



## **NORTHLIGHT FINANCIAL LLC**

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**February 15, 2012**

This brochure (the “Brochure”) provides information about the qualifications and business practices of Northlight Financial LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 212-247-0330 or by E-mail at [cjahrmarkt@northlightfinancial.com](mailto:cjahrmarkt@northlightfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

While the Adviser is an investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”), such registration does not imply any particular skill or training on the part of the Adviser, its members or its employees.

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

## Item 2 Material Changes

This filing represents an “other-than-annual” amendment (“Amendment”) of Part 2A of Form ADV of Adviser. This Amendment is being made to reflect the following change from the Advisers previous Form ADV Part 2A filing:

- Item 4 has been updated to that Northlight Food Franchise Fund LP, Northlight Food Franchise Fund II LP and Northlight Equipment Fund LP were consolidated into Northlight Food Franchise Fund LP on December 16, 2011 and to reflect the assets under management by the Adviser as of December 31, 2011;
- Item 5 now indicates clients of the Adviser may pay finder’s fees in connection with certain investments;
- Item 7 now indicates that the Adviser provides investment advice to pooled investment vehicles that are exempt from the Investment Company Act of 1940, as amended (the “1940 Act”), pursuant to various subsections of Sections 3(c) of the 1940 Act (replacing text that indicated that such pooled vehicles were exempt only by virtue of Sections 3(c)(1) or 3(c)(7) under the 1940 Act) and that the Adviser’s clients also include corporations or other businesses;
- Item 11 now has been expanded to provide more detail regarding the Adviser’s Code of Ethics, Participation or Interest in Client Transactions and Personal Trading Policies; as well as to indicate the potential conflicts of interest presented when affiliates of the adviser serve as general partner or manager in entities in or through which Clients have invested; and
- Item 17 now states how clients may obtain a copy of NF’s proxy voting policies and procedures upon request.

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#### Item 4 Advisory Business

The Adviser is an alternative investment and asset management firm formed as a limited liability company in the State of Delaware in November 2002 and has been conducting business since November 2002. The Adviser's managing principal owners are Michael H. Jahrmarkt, Robert B. Woods, Mark P. Hirschhorn and Christopher Jahrmarkt.

The Adviser provides discretionary investment advice to pooled investment vehicles including limited partnerships and limited liability companies ("Client Accounts") and non-discretionary advisory services to a non-affiliated limited liability company (the "Advisory Account") (Client Accounts and Advisory Accounts are collectively referred to herein as "Clients"). The Adviser's primary strategy is capital appreciation through interest income associated with loan investments and secondary market purchases of debt investments.

There are no material limitations to the types of securities that the Adviser may invest in. While it is anticipated that the Adviser will invest primarily in the types of securities identified in the controlling documents of the Client Accounts which are described below, the Adviser reserves the right and flexibility to invest in any security and any sector of the market to carry out the overall objectives of its clients. Such objectives, strategies and policies may be expected to evolve materially over time. Accordingly, the types of securities that the Adviser may invest in include, but are not limited to: structured finance transactions; distressed securities; special situations; real estate and real estate related; U.S. or foreign, long or short positions in publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate debt, bonds and notes; other debentures or debt participations; mortgage backed securities, convertible securities; fixed income securities; swaps; options (purchased or written); futures contracts; commodities; forward contracts; other derivative instruments; fund interests and other securities or financial instruments including those of investment companies; and new issues of securities. The Adviser has complete flexibility to create or organize (alone or in conjunction with others including affiliates) or otherwise utilize special purpose subsidiaries or other special purpose investment vehicles, swaps or other derivatives or structured products.

The Adviser engages in the following investment activities on behalf of the following Client Accounts:

**Northlight Fund LP:** The business and purpose of the partnership is to realize long term capital appreciation and current income through direct origination of and participation in middle market loans, including senior, tranche B, last-out, second lien, mezzanine, debtor-in-possession and factoring loans and any other instrument that the Adviser (or one of its affiliates) determines, in its sole discretion, represents the same or substantially the same investment profile as the foregoing. In furtherance thereof, the partnership may engage in investment and trading activities and strategies on a global basis, which may include, without limitation, directly or indirectly, buying, selling, trading, exchanging, investing, reinvesting, financing, or otherwise holding, on margin or otherwise, in any form or manner, securities and other financial instruments in U.S. and non-U.S. entities.

**Northlight Distressed Real Estate Fund LP, Northlight Food Franchise Fund LP:** In December 2009 and in January 2010, Northlight Distressed Real Estate Fund LP, Northlight Food Franchise Fund LP, Northlight Food Franchise Fund II LP and Northlight Equipment Fund LP were formed to acquire the assets of four special purpose vehicles (Northlight Distressed Real Estate Fund LP in December 2009 and Northlight Food Franchise Fund LP, Northlight Food Franchise Fund II LP and Northlight Equipment Fund LP in January 2010) that were previously formed by a fund manager unaffiliated with the Adviser (the “Acquisition”). Pursuant to an Agreement and Plan of Merger dated December 16, 2011 Northlight Food Franchise Fund II LP and Northlight Equipment Fund I LP merged with and into Northlight Food Franchise Fund LP and a Certificate of Merger was filed with the State of Delaware. As a result of the Merger the surviving entity was Northlight Food Franchise Fund LP.

Pursuant to the Acquisitions, Northlight Distressed Real Estate Fund LP, Northlight Food Franchise Fund LP, Northlight Food Franchise Fund II LP and Northlight Equipment Fund I LP acquired an aggregate of real estate and food franchise loans and the Adviser was appointed the manager of the newly formed acquiring funds. The Adviser’s primary purpose as replacement manager of these partnerships is the orderly liquidation of the Client Account assets although the Adviser has broad authority and discretion in accomplishing this objective. Each partnership is organized for the purposes of managing the assets of such partnership and engaging in all activities and transactions that the Adviser (or one of its affiliates) may deem necessary or advisable in connection therewith, including, without limitation (but subject in each case to the terms of each limited partnership agreement): to enter into, make and perform, all contracts and other undertakings, and engage in all activities and transactions, as the Adviser may deem necessary or advisable to the carrying out of the foregoing objects and purposes, including without limitation: (i) to purchase, hold, sell, exchange, transfer, mortgage, pledge and otherwise acquire and dispose of and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to securities as may be required; (ii) to borrow or raise money, and, from time to time without limit as to amount or manner and time of repayment, to issue, accept, endorse and execute promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof (and of the interest thereon) by mortgage upon, or pledge, conveyance or assignment in trust of, the whole or any part of the property or funds of such partnership, whether at the time owned or thereafter acquired and to sell, pledge or otherwise dispose of promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other instruments or evidences of indebtedness of such partnership; (iii) to lend any of its assets, provided that collateral at least equal in value to the market value of such assets is deposited by the borrower thereof with such partnership; and (iv) to invest in equity securities and ownership interests of all types.

The Adviser engages in the following advisory activities on behalf of the Advisory Account:

**Northlight Financial LLC:** Pursuant to an agreement, the Adviser has been engaged by an institutional investor to provide non-discretionary advisory services regarding the recommendation of loans and asset acquisitions, and if approved by the Advisory Account, to assist it in making and acquiring, servicing, owning and disposing of approved loans and asset acquisitions sourced by it.

For discretionary accounts, investment guidelines are governed by the provisions of the limited partnership agreement or operating agreement of each Client Account. The Advisory Account approves each investment based in part on recommendations made by the Adviser.

The Adviser does not participate in wrap fee program.

As of December 31, 2011, the Adviser managed \$171,200,000 on a discretionary basis and \$126,700,000 on a non-discretionary basis.

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

Clients may pay the Adviser some or all of the following fees. In addition, investors must review all of the governing documents for the particular Client Account in which they are invested, including, but not limited to, the limited partnership agreement, advisory or operating agreement. These governing documents will disclose the specific expenses related to their investment with the Adviser.

Client Accounts and the Advisory Account (collectively, the “Accounts”) generally pay a management fee (the “Management Fee”) of between 0.50% and 2% per annum. This Management Fee may be calculated on: a) the net assets of the Accounts, b) the amount of capital of the Accounts drawn for investment by the Adviser, or c) the amount of equity and debt of the Accounts. The Management Fee may be paid monthly or quarterly either in advance or in arrears and may be paid to the Adviser on an accrued basis. The Adviser may charge different Management Fees to certain investors, family members or employees at its sole discretion.

In addition, Accounts are generally subject to one of the following two performance fees (the “Performance Fees”):

- 1) At the end of each year, 20% of the profits allocated to an Account for such calendar year may be reallocated to the Adviser; provided, however, that such reallocation shall only be made to the extent that aggregate profits allocable to an Account for such calendar year exceed any previous unrecovered losses that the Account has been subject to in prior calendar years.
- 2) At the end of each year, any net profits allocated to an Account for such year may be allocated between such Account and the Adviser (or one of its affiliates) at the end of such year as follows:

First, so long as the Account has a cumulative loss built up from prior years, such profit shall be allocated to such Account up to the amount of such cumulative loss; and then

Second, (A) 10-20% of any such profit shall be allocated to the Adviser subject to a target return figure; and (B) the balance of any such profit shall be allocated to the Account.

The Adviser may charge different Performance Fees to certain investors, family members or employees at its sole discretion.

Client Accounts may engage third parties or related parties (including the Adviser or affiliates of the Adviser) to provide the services of trustees, servicers, originators, property managers, real estate development and/or construction, paying agents or other services as necessary at third party market rates, the costs of which will be borne by the Client Accounts. In addition, the Adviser, or an affiliate of the Adviser, may receive syndication fees from other lenders in connection with the syndication of certain loans originated by the Adviser (all such fees described in this paragraph are collectively referred to as (“Ancillary Fees”). The receipt of such fees by the Adviser or its affiliates may not reduce the Management Fees and Performance Fees made to the Adviser. Further, Clients of the Adviser may pay finder’s fees in connection

with certain investments.

The Adviser generally deducts fees from Client Account accounts and bills the Advisory Account directly for fees incurred on a no more frequently than monthly basis.

Clients may pay some or all the following expenses in connection with the Adviser's services: (i) any Management Fees paid to the Adviser; (ii) fees, costs and out-of pocket expenses incurred by the Client Account in connection with the formation of the Client Account and the offering and distribution of the interests in the Client Account to clients, including, without limitation, legal and accounting fees, printing costs, travel expenses and government and regulatory filing fees and expenses; (iii) legal, administration, accounting, audit and tax preparation, and other external professional fees and expenses other than organizational expenses; (iv) all out-of-pocket costs and fees of evaluating potential investments to be made by the Client Account (whether or not consummated) and of trading, acquiring, holding, monitoring or selling securities for the Client Account; including, without limitation, travel, correspondence and expenses of registering or qualifying securities held by the Client Account for sale and brokerage commission and other transaction costs and expenses; (v) out-of-pocket costs of reporting to regulatory authorities (if required) and to the clients, and of preparing and providing annual audited financial statements and Schedule K-1's and filing annual tax returns and related statements for the Client Account and holding meetings with the clients and other meetings; (vi) third party out-of-pocket costs such as expenses of prime brokers, custodians, sub-custodians, paying agents, transfer agents and registrars, counsel, independent accountants, and others, costs incurred in connection with the preparation of or relating to reports made to clients, and similar recurring expenses incurred in the ordinary course of Client Account operations; (vii) all costs related to litigation involving Client Accounts, directly or indirectly, including, without limitation, attorneys' fees incurred in connection therewith; (viii) all costs related to the Client Account's indemnification or contribution obligations; (ix) the costs of any litigation, director and officer liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Client Account; (x) all expenses of liquidating the Client Account; and (xi) any taxes, fees or other governmental charges levied against the Client Account and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Client Account.

Clients are encouraged to review the particular governing documents for the Client Account in which they are invested which will specifically disclose the expenses related to their investment with the Adviser.

Some Client Accounts may be required to pay a Management Fee on a quarterly basis in advance. The Management Fee for any partial quarter shall be pro-rated on the basis that the total number of days in such quarter is 91.

Neither the Adviser nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

The Adviser (or one of its affiliates) charges all of the Client Accounts a performance-based fee as described in Item 5 above. The fact that these performance-based fees are calculated based on the

investment performance of the Client Accounts may create an incentive for the Adviser to make investments that are riskier than it would otherwise make in the absence of such an incentive. Such incentive may lead the Adviser to place undue emphasis on the maximization of short-term funds in the Client Accounts at the expense of other criteria, such as preservation of capital, in order to achieve higher compensation. Investments with higher yield potential are generally riskier and more speculative. This could result in increased risk to the Client Accounts' investment portfolios.

## **Item 7 Types of Clients**

Clients of the Adviser consist of pooled investment vehicles that are exempt from the Investment Company Act of 1940, as amended (the "1940 Act"), pursuant to various subsections of Sections 3(c) of the 1940 Act. The Adviser also provides advisory services to corporations and other business. The minimum amount that may be invested in an Account is generally disclosed in the governing documents of such Account, but the Adviser may require a different minimum amount in its sole discretion.

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

The Adviser, in its capacity as an investment manager, uses various types of analysis and sources of information to make decisions with regards to debt and loan investments on behalf of the Client Accounts including fundamental and cyclical analyses. These sources include financial newspapers and magazines, inspections of corporate activities, research materials prepared by third parties, corporate rating services, annual reports, prospectuses, and filings with the SEC, company press releases and, in the case of real estate and equipment and other asset investments, appraisals. In addition to these types of analysis and sources, the Adviser may also use appraisals for collateral and cash flow analysis of debt pools and other cash flowing entities.

The Client Accounts may be deemed to be highly speculative investments and are not intended as a complete investment program. They are designed only for sophisticated persons who can bear the economic risk of the loss of their entire investment in the Client Account and for those who have a limited need for liquidity in their investment. There can be no assurances that the Client Accounts will achieve their respective investment objectives. In fact, the investment techniques which a Client Account may employ from time to time can, in certain circumstances, substantially increase the adverse impact on such Client Account's investment portfolio. Accordingly, such investment techniques of the Client Account could result in substantial losses under certain circumstances.

All of the Adviser's strategies are subject to some dimension of market risk: directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, "flights to quality," "credit squeezes," etc. The Adviser's style of alternative investing may be no more speculative than traditional investing strategies. In addition, due in part to the leverage that



certain of the Adviser's strategies employ, the Client Accounts may from time to time incur sudden and dramatic losses. The particular or general types of market conditions in which the Client Accounts may incur losses or experience unexpected performance volatility cannot be predicted, and the Client Accounts may materially under-perform other investment funds with substantially similar investment objectives and approaches. In addition, while the Adviser attempts to assess all of the foregoing risk factors, and others, in determining the nature and extent of the investments it makes on behalf of the Client Accounts, many risks, such as governmental action, the outcome of pending or threatened third party litigation or third party fraud cannot be explicitly quantified.

The Adviser does not engage in the frequent trading of securities.

The success of the investment activities of the Client Accounts depends on the Adviser's ability to identify and exploit inefficiencies in the markets for a wide range of distressed and high yield assets, including distressed loans, high yield securities, distressed portfolios of commercial and consumer loans and partnership interests. Identification and exploitation of these opportunities involve uncertainty. No assurance can be given that the Adviser will be able to locate investment opportunities or to correctly exploit inefficiencies in the markets. A reduction in inefficiencies that provide opportunities in, for example, capital structure arbitrage will reduce the scope for the investment strategies of the Client Accounts. In the event that the perceived mispricings underlying the positions of the Client Accounts were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, the Client Accounts may incur a loss. Further, the investments utilized in implementing such strategies may include derivatives, such as options, that are themselves inherently volatile in the context of specific market movements.

The Client Accounts regularly employ leverage as part of their respective investment programs. The greater the total borrowings of the Client Accounts relative to its investments in securities, the greater will be its risk of loss and possibility of gain due to market fluctuations in the values of its investments.

The banks and dealers that provide financing to the Client Accounts may apply discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. In addition, money borrowed by the Client Accounts will be subject to interest costs, which will be an expense of the Client Accounts, and, to the extent not covered by income attributable to the investments acquired, will adversely affect the operating results of the Client Accounts.

The price of most fixed-income securities moves in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls. Consequently, the longer the maturity of a fixed-income security, the greater the risk that interest rates will rise and thus the fall in price of the security will be larger than the fall in price would have been for a security with a shorter maturity. If a Client Account holds a fixed-income security to maturity, the change in its price before maturity will have little impact on the Client Account's performance; however, if the Client Account has to sell the fixed-income security before the maturity date, an increase in interest rates will result in a loss to the Client Account.

The Client Accounts will invest in debt, including, without limitation, “higher yielding” (and, therefore, higher risk) debt securities, when the Adviser believes that debt securities offer opportunities for capital appreciation. In most cases, such debt will be rated below “investment grade” or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer’s failure to make timely interest and principal payments. The market for high-yield securities has experienced periods of volatility and reduced liquidity. The market values of certain of these debt securities may reflect individual corporate developments. It is likely that a general economic recession or a major decline in the demand for products and services, in which the obligor operates, could have a materially adverse impact on the value of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt securities.

The Client Accounts will invest in distressed assets and portfolios of distressed assets, including high yield securities and noninvestment grade obligations of U.S. and non-U.S. companies (including companies in significant financial or business difficulties), delinquent and charged-off consumer loans, commercial and residential mortgage loans, small business loans and real estate. Although such investments may result in significant returns to the Client Account, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high.

There is no assurance that the Adviser will correctly evaluate the value of the collateral (if any) in the loans and securities purchased by the Client Accounts or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Client Accounts will invest, the Client Accounts may lose its entire investment, may be required to accept cash or securities with a value less than the Client Accounts’ original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Client Accounts’ investments may not compensate the investors adequately for the risks assumed.

Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the Adviser. To the extent that the Adviser becomes involved in such proceedings, the Client Accounts may have a more active participation in the affairs of the company than that assumed generally by an investor. In addition, involvement by the Adviser in an issuer’s reorganization proceedings could result in the imposition of restrictions limiting the Client Accounts’ ability to liquidate its position in the issuer.

## **Item 9 Disciplinary Information**

Neither the Adviser nor any of its management persons has been involved in any material legal or disciplinary events.

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

Neither the Adviser nor any of its management persons are registered or have an application

pending to register, as a broker-dealer or a registered representative of a broker-dealer. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. The Adviser does not recommend or select other investment advisers for its clients or receive compensation directly or indirectly from such advisers.

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

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

High ethical standards are essential for the success of the Adviser and to maintain the confidence of our Clients and investors in investment funds managed by the Adviser. The Adviser's long-term business interests are best served by adherence to the principle that the interests of Clients come first. We have a fiduciary duty to Clients to act solely for the benefit of our Clients. All personnel of the Adviser, including directors, officers and employees of the Adviser, must put the interests of the Adviser's Clients before their own personal interests and must act honestly and fairly in all respects in dealings with Clients. All personnel of the Adviser must also comply with all federal securities laws.

In recognition of the Adviser's fiduciary duty to its Clients and the Adviser's desire to maintain its high ethical standards, the Adviser adopted a Code of Ethics, pursuant to Rule 204A-1, promulgated under the Investment Advisers Act of 1940 (the "Advisers Act"), containing provisions designed to prevent improper personal trading, identify conflicts of interest, and provide a means to resolve any actual or potential conflicts in favor of the Adviser's Clients. Clients or prospective clients may obtain a copy of the Adviser's Code of Ethics by contacting our Chief Compliance Officer, Michael H. Jahrmarkt, at (212) 247-0800 or [mjahrmarkt@northlightfinancial.com](mailto:mjahrmarkt@northlightfinancial.com).

##### **B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time; Conflict of Interests**

Conflicts of interest may occur when we, or our related persons, invest in the same securities, trade in the same securities at or about the same time, or have a material financial interest in the same securities that we recommend to our Clients. For example, the Adviser and its related persons may invest their personal funds in the Clients, and, therefore, such persons may hold an indirect interest in the same securities as other investors in the Clients. In addition, certain employees of the Adviser may own securities in their personal accounts that are also recommended by the Adviser to its Clients. Further, a related entity of the Adviser is the general partner of certain of the Clients and Clients may invest in or through entities to which the Adviser or affiliates of the Adviser serve and general partner or manager. The Adviser has established procedures, including a Code of Ethics and a personal trading policy, intended to limit conflicts of interest in cases where the Adviser, a related person or any employee, buys, sells or otherwise has an interest in, securities recommended by the Adviser to its Clients. For a full description of our Code of Ethics and Personal Trading Policy, please see Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," above.

On occasion, the Adviser may deem it to be in the best interests of its Clients to reallocate securities transactions between client accounts. Similarly, on rare occasion, the Adviser may enter into “principal transactions” in which the Adviser or an Affiliate act as principal for its own account or as agent for the account of a Client with respect to the sale of a security to or purchase of a security from another Client. The Adviser maintains policies and procedures, including the review and oversight of such transactions, intended to limit the potential conflicts of interest inherent in reallocation or principal transactions. Reallocation or principal transactions will only be effected if they are deemed to be in the best interests of the particular clients involved and will be conducted in compliance with our policies and procedures and applicable law.

### Personal Trading

We believe restricting our employees’ personal trading is one way of avoiding conflicts of interest between our Clients and our employees. Our personal trading policies are part of our Code of Ethics. For a full description of our Code of Ethics, please see Item 11(A), “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, Code of Ethics,” above.

Our Code of Ethics governs personal trading by our personnel. Generally, the Code of Ethics requires all “Access Person”, defined as any partner, officer, director, manager, member, supervised person, or employee of the Adviser, or other person who provides investment advice on behalf of the Adviser and is subject to the supervision and control of the Adviser (i) who has access to nonpublic information regarding any client’s purchase or sale of securities, or nonpublic information regarding any client’s portfolio holdings or (ii) who is involved in making securities recommendations to clients (or who has access to such recommendations that are nonpublic), to obtain the prior written approval of our Chief Compliance Officer or his designee before engaging in certain securities transaction in his or her personal account.

Generally, if the securities transaction involves restricted securities, the transaction will not be approved for personal trading. Restricted securities are companies or issuers whose securities are subject to the Adviser’s imposed trading activity prohibitions or restrictions. It is the policy of the Adviser that all Access Persons shall strictly observe such trading activity prohibitions or restrictions.

In addition, in general, the personnel covered by the Adviser’s personal trading policy must provide our Chief Compliance Officer or his designee with (i) all of their securities holdings at the commencement of employment with the Adviser, (ii) monthly or quarterly brokerage statements, and (iii) quarterly reports of any securities transactions not previously reported on a brokerage statement. Furthermore, the personal accounts of the personnel covered by the Adviser’s personal trading policy will be reviewed on a regular basis and compared with transactions for the Clients and against any restricted securities. Any transactions that are believed to be a violation of the Adviser’s personal trading policy will be reported promptly to the management of the Adviser.

## Item 12 Brokerage Practices

The Adviser's primary investment strategy does not involve the execution of securities transactions through a broker-dealer. However, except for the general investment guidelines set forth in each Client Account's governing documents, and the Adviser's internal best execution policies described herein, there are no limitations on the authority of the Adviser with respect to the selection of broker-dealers with which it will do business. The Adviser is authorized to determine the broker-dealer to be used for securities transactions. Portfolio transactions will be allocated to brokers based upon best execution and in consideration of such broker's provision or payment of the costs of research and other services. In selecting brokers or dealers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. While the Adviser generally does not enter into traditional "soft dollar" arrangements, it is not the Adviser's practice to negotiate "execution only" commission rates; thus, a Client Account may be deemed to be paying for research services provided by the broker which are included in the commission rate. Research and related services furnished by brokers will be limited to services that constitute research within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Accordingly, research and related services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; statistical and pricing services, along with hardware, software, data bases and other technical and telecommunication services, lines, and equipment (including updates, replacement parts, repairs and service thereon) utilized in the investment management process. Research services obtained by the use of commissions arising from a Client Account's portfolio transactions may be used by the Adviser in its other investment activities.

In selecting brokers and negotiating commission rates, the Adviser will take into account available information regarding the financial stability and reputation of brokerage firms and the brokerage, research and related execution services provided by such brokers (consistent with best execution), although the Client Account Fund or Account for which the transaction was effected, may not, in any particular instance, be the direct or indirect beneficiary of the research or related services provided.

The Adviser has not directed client transactions to a particular broker-dealer in return for client referrals in its last fiscal year. The Adviser does not routinely recommend, request, permit or require its clients to direct the execution of securities transactions through a specified broker-dealer.

Pursuant to the Adviser's Asset Allocation Policy, the Adviser may aggregate orders of its accounts for trade execution and thereafter allocate the securities on an average price basis to such accounts. Transactional expenses are not reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single client. It is Adviser's belief that the above-described procedure for aggregating and allocating customer orders is consistent with the SEC's procedures recommending aggregation. The Adviser also believes that aggregation is consistent with its duty to seek best execution for all its clients.

The Adviser may deem it to be in the best interests of its clients to reallocate or “cross” securities transactions between client accounts. The Adviser maintains policies and procedures intended to limit the potential conflicts of interest inherent in these transactions. Cross transactions will only be effected if they are deemed to be in the best interests of the particular clients involved and will be conducted in compliance with such policies and procedures and applicable law.

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

The Adviser’s portfolio managers monitor Client Accounts at least monthly and more often as specific market conditions and circumstances may dictate. Investors within the Client Accounts receive statements at least quarterly, which include the value and activity the applicable Client Account.

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

The Adviser does not receive compensation from non-Clients other than the Ancillary Fees described in Item 5. The Adviser may compensate properly registered third-parties for client referrals. All such arrangements shall be conducted in compliance with applicable law, rules and regulations.

### **Item 15 Custody**

The Adviser may be deemed to have constructive custody of certain client assets as a result of fee payments or the service of its affiliates as general partners to private investment partnerships. The Adviser supervises the completion of audits of the Client Accounts by an independent public accountant as well as the distribution of audited financial statements prepared in accordance with generally accepted accounting principles to Client Account investors within 120 days of each Client Accounts fiscal year end. Investors should carefully review all account statements.

### **Item 16 Investment Discretion**

Except for the general investment guidelines set forth in each Client Account’s governing documents, there are no limitations on the authority of the Adviser with respect to its discretionary investment authority for the Client Accounts.

## **Item 17 Voting Client Securities**

The Adviser has adopted Proxy Voting Policies and Procedures (the "Procedures") that are designed to ensure that in cases where the Adviser votes proxies with respect to securities in the Client Accounts, such proxies are voted in the best interests of the Client Accounts. The Procedures also require that the Adviser identify and address conflicts of interest between the Adviser and the Client Accounts. If a material conflict of interest exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the Client Accounts or take some other appropriate action. The Adviser need not vote all proxies received by a Client Account. In many instances, the disparate interests of the Client Account may make it difficult for the Adviser to determine a manner in which to vote. It is the Adviser's general policy not to vote proxies for securities that are not held in a Client Account at the time such proxy is received or on the vote date of such proxy. However, if the Adviser does vote, the Adviser shall cast ballots in a manner it believes to be consistent with the interests of the Client Account and shall not subordinate the interests of the Client Account to its own. The Adviser will determine whether a proposal is in the best interests of the Client Account and may take into account the following factors, among others: (i) whether the proposal was recommended by management and Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

Clients or prospective clients may obtain a copy of the Adviser's Proxy Voting Policy by contacting our Chief Compliance Officer, Michael H. Jahrmarkt, at (212) 247-0800 or [mjahrmarkt@northlightfinancial.com](mailto:mjahrmarkt@northlightfinancial.com).

## **Item 18 Financial Information**

**Pre-Payment of Fees** - We are not required to attach a balance sheet because we do not require or solicit the payment of fees six months or more in advance.

**Contractual Commitments to Our Clients** - We have no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our Clients.

**Bankruptcy Petitions** - We have never been the subject of a bankruptcy petition.