suspension period.

In many cases, the Funds will not have an active role in or control over the day-to-day management or policies of its portfolio companies. In addition, it is anticipated that in most cases, the Funds will not have a seat on the board of directors of such companies. While the Fund General Partners will monitor the performance of each Fund investment, the management team of each portfolio company will ultimately be responsible for operating such company successfully. Moreover, the companies in which the Funds will invest are often vulnerable to changes in technology, fluctuations in demand for their products, changing interest rates and other facts. Although the Funds generally intends to invest in portfolio companies with strong management, there can be no assurance that any management team or any portfolio company will perform well following the Funds' investment(s). In addition, many portfolio companies will rely on the services of a limited number of key individuals, the loss of any one of whom could significantly and adversely affect the portfolio company's performance.

*Financial and Business Risks Facing Portfolio Companies.* Investments made by the Funds will generally involve a significant degree of financial and/or business risk. Many of the portfolio companies in which the Funds invest will be small businesses with under \$100 million of revenue and may involve a high degree of business and financial risk. These companies may (i) be in an early stage of development, (ii) be operating at a loss or have significant variations in operating results, (iii) be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, (iv) require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or (v) otherwise have a weak financial condition. In addition, portfolio companies may face intense competition, including from companies with greater financial resources and from companies with more extensive development, manufacturing, marketing, and other capabilities, and changing business or economic conditions or other developments that may adversely affect their performance. A portfolio company may also implement sales, marketing and distribution plans that do not generate planned revenue. If, for any of these reasons, a portfolio company is unable to effect its plans, to generate sufficient cash flow to meet principal or interest payments on its indebtedness or to make dividend payments when due, the value of the Funds' investment in such portfolio company could be significantly reduced or even eliminated.

*Uncertain Economic and Political Environment.* The portfolio companies and the Funds may be adversely affected by general economic or market conditions. Uncertainties in the economic and political environment can make it more difficult to select promising investments or avoid poor investments, and subsequent changes in the environment may be unforeseen, abrupt, and adverse to the Funds' portfolio companies and its ability to find, develop and realize returns from appropriate investments. Ongoing acts or threats of civil disturbance, riots, acts of God, terrorism, wars, and other disputes among countries or against the United States may exacerbate these issues, increase the volatility of financial or product markets or otherwise contribute to the likelihood or severity of an economic downturn. Many of the factors which could affect the performance of the Funds or their individual portfolio companies will be beyond the control of the Fund General Partners and the Funds. While there have been recent indications that the U.S. economy may have begun a recovery from the recession of the past couple years, there can be no assurance as to whether any such recovery will persist or whether economic conditions may deteriorate. A further significant downturn in the U.S. economy could adversely affect the Fund's operating results and ability to implement its business strategy.

*Economic and Market Conditions in the U.S.* The Funds and the businesses of the companies in which they invest are materially affected by financial markets and economic conditions or events throughout the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts, security operations and riots). In the past, difficult market conditions and economic trends have adversely affected the financial services industry and the securities markets, which were materially and adversely affected by significant declines in the values of nearly all asset classes and by a pronounced lack of liquidity. These trends caused the global markets to have increased volatility and had a negative impact on investor confidence in both financial institutions as well as a number of other industries and in the broader financial markets. Furthermore, general downward economic trends, reduced availability of commercial credit and increased unemployment can negatively impact the performance of commercial and consumer credit. At the present time, the markets are highly volatile and governments throughout the world, including the United States, continue to carry a significant amount of debt, partially as a result of the 2008 financial crisis, and have increased such debts in response to the COVID-19 pandemic. The

current economic pressure on consumers and businesses and the lack of confidence in the financial markets may adversely affect the business, financial condition, and operating results of the Funds.

*Risks Related to Non-US Investments.* The Funds may invest in companies originated or issued outside the United States. The Funds may also invest in companies made to create products or services to consumers and businesses outside the United States, and serviced by other third party servicers operating outside the United States. Investing in such non-U.S. assets involves certain considerations not usually associated with investing in U.S. assets or U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization of private property, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain, gross sale or disposition proceeds or other income; the small size of the securities markets in certain countries and the low volume of trading or transacting, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the United States. There is also less regulation, generally, of the financial markets in certain countries than there is in the United States. As a result, the Firm may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Clients' rights in respect of its investments in such markets.

*Russian Invasion of Ukraine and Similar Events.* In February 2022, Russia mobilized and commenced military operations in Ukraine resulting in a large-scale conflict within the country and the surrounding border regions. The effects, scale, and impact of this conflict on Ukraine, Russia and other countries is highly uncertain and cannot be predicted. The United States and other global leaders have announced economic sanctions against Russia, and it is unclear whether further sanctions and/or military responses will be implemented. Effects on the global economy and trading markets resulting from the military operations and economic sanctions connected to the Russia-Ukraine conflict are uncertain and impossible to predict. Although the Funds will not invest in properties or securities located in Russia, Ukraine, or surrounding regions, these events could negatively affect the value and liquidity of the Funds' investments due to the interconnected nature of the global economy and capital markets. Further, there is no assurance that similar events could not happen in the future in the same or other countries or geographic regions. The effects, scale, and impact of similar conflicts would similarly be highly uncertain and could not be predicted, and similar conflicts could have material effects on the global and local economy and trading markets and may be more or less pronounced than in the current Russia-Ukraine conflict. While such impacts are impossible to predict, such events could negatively affect the value and liquidity of the Funds' investments due to the interconnected nature of the global economy and capital markets and could have a more pronounced effect on the Funds if such conflict involved the geographic region in which they have made investments, or their portfolio investments have significant operations or customers.

*Bank Failures.* On March 10, 2023, the Federal Deposit Insurance Corporation ("FDIC") and the California Department of Financial Protection and Innovation assumed control of Silicon Valley Bank ("SVB") following SVB's financial losses and massive deposit withdrawals. On March 12, 2023, Signature Bank, New York, NY ("Signature Bank") was closed by the

Department of Financial Services of New York and subsequently, the FDIC was named receiver. These bank failures and caused turmoil in the financial markets and other similar bank failures may increase market volatility and decrease consumer and business confidence. In addition, certain third parties, issuers, and obligors in which the Funds invest may have banking relationships with SVB, Signature Bank and other failed banks and may suffer material losses that could seriously impair their business operations. Bank failures and ripple effect of such failures on the Funds' investments may adversely affect the value of investments held by the Funds and/or the ability of the Funds to dispose of investments at attractive valuations.

**Public Health Emergencies; COVID-19.** Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19, have resulted and are resulting in market volatility and disruption, and COVID-19 and any future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

***Illiquidity of Investments.*** The Funds are intended for long-term Investors who are able to accept the risks associated with investing in an illiquid portfolio of loans, equity, or equity-related securities that are not readily marketable. There can be no assurance that the Funds will achieve their financial objectives, and the possibility of partial or total loss of each Fund's capital exists. It is generally not anticipated that an investment by the Funds in a portfolio company will generate current income. Therefore, the return of capital and the realization of gains, if any, from a portfolio company investment generally will occur only upon the partial or complete disposition of such portfolio company investment. While a portfolio company investment may be disposed of at any time, it generally is expected that the disposition of most of the Funds' portfolio company investments will not occur for several years after such investments are first made. The Funds generally will not be able to sell its securities publicly unless the issuer has conducted a public offering and such sale is registered under applicable securities laws, unless an exemption from such registration requirements is available. A significant portion of the Funds' assets may consist of securities that are thinly traded, securities for which no market exists or securities that are restricted

as to their transferability under applicable securities laws or documents governing particular transactions of the portfolio company. This factor may limit the ability of the Funds to sell such securities at their fair market value prior to termination of the Funds or in response to changes in the portfolio company's prospects, the economy, or the financial markets. Due to securities regulations governing certain publicly traded equity securities, the Funds' ability to sell such securities also could be diminished with respect to equity holdings that represent a significant portion of the issuer's securities, particularly in the event that one or more of the issuer's directors has been designated by the Funds.

*Distributions of Securities.* In the case of Fund II and Fund III, each Fund's General Partner may offer Limited Partners the right to receive all or part of a distribution in cash or in kind. In such a case, to the maximum extent permitted under applicable tax law, any net gain or loss attributable to the sale of securities sold to make a cash distribution will be allocated equitably among only Investors receiving cash, and any net gain or loss attributable to the distribution of securities in kind shall be allocated equitably among only those Investors receiving such securities in kind. However, no assurances can be provided that such allocations will be permitted, and it is possible that Investors electing to receive solely securities may be allocated a portion of the net gain or loss attributable to the sale of securities.

*Market Valuation.* The public and private market valuations for securities of companies engaged in industries in which the Funds may invest are extremely volatile. This volatility increases the Funds' risks associated with direct investments in equity securities. Illiquid investments and other assets and liabilities for which no such market prices are available may be carried on the books at fair value (which may be cost). There is no guarantee that fair value will represent the value that will be realized by the Funds on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. It is the ultimate responsibility of the Fund's General Partner to value the Fund's investments.

*Reliance on Projections.* The Funds may rely on projections developed by the Firm's officers or employees, by a portfolio company or by the seller or a third party concerning the portfolio company's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of Savano, the Fund General Partners, their officers and employees and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values and cash flow and could, therefore, adversely affect the Funds' performance.

*Minority Investments and Investments in Junior Securities.* The Funds will make minority equity investments which typically will not enable the Funds to control or influence the business or affairs of portfolio companies. Under such circumstances, a portfolio company may have economic or business interests or goals that are inconsistent with those of the Funds, and the Funds may not be in a position to protect the value of its investment in the entity. Furthermore, the Funds expects to invest in equity and equity-related securities at all levels of capitalization structures, including preferred stock, common stock, and convertible debt. Common stock and other securities in which the Funds invest may be among the most junior levels of a portfolio company's overall capital structure and have significant preferences above it. Thus, such investments may be subject to the greatest risk of loss. In addition, little or no collateral is generally available to protect such investments in venture companies.

*Use of Alternative Investment Vehicles.* The Funds may use parallel funds, feeder entities or

other alternative investment vehicles that may create additional costs such as formation, structuring and operational expenses.

*Co-Investment Warehousing and Syndication.* From time to time the Funds may acquire and temporarily set aside, or “warehouse,” a portion of an investment opportunity to facilitate a co-investment by one or more affiliated or third-party co-investors and/or to transfer a portion of any such investment to one or more “**Successor Funds**” (such portion, a “**Warehoused Investment**”) in accordance with the respective Fund’s Investor agreements. In such event, the Funds will bear the risk that any or all of the Warehoused Investment may not be transferred or sold in a timely manner or may only be sold on unattractive terms and, as a consequence, the Funds may bear the entire portion of any break-up fee or other fees, costs, and expenses related to such investment and hold a greater concentration and have greater exposure in the related investment opportunity and its performance than was initially intended (including any increased losses). In connection with any potential co-investment opportunity, there can be no assurance that such co-investment will be consummated and the risk that a transfer or sale of a Warehoused Investment does not occur generally increases if the investment decreases in value during the warehousing period. The Funds will also bear the risk that the co-investors and/or the Successor Funds acquiring a portion of a Warehoused Investment after closing may acquire such interest on terms that may not reflect the then current value of the investment, including in respect of unrealized appreciation. The Partnership may also borrow to fund the portion of a Warehoused Investment and if such sale does not occur, the Partnership would bear the interest and other expenses relating to any such borrowing. In addition, it is probable that a vehicle comprised of one or more affiliated or third-party co-investors, or a Successor Fund, may have different economic terms than the terms of the Funds. Accordingly, each of the Fund and the General Partner and their respective affiliates may have a conflict in allocating any prospective investment opportunities between the Funds, on the one hand, and co-investors and/or a Successor Fund, on the other. The Firm and the General Partner will typically determine the cost of the Warehoused Investment, taking into account its cost to the relevant Fund plus the cost of capital. While the Firm and the General Partner may also consider other factors to fairly and equitably reflect the value of the investment to the extent determined appropriate, this may not result in charging the co-investors or Successor Funds an amount that accurately reflects any appreciation in the value of the investment or appropriately compensates the Funds for the costs and risks incurred during the holding period. The General Partner will notify the Investors that all or a portion of an investment is a Warehoused Investment in the Fund’s next quarterly or annual report, distributed to the Investors pursuant to the Fund’s Investor agreement.

*Risks Related to Debt Investments.* The Funds may invest in Bridge Financing in connection with one or more of its equity investments. The Funds will bear the risk of any changes in

capital markets or company performance that may adversely affect the ability of a portfolio company to refinance any bridge investments. If the portfolio company were unable to complete a refinancing, the Funds could hold a long-term investment in a junior debt security or that security might convert to equity. In addition, the Funds may purchase convertible debt securities in select situations and may pursue options or warrants to purchase equity securities. The Funds also may invest in financing to a shareholder of a portfolio company or prospective portfolio company in circumstances that the General Partner determines are advantageous to the Funds' overall portfolio. Such investments are subject to the normal risks attendant to debt securities, including, among other risks, (i) the risk of borrower default, (ii) the risk of inadequate collateral, (iii) the risks attendant to foreclosure, and (iv) the risk that the Funds may be limited in its ability to collect certain amounts due from a borrower that is a debtor in a case filed under Title 11 of the U.S. Code, 11 U.S.C. §§ 101 et seq., as amended (the "U.S. Bankruptcy Code"). Furthermore, adverse changes in a borrower's or an issuer's financial condition and/or in general economic conditions may impair the ability of such borrower or issuer to make payments on the financing.

*Follow-On Investments; Investments in Restructurings.* After an initial investment in a given portfolio company, the Funds may decide to provide additional capital to such company or may have the opportunity to increase its investment in such company. There is no assurance that the Funds will make follow-on investments or that it will have sufficient funds to make all or any of such investments. Any decision not to make a follow-on investment or any inability to make such investment may have a substantial negative effect on a portfolio company in need of funding or could result in a lost opportunity for the Funds to increase its participation or maintain its pro rata ownership stake in a successful operation.

The Funds may make investments in portfolio companies that are restructuring in order to address actual or anticipated severe financial difficulties, which may never be overcome. Such investments could, in certain circumstances, subject the Funds to certain additional potential liabilities, which may exceed the value of the Funds' original investment therein. For example, under certain circumstances, a lender which has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Funds and distributions by the Funds to the Investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or preferential payment.

*Joint Ventures.* The Funds may acquire interests in certain portfolio companies in cooperation with others through joint ventures or other structures, including in joint ventures and other structures in which the co-venturer receives a management fee and/or carried interest in connection with the joint venture. The Funds' ability to exercise significant influence over management in these cooperative efforts will depend upon the nature of the joint venture arrangement. Such investments may, under certain circumstances, involve risks otherwise not present, including the possibility that the Funds' partner or co-venturer might become bankrupt, that such partner or co-venturer might at any time have economic or business interests or goals that are inconsistent with those of the Funds, and that such partner or co-venturer may be in a position to take action contrary to the instructions or requests of the Funds or contrary to the Funds' policies or objectives. In addition, such arrangements are likely to involve restrictions on the resale of the Funds' interest in the portfolio company.



*Contingent Liabilities on Disposition of Investments.* In disposing of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of such company. The Funds may also be required to indemnify the purchasers of any such investment regarding the accuracy of such representations and other matters. These arrangements may result in contingent liabilities for which the Funds may establish reserves or escrows and/or actual liabilities. As a result, Investors may be required to return amounts distributed to them to fund such obligations.

*Director Liability.* On occasion, the Funds will seek the right to appoint one or more representatives to the boards of directors (or comparable governing bodies) of portfolio companies. Serving on such boards will expose the Funds' representatives, and ultimately the Funds, to potential liability. Although portfolio companies often purchase insurance to protect directors and officers from such liability, not all portfolio companies may obtain such insurance, and there can be no assurance that such insurance will prove sufficient even if obtained. In addition, representation of the Fund(s) on a portfolio company's board of directors may also have the effect of impairing the ability of the Fund(s) to sell its related securities at such times and upon such terms as it might otherwise desire. If the Funds are a significant shareholder with board representation, the Funds could be subject to legal claims it would not otherwise be subject to as an Investor, including claims of breach of the duty of loyalty, securities law claims and other board-related claims. The Funds will indemnify the Firm, the Fund General Partners and the Principals of the Firm or other person designated by the Fund General Partners to serve on the board of directors of a portfolio company for claims arising from such board representation, subject to limited exceptions.

*Control-Person Liability.* Although not generally expected to be the case, the Funds may obtain controlling interests in some of its portfolio companies. The exercise of such control may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, the Funds might suffer a significant loss.

*Receipt of Material, Non-Public Information.* By reason of their responsibilities in connection with the Funds and other activities, personnel of the Firm or the Fund GPs may acquire confidential or material non-public information or may be restricted from initiating transactions in certain securities. The Funds may not be free to act upon any such information. Due to restrictions with respect to publicly-traded securities, the Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

*Lack of Access to Information and Management.* In most cases, the Funds intend to purchase shares in portfolio companies from non-institutional shareholders, rather than purchase shares directly from such portfolio companies. As a result, the Funds may not be afforded the same access to information and management as would be provided to an Investor that acquired the shares directly from the portfolio company.

*Third-Party Litigation Costs.* The Funds' investment activities subject it to the risk of becoming involved in litigation by third parties with respect to a portfolio company. This risk is somewhat greater if the Funds exercise control of, or significant influence on, a portfolio company's direction. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, absent certain conduct by the Firm's Principals or the officers or employees of the Fund GPs or the Firm, be borne by

the Funds, would reduce its net assets and could require Investors to return to the Funds capital and earnings previously distributed by the Funds. Savano, the Fund GPs, and others are entitled to indemnification by the Funds in connection with such litigation, subject to certain conditions.

*Recourse to the Funds' Assets.* The Funds' assets, including any investments made by the Funds and any capital held by the Funds, are available to satisfy all liabilities and other obligations of the Funds. If the Funds becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Funds' assets generally and may not be limited to any particular asset, such as the investment giving rise to the liability. Accordingly, Investors could find their interests in the Funds' assets adversely affected by a liability arising out of an investment in which they did not participate because, for example, they were excluded or excused from such investment by the Fund General Partners.

*Side Agreements.* In accordance with common industry practice, the Fund General Partners may enter into one or more "side letters" or similar agreements with certain Limited Partners pursuant to which the Fund General Partner grants to such Limited Partners specific rights, benefits or privileges that are not made available to Limited Partners generally. Such agreements will be disclosed only to those actual or potential Limited Partners that have separately negotiated with the Fund General Partners for the right to review such agreements.

*No Assurance of Confidentiality.* As part of the subscription process and otherwise in their capacity as Limited Partners, Investors will provide significant amounts of information about themselves to the Fund General Partners and the Funds. Under the terms of the subscription agreement, the LPA, Offering Documents, and applicable laws, such information may be made available to other Investors, third parties that have dealings with the Funds, and governmental authorities (including by means of securities law-required information statements that are open to public inspection).

### **Fund Considerations**

*Lack of Control over Investments.* Investors will be relying entirely on the Fund General Partners and the Firm to conduct and manage the affairs of the Funds and their investments. The Limited Partners will make no decisions with respect to the management, disposition or other realization of any investment or other decisions regarding the Funds' business and affairs. The Investors will not have an opportunity to evaluate for themselves the relevant economic, financial, and other information regarding investments by the Funds. No assurance can be given that the Funds will be successful in obtaining suitable investments or that, if the investments are made, the objectives of the Funds will be achieved.

*Restrictions on Transfer or Withdrawal.* There is no public market for interests in the Funds, and none is expected to develop. The interests represent highly illiquid investments and should only be acquired by Investors able to commit their funds for an indefinite period of time. Limited Partners will not be permitted to transfer their interests without the consent of the Fund General Partners. Furthermore, the transferability of the interests will be subject to certain restrictions contained in the LPA and the Offering Documents for the Funds. The interests have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), the securities laws of any state or the securities laws of any other U.S. or non-U.S. jurisdiction. The interests, therefore, cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from

registration is available. It is not contemplated that registration of the interests under the Securities Act or other securities laws will ever be affected.

*Significant Default Penalties.* If any Investor fails to fund its subscription obligation or make required capital contributions when due, the Funds' ability to complete its investment program or otherwise continue operations may be substantially impaired, which could have adverse consequences for the Funds and thus all of the Limited Partners. A default by a substantial number of Investors would limit opportunities for investment diversification and likely reduce returns to the Funds. In addition, Investors may be required to make additional contributions (to the extent of their Capital Commitments) to replace a shortfall caused by a default, thereby reducing the diversification of their investment. The Fund GPs may pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorney's fees, to be paid by the defaulting Investor. In addition, any Investor that defaults in making a required capital contribution will be subject to certain adverse consequences pursuant to the provisions of the relevant Fund's LPA.

*Dilution of Partners' Interests.* Limited Partners admitted to the Funds at subsequent closings will participate in then-existing investments of the Funds, thereby diluting the interests of the existing Limited Partners in such investments.

*Distributions in Kind.* Prior to the liquidation of the Funds, distributions are intended be made in cash or marketable securities. However, upon liquidation of the Funds, distributions may be made in kind and could consist of securities or other investments for which there is no readily-available public market.

*Liability for Return of Distributions.* Under applicable law, an Investor may be required to repay a distribution from the Funds if the Funds are insolvent at the time of or immediately following such distribution or in order for certain Funds to make investments in portfolio companies in an aggregate amount up to 120% of capital commitments or to pay the Management Fee. In addition, the Investors may be required to repay distributions to the Funds during or after the term of the Funds in order to satisfy obligations and liabilities of the Funds.

*Indemnification Obligations.* The Funds will be required to indemnify the Fund General Partners, the Firm, the members of the LP Advisory Board, and certain related parties and affiliates, as described in the relevant LPA, for liabilities incurred in connection with the affairs of the Funds (subject to certain exceptions). Such liabilities may be material and have an adverse effect on returns to Investors. For example, in their capacity as directors of portfolio companies, the members, managers or affiliates of the Firm may be subject to derivative or other similar claims brought by the shareholders of such companies. The indemnification obligation of the Funds will be payable from the assets of the Funds, including the unpaid capital commitments of the Limited Partners. If the assets of the Funds are insufficient, the Fund General Partners may recall certain distributions previously made to the Investors (subject to certain exceptions).

## **Item 9: Disciplinary Information**

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To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

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

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Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

Savano Direct Capital Partners, LLC is a 50% owner of Brown Savano JV, LLC, an Exempt Reporting Adviser with the Commission. As affiliates, Brown Savano JV, LLC employs a similar strategy to Savano Direct Capital Partners, LLC, however, Brown Savano JV, LLC's single client is fully invested and is soon to be in the wind down stage. Therefore, conflicts regarding allocation of Client investments between Savano and Brown Savano JV, LLC are considered low risk. The Funds do not have to compete for investments with Brown Savano JV, LLC in any way.

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

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### ***Code of Ethics***

Savano has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

The Firm requires access persons to pre-clear and provide periodic reports regarding transactions in all “**Reportable Securities**” (as defined under the Advisers Act, and which includes a wide variety of investments such as stocks, bonds, fixed income, options, warrants, futures, and derivatives). Employees may not buy or sell securities, other than exempt securities, for any account in which he or she has any direct or indirect beneficial ownership, unless such person obtains, in advance of the transaction, clearance for that transaction from the Savano CCO or designee. Employees may not directly or indirectly acquire beneficial ownership in any securities in an initial public offering (“**IPO**”) or a private placement without obtaining, in advance of the transaction, clearance from the Savano CCO or designee. Employees are prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm’s Restricted List.

Employees must obtain pre-approval from the CCO before: (i) engaging in any outside business activities; or (ii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

## **Item 12: Brokerage Practices**

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As the Funds invest primarily in private equity ventures, the Firm anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, the Firm has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

Savano is authorized to determine the vendors to be used for executing securities transaction for the Funds. In selecting counterparties, broker-dealers, and to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate “execution only” commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm’s authority is limited by its own internal policies and procedures and each Fund’s investment guidelines.

#### ***Best Execution***

In selecting appropriate counterparties, broker-dealers, and other third-party vendors to effect a client transaction, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a transaction, as well as a third party’s full range and quality of their services.

#### ***Allocation and Aggregation of Investments***

The Firm will seek to make all allocations of investment opportunities among the Funds in a fair and equitable manner, and will not favor or disfavor, consistently or consciously, any Fund or class of Funds in relation to any other Funds. Further, the Firm will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund, (ii) the profitability of any Fund or (iii) any person’s interest in offering or participating in co-investment opportunities outside of any Fund.

The Firm’s exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, potential co-investors, Investors and third parties, and in the manner discussed above 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 other such persons. While the Firm will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, 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, discussed herein, did not exist.

Investment allocations will be evaluated on a case-by-case basis and when there is an opportunity to invest in or add to portfolio investments, Savano will consider these investments in a fair and equitable manner across the Funds in which the investment is applicable.

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

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Our Portfolio Manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Fund's Offering Documents. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

#### ***Account Reporting***

We perform various periodic reviews of each client's portfolio. Such reviews are conducted by our officers.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We may also distribute quarterly unaudited net asset value statements, quarter-end performance reports, and a quarterly investor letter to Limited Partners, as required by the governing documents.

#### ***Side Letter Agreements***

The Firm will enter into certain side letter arrangements 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.

#### ***Follow-on Investments***

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has previously invested. In addition, a Fund may participate in leveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

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

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Employees do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

While not a client solicitation arrangement, the Firm may from time to time engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential Investors. Such persons generally will receive a retainer and fee in an amount ~~and~~ to a percentage of the capital commitments for interests made by such potential Investors to such Fund that are subsequently accepted. For example, the Firm previously engaged XT Capital Partners, LLC to market Fund III. However, XT Capital Partners was not paid to produce client referrals, only for potential Investors within Fund III.

#### **Item 15: Custody**

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The Firm and/or the Fund GPs will be deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) (i.e., the “custody rule”) by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund’s annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund’s audited financials to Investors within 120 days of such Fund’s fiscal year end.

#### **Item 16: Investment Discretion**

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We will have full discretionary investment authority with respect to the Funds, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

#### **Item 17: Voting Client Securities**

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In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the “proxy voting rule”), we have adopted proxy voting policies and procedures. The general policy is to evaluate all proxy proposals, amendments, consents, or resolutions (collectively, “**Proxies**”) in a prudent and diligent manner that will serve the applicable Client’s best interests and is in line with the Client’s investment objectives. The Firm has not voted any proxies to date.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, Clients and Investors may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

**Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.