

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

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This brochure provides information about the qualifications and business practices of Searchlight Management Co., L.L.C. (hereinafter “Searchlight” or “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at 650-233-1001 or at [scott@lcpartners.com](mailto:scott@lcpartners.com).

The information provided in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Reference made to Searchlight as a registered investment adviser does not imply any particular level of skill or training by our firm or employees or that the SEC has endorsed our respective qualifications to provide investment advisory services.

Additional information about Searchlight is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Searchlight is 160876.

## **Item 2. MATERIAL CHANGES**

Pursuant to exemptions which are no longer available, Searchlight was not required to register as an investment adviser with the Securities and Exchange Commission (SEC) prior to March 2012. This *Firm Brochure* (our “Brochure”), dated 02/14/2012, is our disclosure document prepared in accordance with SEC requirements and rules applicable to registered investment advisers. As you will see, this Brochure is a narrative providing detailed information regarding our firm, its practices, fees, actual and potential conflicts of interest and key mitigating circumstances, policies and controls.

After our initial filing of this Brochure, this Item 2 will be used to provide our clients and/or Fund investors with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with SEC rules, we will ensure that our clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide interim disclosures about material changes as necessary.

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#### **Item 4. ADVISORY BUSINESS**

Searchlight is an SEC-registered investment adviser with offices in Menlo Park California and Cambridge Massachusetts. Our principal place of business is in Menlo Park. Searchlight was formed in 2007 following the separation of certain of our principals from another investment management company (See Item 10 below). No single individual or entity is a “principal owner” of the firm, defined for purposes of this Brochure as any person owning 25% or more of the firm’s interests. The following members, however, each have a significant ownership stake in Searchlight: Anna Cristina Barnes, Gwill York, Jeffery Griffor, Chauncey Edward Hazen and Ryan Turner.

Searchlight currently provides investment management services solely to Lighthouse Capital Partners VI, L.P., a private, structured-venture capital fund (hereinafter “Lighthouse Partners VI” or “the Fund”). Although the Fund is the firm’s only current client, the Fund is the sixth in a series of structured venture capital partnerships formed since 1994. Searchlight also intends to launch additional funds in the future.

Unlike other types of private funds, such as hedge funds, a structured venture capital fund receives unfunded or partially funded capital commitments from investors during one or more initial fundraising stages, after which the fund is generally closed to new investors. The fund manager will then call on investors to make capital infusions, based on their commitments, to support the fund’s investments once those opportunities have been identified and fully vetted through an extensive due diligence and negotiation process. In the case of Lighthouse Partners VI, each investor initially contributed up to ten percent of their capital commitment to the Fund. Searchlight tailors its advice to meet the investment objectives and to conform to the strategies set forth in the Fund’s limited partnership agreement and/or private placement memorandum.

#### ***Lighthouse Capital Partners VI, L.P.***

The Fund’s objective is to achieve superior investment returns by making structured venture capital investments primarily in early to expansion stage technology and life science companies that have received funding from top-tier venture capital firms. The Fund employs a variety of equity-oriented debt instruments including secured loans, coupled with warrants and/or rights to purchase stock, and secured convertible debt. These instruments generally have terms ranging from 24-48 months and feature a current income stream of interest payments, as well as a long-term capital appreciation opportunity from the equity component.

The Fund’s investments are focused in several industries including, generally: enterprise, security and infrastructure software, datacenter systems and software, data storage products and services, communications equipment (including wireless communications), semiconductors and development tools, and the Internet, as well as diagnostic and therapeutic biotechnology, biotechnology tools, medical devices, and alternative energy.

Searchlight's Investment Team has significant experience originating, negotiating and managing structured venture capital investments in technology, life science and alternative energy companies backed by top-tier venture capital firms. Searchlight leverages the extensive industry knowledge and contacts of this team to identify investment opportunities for the Fund.

ASSETS: As of December 31, 2011, Searchlight had approximately \$305,068,075 in gross discretionary assets under management, including uncalled capital commitments. Searchlight does not manage any assets on a non-discretionary basis.

IMPORTANT ADDITIONAL CONSIDERATIONS: The Fund is not required to register under the Securities Act of 1933 or the Investment Company Act of 1940 in reliance upon certain exemptions available to issuers whose securities are not publicly offered. We manage the Fund on a discretionary basis in accordance with the terms and conditions of its offering and organizational documents.

The information provided herein merely summarizes the detailed information provided in the Fund's offering and organizational documents. The Fund is closed to new investors though Searchlight intends to launch new private funds in the future. Such funds may have the same, similar or a different structure, objective or strategy as the Fund. Current Fund investors and prospective investors in any new fund launched by Searchlight should be aware of the substantial risks associated with investment as well as the terms applicable to such investment. This and other detailed information is provided in the appropriate Fund offering and organizational documents.

## **Item 5. FEES AND COMPENSATION**

For our services to the Fund, we charge a management fee as described below. In addition, the Fund's General Partner, an affiliate of Searchlight as defined at Item 10 of this Brochure, will receive carried interest, a form of performance-based compensation, as described below.

The management fee is paid quarterly, in advance. Carried interest is allocated upon the sale of any portfolio company or realization of an investment or dividend. Investors should refer to the limited partnership agreement and/or private placement memorandum for detailed information regarding fees and expenses related to investment in the Fund. It is also important to note that any new fund launched by Searchlight may have the same, similar or materially different terms than those summarized below.

MANAGEMENT FEE: The Fund's General Partner has designated Searchlight to provide management and administrative services to the Fund. For its services to the Fund, Searchlight will be paid an annual management fee equal to 2.0% of the committed equity interests for the first six years of the Fund. The management fee will then be reduced by 10% per year upon the earlier to occur of (i) the sixth anniversary of the Fund or (ii) the closing of an investment fund controlled by the Fund's Managing Directors (as

defined at Item 10 below) with similar objectives as the Fund. No management fee is charged on reinvested funds. The management fee is paid quarterly in advance.

**CARRIED INTEREST:** All net realized income and capital gains and losses will be allocated as follows: 80 percent to all partners in proportion to their capital contributions and 20 percent to the General Partner.

All distributions (other than tax distributions) will be made to Fund partners on a cumulative basis as follows: 100 percent to all partners in proportion to their capital contributions until they have received distributions (including tax distributions) equal to their aggregate contributed capital. Thereafter, distributions will be made 80 percent to all partners in proportion to their capital contributions and 20 percent to the General Partner.

Investors must understand the proposed method of compensation and its risks prior to investing in the Fund. Prospective investors in any new fund launched by Searchlight should refer to the appropriate fund offering and organizational documents for information regarding the fees charged by Searchlight and/or the General Partner, as applicable.

#### **GENERAL INFORMATION:**

***Investments in Funds:*** The General Partner for the Fund is affiliated with Searchlight through common ownership and control as well as shared executive officers including the Fund's Managing Directors. The General Partner of the Fund will generally participate in the Fund's investments by investing assets directly in the Fund. In addition, Searchlight will not exclude from consideration investment in a company in which the Managing Directors, executive officers or other affiliated persons of Searchlight have previously, directly invested capital or provided financing at an earlier stage of the company's development. (See also Item 11 of this Brochure).

***Co-Investments:*** Searchlight may make co-loan/co-investment opportunities available to the investors and their affiliates as appropriate and in the best interest of the Fund. Allocation of such opportunities creates a conflict of interest as they are, by nature, limited and participation is not possible for all or even most investors in the Fund. As such, Searchlight must determine which investors will be given the opportunity to co-loan/co-invest and which will not.

To address this conflict we have adopted written policies and procedures designed to ensure that Searchlight does not favor certain investors over others, that investors are provided with appropriate disclosures regarding the conflicts of interest inherent in co-investing and that all investors are treated fairly with respect to co-loan/co-investment opportunities. In general, Searchlight may offer co-investment opportunities to those investors who have expressed a desire, under their respective charters, to make direct investments in portfolio companies. In addition, investors should note that Searchlight's allocation of co-loan/co-investment opportunities may include third parties that are part

of a consortium for the particular deal as a way for Searchlight to complete a transaction. Finally, although investors are not typically a source of investment opportunities, when applicable, Searchlight will generally give priority with respect to co-loan/co-investment opportunities to any investor that brought an opportunity to Searchlight's attention.

***Clawbacks:*** The Managing Directors of the Fund's General Partner will be subject to a several, not joint, after tax lookback contribution obligation in the event of over distributions to the General Partner.

***Lock-Up:*** Except as may be otherwise set forth in the Fund's offering documents, an investor in the Fund generally may not rescind any part of its capital commitment or otherwise withdraw from the Fund. Private fund investing is for those who can afford to have capital locked up for long periods of time and who are able to bear the risk of significant losses.

Investors in the Fund should refer to the Fund's limited partnership agreement and offering documents for complete information regarding lock-ups and penalties or other consequences for failure to observe capital calls made by the Fund.

***Other Fees and Expenses:*** In accordance with the terms of the Fund's offering documents, the Fund was responsible for the legal, accounting and other organizational expenses related to the offering.

Investors in any new fund launched by Searchlight should refer to the offering document for such fund for information regarding the extent to which organizational expenses will be incurred by the fund. No fund will be responsible for or otherwise incur any percentage of the organizational expenses of any other funds.

In addition to the organizational expenses of the Fund, the Fund shall also bear all costs incurred in connection with operation of its business, including those costs associated with holding or sale of securities, legal (litigation and otherwise), audit, and tax preparation fees, bank fees, costs of appraisers, trade association dues and the cost of Fund meetings.

***Side Arrangements:*** Fund investors subject to ERISA (as well as investors subject to similar state laws) have a limited right to withdraw from the Fund if continued participation by such investors would violate such laws. Searchlight or the Fund's General Partner, as appropriate, may in the future, waive or modify certain terms of investment for certain large or strategic investors, in side letters or otherwise, in its sole discretion, including but not necessarily limited to, co-investment opportunities or more frequent or varied formats or modes of portfolio reporting.

***Potential for Liquidating Trust:*** Upon dissolution of the Fund, the General Partner or its designee, as appropriate, may create a liquidating trust and appoint a liquidating trustee to oversee the final liquidation and/or distribution of the Fund's residual assets. Under these circumstances, the liquidating trustee, as appropriate, may specifically allocate the

reasonable expenses incurred by the trustee, including the trustee's fee, to an investor's proportional interest in the liquidating trust.

**General:** Investors in the Fund and prospective investors in any new fund launched by Searchlight or its affiliates should refer to the appropriate offering and organizational documents for additional important information, terms, conditions and risks involved with investing in the Fund(s).

## **Item 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As we disclosed in Item 5 of this Brochure, the Fund's General Partner, an affiliate of Searchlight through common ownership and control, will receive carried interest, a form of performance-based compensation or profits interest. Such a performance-based profits interest is calculated based on a share of all net realized income and gains and losses of the Fund.

Investors in the Fund, and prospective investors in any new fund launched by Searchlight, should note that performance-based profits interest, in some contexts, can create an incentive for an adviser such as Searchlight to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. However, the nature of structured venture capital investing reduces this risk because realized income and gains are generated by employing a variety of equity-oriented debt instruments including secured loans, coupled with warrants and/or rights to purchase stock, and secured convertible debt, rather than unrealized gains of other types of investments. This approach incentivizes Searchlight to focus on financial and management strengths of companies as well as the value of collateral when making investment decisions for the Fund.

At this time, Searchlight provides advisory services solely to the Fund and therefore, does not manage the Fund along side any other client account. Should the firm launch a new fund, various conflicts of interest could arise by such side-by-side management. For example, in theory, we could have incentive to favor a Fund paying performance-based compensation over one that does not pay performance-based compensation or one paying higher aggregate performance-based compensation than one paying less. Again, in theory we could have incentive to favor a fund in which members, officers and employees of Searchlight and the General Partner may have more of their personal assets invested. Since we endeavor at all times to put the interest of the Fund (and any fund launched by Searchlight in the future) first as part of our fiduciary duty as a registered investment adviser, we will take the following steps to address any such conflicts, as applicable:

1. We will disclose to investors and prospective investors the existence of material conflicts of interest, including the potential for our firm and its employees to earn more compensation from some funds than others, if applicable;



2. Pursuant to the terms of the Fund's Limited Partnership Agreement and/or Offering Memoranda, we will have substantially (though not necessarily entirely) completed the investment phase of one fund before the launch of a new subsequent fund with similar investment goals and objectives;
3. With respect to funds managed in parallel and other limited situations where an "add-on" or other investment may be appropriate for more than one of the funds, we have implemented written policies and procedures for fair and consistent allocation of investment opportunities among the funds and investors, in the case of co-investments, subject to the funds' maturity or stage of investment, availability of remaining capital commitments, availability of interests in the underlying portfolio companies and other appropriate considerations;
4. We educate our employees regarding the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement.

Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations.

#### **Item 7. TYPES OF CLIENTS**

Currently, we provide investment advisory services solely to the Fund, a private, structured venture capital fund as disclosed at Item 4 of this Brochure.

Except as was permitted by us or the General Partner, in accordance with the Fund's subscription documentation, the minimum required capital commitment to the Fund was \$100,000. Because interests in the Fund and any new fund launched by Searchlight were and will be offered pursuant to certain exemptions from registration under the Securities Act of 1934 and the Investment Company Act of 1940, any investor or prospective investor in a fund managed by Searchlight must meet certain minimum qualifications requirements as set forth in the applicable fund's subscription documents.

Prospective investors in any new fund launched by Searchlight should refer to the appropriate fund offering documents for information regarding that fund's minimum required capital commitment and any additional qualifications required for investment.

#### **Item 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Searchlight's investment professionals, each of whom also serve as either the Fund's Managing Directors or Principals, collectively have spent more than 80 years financing or leading venture capital backed companies, including a combined 55 years in structured venture debt. The Managing Directors and Principals have spent several years working together as a team in two prior funds, during which time they have made more than 150 early-stage structured venture capital investments in venture-backed companies. Through this deep experience, the Managing Directors and Principals have established an

extensive network of relationships with top tier venture capital firms, law firms, accountants and entrepreneurs. This network provides deal flow and priority access to venture capital projects in early and expansion stage technology, life science and alternative energy companies that have received equity backing from these top-tier venture capital firms.

As adviser to the Fund, we primarily will invest using equity-oriented debt instruments including secured loans, coupled with warrants and/or rights to purchase stock, and secured convertible debt to achieve the Fund's objectives. These instruments will generally have terms ranging from 24-48 months and feature a current income stream of interest payments, as well as a long-term capital appreciation opportunity from the equity component. As prospective portfolio companies are generally privately held, traditional securities analysis is not possible when formulating investment recommendations. Instead, we rely on a robust due diligence process in determining which companies to invest in on behalf of the Fund.

Our due diligence process is comprehensive and may include: (a) a detailed financial and operational review and analyses; (b) extensive conference-calls and/or face-to-face management meetings; (c) an analysis of the company's primary industry, market served, technology and competitive advantages; (d) customer calls and reference checks, including discussions with the officers and/or management teams of venture capital firm's backing the company; and (e) additional company and sector specific analyses. The due diligence process is designed to ensure a thorough understanding of the company's financial position, business strategy, market position, operations and management expertise and to assist in structuring appropriate terms for the deal.

The key criteria used by Searchlight in evaluating a potential investment for the Fund include the committed involvement of top-tier venture capitalists; the quality of the management team; a large and rapidly growing market opportunity; sustainable competitive advantage (through proprietary technology or otherwise); and a very high probability that, at the least, the Fund's invested capital will be returned.

Searchlight's investment process seeks to reap the potential benefits to be gained by companies that are backed by top-tier venture capital firms. Through the guidance and vested interest of the venture capital firms' principals and advisors, Searchlight believes that companies can and often do gain valuable business and strategic insight as well as operating and financial support which can bolster the potential for the successful execution of these companies' business plans.

***Risks of Long-Term Investing through Private Structured Venture Capital Funds:*** The primary risks of long-term investments through a private structured venture capital fund are losses due to portfolio company default, changes in portfolio companies' prospects for long-term success, and illiquidity.

The debt portion of the investments made by Searchlight on behalf of the Fund is sometimes collateralized by a first security interest in most, if not all, of the assets of the

portfolio company. Therefore, if the portfolio company defaults on a loan, the Fund may need to find a market for such assets in order to monetize the assets and recover its investment. Depending on the nature of the assets, the market may be small, a sale difficult to negotiate and the Fund may not recover its investment in full.

With respect to equity positions, warrants, options or preferred or common stock, if our outlook for a company's success proves incorrect, these instruments may become devoid of value before they can be exercised or, in the case of stock, may decline sharply in value before we make the decision to sell. This risk is particularly pronounced when investing for the long term in privately issued securities due to the absence of an immediate and liquid market for these investments. Any sale of such securities will typically take some time to complete. In addition, the portfolio company's management, competitors or industry may behave in ways which were not, and in some cases could not have been predicted, leading to losses and/or a lack of any attractive exit option.

***Risks in General:*** The Fund's investments are not guaranteed and the Fund's investors may lose money. Investors in the Fund or prospective investors in any new fund launched by the firm should carefully consider the detailed explanation of the many risks associated with investment as provided in the appropriate fund's offering memorandum.

#### **Item 9. DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Neither our firm nor our management personnel have reportable disciplinary events to disclose.

#### **Item 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Searchlight is related, through common ownership and control, to Lighthouse Management Partners VI, L.L.C., a Delaware limited liability company and General Partner to the Fund (referred to throughout as "the General Partner"). A. Cristina Barnes, Jeffery A. Griffor, C. Edward Hazen, Ryan Turner and Gwill E. York, each officers and members of Searchlight, are also Managing Directors and members of the General Partner.

As disclosed at Item 4 of this Brochure, the Fund is the sixth in a series of structured venture capital partnerships formed since 1994. In addition to being a founding member and officer of Searchlight and Managing Director of the General Partner, Ms. York is also a 50% owner of Lighthouse Capital Partners, Inc., a California corporation ("Inc.") which serves as the investment manager of the Fund's forerunners, Lighthouse Capital Partners Funds I – V. The Fund uses, and any future funds launched by Searchlight or its affiliates may use, the "Lighthouse" brand under the terms of a license agreement entered

into between Searchlight and Inc. Other than Ms. York's continued ownership of a percentage of Inc. as set forth above, Searchlight is not affiliated with Inc.

The General Partner is entitled to carried interest, as applicable, pursuant to the terms and conditions set forth in the Fund offering documents. Any such allocation will ultimately inure to the benefit of the owners and executive officers of Searchlight.

**Item 11. CODE OF ETHICS, PARTICIPATION IN CLIENT  
TRANSACTIONS AND PERSONAL TRADING**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code provides for oversight, enforcement and recordkeeping. A copy of our Code of Ethics is available to our advisory clients and prospective clients, including investors and prospective investors in the Fund, upon request to the Chief Compliance Officer, at the firm's principal office address.

Certain managing members and executive officers and employees of Searchlight are also Members and Managing Directors of the General Partner, which has invested assets in the Fund. Depending on the level of participation, these dual roles could give rise to potential conflicts of interest as Searchlight seeks to launch new funds where a new general partner to such funds may be differently comprised, unrelated to Searchlight or subject to different levels of participation in such new fund. In addition, as disclosed at Item 5 of this Brochure, Searchlight will not exclude from consideration investment in a company in which the Managing Directors, executive officers or other affiliated persons of Searchlight have previously, directly invested capital or provided financing at an earlier stage of the company's development. Therefore, it is possible, from time to time, that related persons will have an interest or position in certain companies which may also be recommended to the Fund.

As these situations present conflicts or potential conflicts of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

1. No member, officer or employee of our firm may prefer his or her own interest to that of the Fund. It is the expressed policy of our firm that no person employed by us may usurp an investment opportunity which may be appropriate for the Fund without first presenting the opportunity to the Investment Team, particularly when there is limited availability for participation in the opportunity.
2. Searchlight has adopted written policies and procedures reasonably designed to

ensure fair allocation of investment opportunities among the Fund and any future Funds launched by the firm. Such allocations may not be based on the potential for greater personal gain by any related person due to the size of a fund or the related person's direct or indirect personal investment(s) in such funds or disparity of personal investments in such funds.

3. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by the Chief Compliance Officer.
4. All of our principals and employees must act in accordance with applicable Federal and State regulations governing registered investment advisory practices.
5. Any individual not in observance of the above may be subject to disciplinary action up to and including termination.

As a matter of policy, neither Searchlight, nor any individual associated with our firm, may engage in principal transactions. Similarly, Searchlight and individuals associated with our firm are prohibited from engaging in agency cross transactions. (A principal transaction occurs when our firm or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. An agency cross transaction occurs where our firm acts as an investment adviser in relation to a transaction in which any person controlled by or under common control with our firm, acts as broker for both the advisory client and for another person on the other side of the transaction).

## **Item 12. BROKERAGE PRACTICES**

Searchlight, directly or in conjunction with the Fund's General Partner, is responsible for all parts of the investment cycle including deal sourcing and origination, investment decision-making, deal negotiation, transaction structuring and portfolio management (the act of overseeing the investments that we have made). Searchlight will typically make direct investments on behalf of the Fund in privately-held companies. Rarely will the Fund acquire securities of publicly traded companies except when exercising warrants, options or convertible securities which give the firm the option of participating in a privately held portfolio company's initial (and/or secondary) public offering.

As disclosed at Items 4 and 8 of this Brochure, Searchlight will primarily invest the Fund's committed capital using equity-oriented debt instruments, including secured loans, coupled with warrants and/or rights to purchase stock, and secured convertible debt to achieve the Fund's objectives. These instruments will generally have terms ranging from 24-48 months and feature a current income stream of interest payments, as well as a long-term capital appreciation opportunity from the equity component. As transactions are entered into with portfolio companies that are privately held, and each deal is directly

negotiated by Searchlight or its affiliates, broker dealers are not typically sought out, engaged or otherwise involved in these transactions.

Because investments made on behalf of the Fund include secured loans, coupled with warrants and/or rights to purchase stock, as well as convertible debt, the Fund may seek to exercise the rights afforded the Fund through these instruments to participate in a portfolio company's initial (and/or secondary) public offering. Under these circumstances, the Fund will hold publicly-traded securities which it will eventually seek to sell at a profit. When exiting these positions, Searchlight will typically engage a broker dealer to assist in the sale. Searchlight has been granted the authority to determine the broker dealer through which to place any such trade by the General Partner. Under these circumstances, we endeavor to select those brokers or dealers which will provide the best services at the lowest prices and commission rates possible under the circumstances. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services which will help us in providing investment management services to clients.

As the Fund is currently Searchlight's only client, the firm cannot and does not aggregate trades among two or more clients. However, as disclosed at Item 5 of this Brochure, Searchlight or the General Partner may make co-loan/co-investment opportunities available to the investors and their affiliates as appropriate and in the best interest of the Fund. Allocation of such opportunities creates a conflict of interest as they are, by nature, limited and participation is not possible for all or even most investors in the Fund. As such, Searchlight must determine which investors will be given the opportunity to co-invest and which will not. To address this conflict we have adopted written Allocation Policies and Procedures designed to ensure that Searchlight does not favor certain investors over others and that, over time, all investors are treated fairly with respect to co-investment opportunities. (Please refer to Item 5 for additional detail).

As a matter of policy and practice, Searchlight does not have any formal or informal soft-dollar arrangements nor do we receive any soft-dollar benefits from any broker, dealer or other counterparty.

### **Item 13. REVIEW OF ACCOUNTS**

Searchlight monitors the portfolio companies of the Fund on an ongoing basis. The Investment Team will approve all portfolio investments and dispositions and will be actively involved in analyzing each investment and reviewing those investments, including portfolio company financial status and loan payments, on an on-going basis.

The Investment Team generally meets at least once per week to evaluate potential new investment opportunities. The Investment Team also generally meets at least once per month to review portfolio companies and the firm's ongoing monitoring activities in the context of the Fund's investment objectives and guidelines. The following individuals, each a Managing Director of Searchlight, serve as the voting members of the Investment

Team for the Fund: Anna Cristina Barnes, Gwill York, Jeffrey Griffor, Chauncey Edward Hazen and Ryan Turner.

The Fund's investors will receive, as soon as practicable after the end of each taxable year (or as otherwise required by law), annual reports containing financial statements audited by the Fund's independent auditors as well as such tax information as is necessary for each investor to complete federal and state income tax or information returns, along with any other tax information required by law.

In addition, investors in the Fund will receive at least quarterly unaudited financials statement.

#### **Item 14. CLIENT REFERRALS AND OTHER COMPENSATION**

Currently, the Fund is the firm's only client. As disclosed at Item 4 of this Brochure, the Fund received partially funded capital commitments from investors during one or more initial fundraising stages, after which the Fund was generally closed to new investors.

As part of our marketing efforts when launching a fund, we, or our affiliates, as applicable, entered into arrangements to compensate certain persons to assist in the offer and sale of the Fund's interests. Searchlight intends to launch additional funds in the future and reserves the right to enter into additional, similar arrangements. In general, these arrangements involve the payment of a percentage of either the referred investor's subscribed amount to the Searchlight Fund or of the management fee collected by Searchlight and attributable to the referred investor's capital account. Depending on the terms of these various arrangements, payments may continue for several years following the final close of the fund.

Although common, such referral arrangements do create a potential conflict of interest because, in theory, the referrer may be motivated, at least partially, by financial gain and not because the funds are the most suitable to the prospective investor's needs. To address this potential conflict of interest, all referred investors are carefully screened to ensure that the particular fund is suitable to the prospective investor's investment needs, objectives and risk tolerance before any subscription is accepted.

Other than as already disclosed at Items 5 and 10 of this Brochure, neither Searchlight, nor any officer, director or employee of Searchlight, receives compensation from third parties in connection with providing investment advice to the Fund.

#### **Item 15. CUSTODY**

Because we act as investment adviser to the Fund and are affiliated with the General Partner through common ownership and control, we are deemed to have custody of client assets under current applicable regulatory interpretations. As an adviser with custody, we seek to have the Fund audited on an annual basis by an independent public accountant that is both registered with and subject to regular inspection by the Public Company

Accounting Oversight Board (PCAOB). We seek to send, directly or through a third party, the audited financials to each investor within 120 days of the Fund's fiscal year end.

**Item 16. INVESTMENT DISCRETION**

As investment adviser to the Fund, Searchlight is granted the discretionary authority from the General Partner to determine which loans and securities and the amounts of the loans and securities that are to be issued, bought or sold on behalf of the Fund, as well as the terms and structure of such investments.

**Item 17. VOTING CLIENT SECURITIES**

Because the Fund transacts primarily in secured loans to private companies, coupled with warrants and/or rights to purchase stock, as well as convertible debt, Searchlight rarely is required to vote proxies. Under certain limited circumstances, however, Searchlight may be required to vote proxies solicited by portfolio companies. Under these circumstances, Searchlight will seek to vote proxies in the best interests of the Fund, typically with the goal of maximizing value for the Fund and the investors in the Fund. To that end, Searchlight endeavors to vote proxies in the manner that it determines in good faith will be the most likely to cause the Fund's investments to increase the most or decline the least in value. Consideration is given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote. Searchlight's complete proxy voting policy and procedures has been memorialized and is available for investors to review.

**Item 18. FINANCIAL INFORMATION**

Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered, therefore, we are not required to include a financial statement with this brochure.

Searchlight has not been the subject of a bankruptcy petition at any time during the past ten years.