

Part 2A of Form ADV: Eaglewood Capital Management LLC - *Brochure*

Item 1 - Cover Page

April 23, 2012

Eaglewood Capital Management LLC
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This Brochure provides information about the qualifications and business practices of Eaglewood Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 729-1907. 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.

Eaglewood Capital Management LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about Eaglewood Capital Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2 - Material Changes

Eaglewood Capital Management LLC (the “Adviser”) is a new registrant with the SEC. Therefore, this is its initial “Brochure” with the United States Securities and Exchange Commission (“SEC”). In the future, this Item will discuss only specific material changes that are made to the Brochure and provide a summary of such changes. We will also reference the date of our last annual update of our Brochure.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our Brochure may be requested by contacting Jonathan Barlow, the Adviser’s Chief Compliance Officer, at (212) 729-1907 or jbarlow@eaglewoodcapital.com.

Additional information about the Adviser is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

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Item 4 - Advisory Business

- A. The Adviser is a Delaware limited liability company and has its principal place of business in New York, New York. The Adviser provides investment advisory services to (i) private funds for sophisticated, qualified investors, including high net worth individuals, pension plans, funds of funds, family offices, endowments and other institutions (the “Funds”); and (ii) separate accounts including high net worth individuals, retirement plans, trusts, partnerships, corporations, or other businesses (the “Separate Accounts” and, together with the Funds, the “Clients”).¹

The Adviser was formed in 2011 by Jonathan Barlow (the “Principal”). The Principal controls the Adviser through his service as the manager of the Adviser as well as his control of the Barlow Family Trust, the majority equity owner of the Adviser.

- B. The Adviser seeks to achieve superior risk-adjusted returns relative to traditional fixed-income investments while also providing reasonably liquidity to investors. The Adviser generally seeks to achieve this objective by investing in consumer loans that offer a combination of attractive yield, strong credit quality, and relatively short duration while seeking to minimize volatility of returns to other asset classes, and, for certain Clients, by employing leverage to enhance returns.
- C. While each of its Clients will follow the general strategy stated above, the Adviser may tailor the specific advisory services with respect to each Client based on the particular investment objectives and strategies described in the applicable Client’s confidential offering memorandum or separate account agreement (as applicable) (referred to collectively as “Offering Documents”).

All discussion of the Clients in this Brochure, including but not limited to their investments, the strategies used in managing the Clients, and conflicts of interest faced by the Adviser in connection with the management of the Clients are qualified in their entirety by reference to each Client’s respective Offering Documents.

- D. The Adviser does not participate in wrap fee programs.
- E. As the Adviser is a newly formed investment, as of April 23, 2012, the Adviser managed \$0 in discretionary assets and \$0 in non-discretionary assets.

¹ As an SEC-registered investment adviser, the Adviser owes a fiduciary duty to all of its clients. In 2006, the decision by the Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, 451 F.3d 873 (D.C. Cir. June 23, 2006), with respect to private funds, clarified that the “client” of an investment adviser to a private fund is the fund itself and not an investor in the fund.

Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser is compensated in connection with providing advisory services to its Clients. The Adviser may enter into different fee arrangements on a Client by Client basis.

Funds

Management Fees. For its services to the Funds, the Adviser is entitled to a management fee (the “Management Fee”) at the following annual rates: (i) 1.0% of the capital account balance of each investor holding a founders class interest and (ii) 1.5% of the capital account balance of each investor holding a regular class interest. The Management Fee is calculated and paid at the beginning of each month. Capital contributions accepted after the commencement of a calendar month will be subject to the Management Fee as if such contributions had been received on the first day of such month.

Performance Allocation. The general partner of the Funds (the “General Partner”), which is an affiliate of the Adviser, is entitled to a performance-based profit allocation at the end of each calendar year equal to (i) 10% (subject to a 5% “hurdle rate”) of the net profits attributable to Founders Class interests and (ii) 15% (subject to a 5% “hurdle rate”) of the net profits attributable to Regular Class interests, but, in each case, only to the extent that such profits exceed the balance in such investor’s loss carry forward account.

Net profit includes unrealized appreciation or depreciation of marketable positions but generally includes only realized amounts in the case of any non-marketable investments. However, the Funds generally do not invest in non-marketable investments.

Withdrawals. Subject to certain withdrawal restrictions, Fund investors are permitted to make withdrawals at the end of each calendar quarter on 90 days’ prior written notice; provided that (i) no investor is entitled to make any withdrawal of its contribution to its capital account during the first year following such investor’s contribution to such capital account, (ii) an early withdrawal amount equal to 3% of the withdrawn amount will apply after year one through year two and (iii) an early withdrawal amount equal to 1% of the withdrawn amount will apply after year two through year three. Early withdrawal fees are not charged on the withdrawal of amounts from founders class interests.

Withdrawal requests may be subject to reserves for contingencies, suspension restrictions, liquidity restrictions, and hold-back pending audit as discussed further in each Fund’s Offering Documents.

Separate Accounts

The fees and expenses associated with each Separate Accounts will be negotiated with each Separate Account and are described in detail in the each Separate Account’s Offering Documents.

Management Fees. The Management Fee is generally calculated and paid each month in advance. The annual Management Fees may range up to 2% of a Separate Account’s assets.

Item 5 – Fees and Compensation (continued)

Performance Fees. Separate Accounts may be charged a performance fee of up to 20% per annum. Any performance fees will be calculated based on net profits. The Management Fee and performance fees are generally deducted from each Separate Account directly upon invoice to the custodian.

- B. Management fees and performance allocations/fees are paid as indicated in Item 5.A. above.
- C. Each Fund bears its own expenses including, but not limited to, the Management Fee, investment expenses (i.e., expenses related to the investment of the Fund's assets, including, without limitation, data, structuring, administrative, legal, tax, audit and technology fees, interest and other borrowing charges and fees, professional and legal expenses relating to particular investments and other expenses reasonably related to the investment decision and monitoring process), expenses from entity-level taxes, insurance premiums, legal expenses, compliance and regulatory expenses, operational, accounting, audit and tax preparation expenses, servicing and backup servicing fees, the administrator fees, other expenses associated with the operation of the Fund, organizational expenses and expenses incurred in connection with the offering and sale of Fund interests and all extraordinary expenses.

The direct expenses borne by each Separate Account are described in more full detail in such Separate Account's Offering Documents.

Although the Adviser generally does not execute transactions with broker-dealers in connection with the implementation of its investment strategy, to the extent that any Client transactions are executed through a broker-dealer, the Client will incur brokerage and other transaction costs. Please refer to Item 12, Brokerage Practices, for more information.

- D. As stated above, any Management Fees are payable monthly in advance. Since Fund investors are generally only permitted to withdraw investment in a Fund on a quarterly basis, refunds of Management Fees are generally not available to Fund investors. In the event that the advisory agreement is terminated with respect to a Separate Account during a month in which the Management Fee has been paid in advance, the Adviser will return the pro rata portion of the fee to the Separate Account for the period remaining in such month.
- E. Other than as described above, neither the Adviser nor any of its supervised persons receives any compensation from the sale of securities or other investment products.

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

As stated in Item 5 above, the Adviser or its affiliates receive performance-based fees or allocations from certain Clients. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee.

The Adviser may manage multiple Clients with similar investment strategies on a side-by side basis. As a result of the foregoing, the Adviser, its principal(s), and/or affiliate(s) may have conflicts of interest in: (i) allocating their time and activity among the multiple Clients; (ii) allocating investments among the multiple Clients; and (iii) effecting transactions among the multiple Clients, including ones in which the Adviser, its principal(s), and/or affiliate(s) may have a greater financial interest. These conflicts of interest may create an incentive for the Adviser to favor a Client in which the Adviser, its principal(s), and/or affiliate(s) have a greater financial interest with respect to allocation of time and activity, limited investment opportunities, or investments that the Adviser regards as more attractive or better performing investments.

To address these conflicts of interest, the Adviser has implemented policies and procedures to ensure that all Clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities. These policies and procedures require the Adviser to at all times allocate investments among the Clients in a manner which it believes to be fair and equitable and prohibit the Adviser from basing an allocation decision on any of the following, or similar, reasons: (i) to generate higher fees paid by one Client over another, or to produce greater fees to the Adviser or any of its affiliates; (ii) to develop a relationship with an existing or potential investor in a Client; (iii) to compensate an investor in a Client for past services or benefits rendered to the Adviser or any employee of the Adviser; or (iv) to induce future services or benefits to be rendered to the Adviser or any employee of the Adviser.

Item 7 - Types of Clients

As mentioned in Item 4, the Adviser provides investment advisory services to (i) private funds for sophisticated, qualified investors, including high net worth individuals, pension plans, funds of funds, family offices, endowments and other institutions and (ii) separate accounts including high net worth individuals, retirement plans, trusts, partnerships, corporations, or other businesses.

The minimum investment in a Fund is \$500,000, although the Adviser may accept investments in a lesser amount at its sole discretion. Generally, there is no stated minimum for opening a Separate Account.

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

A. Investment Objective and Strategy

The Adviser's investment objective is to achieve superior risk-adjusted returns relative to traditional fixed-income investments while also providing reasonable liquidity to investors. The Adviser intends to achieve its objective by investing Client assets in consumer loans, primarily originated by LendingClub Corporation, a Delaware corporation ("LendingClub"), that offer a combination of attractive yield, strong credit quality, and relatively short duration while seeking to minimize volatility of returns and correlation to other asset classes, and, for certain clients, by employing leverage to enhance returns. Additionally, the Adviser may invest certain Client assets in a variety of derivative instruments to protect against increases in cost of debt that may result from changes in interest rates. The Adviser intends to distribute a high percentage of Client income to investors via quarterly distributions.

Overview of Peer-to-Peer Lending Industry

The Adviser believes that heavy regulation, regulatory uncertainty, tight credit conditions and high cost structures have made the traditional "bricks-and-mortar" banking system inefficient at originating and servicing small consumer loans. Accordingly, potential borrowers find such loans either inaccessible or very expensive to obtain, driving a large number of consumers to finance purchases with high-cost credit card debt.

In recent years, new online lending platforms have emerged that use technology to source, underwrite and service small consumer loans more efficiently than traditional banks and credit card companies. Often referred to as the "peer-to-peer" lending industry, these platforms allow investors to directly finance borrower loans. In the Adviser's opinion, a favorable combination of lower interest rates for borrowers and higher yields for investors will result from the disintermediation of traditional banks by peer-to-peer lenders. Given this mutually beneficial outcome for borrowers and investors, combined with the peer-to-peer lending industry's small market share within consumer credit, the Adviser expects the peer-to-peer lending industry to experience substantial growth over the next decade within a continuing landscape of tight credit conditions for borrowers and limited yield opportunities for investors, especially when viewed on a risk-adjusted basis.

The Adviser believes that the peer-to-peer lending business model is highly scalable such that an institutional investor can now assemble a large portfolio of small consumer loans in a manner that was previously impractical or inefficient. The Adviser believes that small consumer loans possess a unique combination of characteristics that create compelling risk-adjusted return prospects for institutional investors, including: high yield, high credit quality, high cash flow, short duration, low volatility of returns, low correlation of returns to other asset classes, and diversification

Overview of LendingClub

LendingClub, an online financial platform (www.lendingclub.com), enables qualified consumer borrowers to obtain loans that are funded by investors. According to LendingClub's website:

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)

- Consumer loans, averaging roughly \$10,000 in size, are made by WebBank, an FDIC-insured industrial bank.
- Each LendingClub loan (each, a “member loan”) is unsecured, has a term of either 36 or 60 months, and is assigned one of 35 different loan grades (A1 – G5) based on LendingClub’s internal credit scoring system. As of March 2012, interest rates range from 6% to 25%, depending on the loan grade.
- Since its inception in 2007, LendingClub has originated over \$550 million of loans.
- The default rate on LendingClub’s loan originations through March 31, 2011 was 2.56%, and the average borrower FICO score was 717. 61% of borrowers in the 2011 fiscal year had either income or employment verified, and debt consolidation was the most common stated use of loan proceeds (55%).

The Adviser believes that LendingClub has established itself as the world leader within the peer-to-peer lending industry and expects LendingClub to maintain this position for the foreseeable future. The Adviser finds LendingClub’s sophisticated underwriting system, focus on prime consumers and track record of solid credit performance attractive. The Adviser also believes that the scalability of LendingClub’s operations, its institutional-quality management team and advisory board, strong venture capital backing and innovative technology will generate desirable investment opportunities for Clients.

Implementation of Investment Strategy

The Adviser has created two proprietary models that it will use to implement its investment strategy:

- Loan Selection Model - Based on analysis of historical LendingClub loan pools, the Adviser has created a proprietary loan selection model derived from variables found to be statistically significant in predicting loan losses (charge-offs). Holding constant the portfolio allocation to each LendingClub assigned credit grade, the model selects newly originated loans within a category that appears least likely to default.
- Loan Valuation Model – The Adviser has created a proprietary loan valuation model that it will use to purchase LendingClub loans from other investors.

The Adviser intends to employ leverage for certain Clients, including certain Funds, against such Clients’ assets as a means of enhancing returns, and believes that its leverage targets are reasonable in relation to many yield-oriented investments and structured products vehicles. The Adviser believes that LendingClub member loans can be used as collateral to secure leverage on favorable terms given their combination of high yield, short duration and high credit quality. The Adviser believes there is a substantial difference (or spread) between the yield (net of credit losses) on LendingClub member loans and the cost of credit facilities backed by comparable assets in the capital markets. The Adviser will seek to maximize this spread and will seek to continually improve the terms of its credit facilities. As the Adviser grows the asset base of its Clients and achieves the critical mass necessary to obtain an agency credit rating on its credit facilities and access the securitization markets, the Adviser

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)

believes that its cost of debt could materially decline; provided, that there is no guarantee that it will obtain such an agency credit rating or be able to effectively access such securitization markets. Additionally, the Adviser may invest certain Client assets in a variety of derivative instruments to protect against increases in cost of debt that may result from changes in interest rates

The Adviser will purchase member loans for its Clients via direct assignment from LendingClub and/or from other LendingClub investors. The Adviser will initially purchase whole member loans, but, but may elect to purchase fractional interests member loans in the future for certain Clients, including the Separate Accounts. The Advisor will purchase such member loans from LendingClub or other investors in secondary market transactions through the use of Delaware trusts that will hold ownership of the member loans and, for certain Clients, finance the member loans through a variety of debt instruments, including structured warehouse loans and securitization vehicles. The Delaware trusts will be formed as special purpose entities that will have national banks acting as independent trustees of the trusts and that will be owned by the Clients and established by the Adviser to own and finance the member loans.

For a more complete description of the Adviser’s investment strategy and process, including additional information on the process of investing in LendingClub member loans, investors should refer to the relevant Offering Documents for each Client.

- B. The Adviser’s investment strategy involves a high degree of business and financial risk that can result in substantial losses and is suitable only for investors prepared to bear such risk. The risks factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the applicable Client’s Offering Documents:

General Investing Risk. Investments with the Adviser are highly risky and speculative because returns on the investment in a Client depend entirely on payments received by the Client on unsecured consumer finance obligations of individual borrowers. The failure of any such borrower to repay a member loan does not result in any cause of action by any Client. Investments in Clients are suitable purchases only for investors of adequate financial means. If you cannot afford to lose all of the money you plan to invest in a Client, you should not make the investment.

No Operating History. The Adviser and its Clients are newly-formed entities and do not have any operating history upon which investors can evaluate their past performance. There can be no assurance that a Client will achieve its investment objectives. An investor in a Client must rely upon the ability of the Adviser’s investment professionals and other key employees in identifying and implementing investments and transactions consistent with Client investment objective and policies.

General Economic and Market Conditions. The success of the Adviser’s activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of Client investments), and political circumstances (including wars, terrorist activities or security operations). Additionally, the deterioration of the U.S. Treasury markets (whether caused by the U.S. credit rating being downgraded or otherwise), the loss of value of the U.S. Dollar (in which Client assets will be denominated) and the occurrence of

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)

widespread systemic financial institution failures could also affect the success of the Adviser and its Clients. Further, a significant increase in unemployment (generally the biggest driver of credit losses on consumer loans) could substantially affect the Adviser and its Clients. The foregoing factors may affect the level and volatility, and the liquidity of, the Client investments, and may also impair the Adviser's ability to access affordable capital in the credit markets, all of which could impair Client profitability or result in losses.

Leverage. The Adviser expects to utilize leverage in investing Client assets including by borrowing funds and pledging Client assets as collateral. While the use of leverage increases returns if the Client earns a greater return on the incremental investments purchased with leverage than it pays for such leverage, the use of leverage decreases returns if the Client fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of the Client than if the Client was not so leveraged.

Credit Facilities. The credit facilities that the Adviser may obtain for its Clients could possibly mature prior to the Clients' ability to repay such facilities, and a failure to obtain a facility renewal from the applicable lender could cause a payment default under the applicable credit facility in which case such lender could accelerate Client indebtedness and foreclose on the assets securing such indebtedness or impose financial penalties (including, but not limited to, higher interest rates and other fees). Additionally, the Adviser may find it necessary to refinance one or more of the credit facilities with a new third-party lender, which refinancing could be subject to highly onerous terms. All of the foregoing would have a material adverse effect on the Clients' financial condition.

Additionally, the Adviser anticipates that the credit facilities may bear interest based upon variable rates, while the member loans purchased by Clients will be subject to fixed interest rates. In the event the interest rates under a Client's credit facility were to materially increase, it could substantially reduce the Client's returns and have a material adverse effect on the Client's financial condition.

Financing Arrangements. As a general matter, the banks and lenders that may provide financing to the Adviser have considerable discretion in setting and changing their interest rates, fees, collateral requirements, financing and collateral valuation policies. Changes by banks and lenders in any of the foregoing policies may result in defaults, loss of financing and forced liquidations of positions at disadvantageous prices.

Additionally, the Adviser's existing and future financing arrangements may impose operating and financial restrictions on the Clients. These restrictions may limit a Client's ability to (i) incur additional indebtedness; (ii) create liens on its assets; (iii) make investments; (iv) make distributions or dividends to its investors; or (v) make capital expenditures. A Client's failure to comply with the terms of any financing arrangements it enters into could lead to defaults, in which case its lenders could then accelerate the Client's indebtedness and foreclose on the assets securing such indebtedness or impose financial penalties (including, but not limited to, higher interest rates and other fees), all of which would have a material adverse effect on the Client's financial condition.

Lender Financial Health. The Adviser will be highly dependent on lenders in order to carry out its leverage strategy. In the event that the financial condition of one or more of the

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)

lenders were to become impaired, the Clients could be subjected to higher interest rates or an inability to make further borrowings under the applicable credit facility, any of which could negatively affect the Clients' overall performance.

Credit Ratings. While the Adviser believes that the cost of debt could materially decline as the Adviser grows the asset base of its Clients and achieves a critical mass necessary to obtain an agency credit rating on its credit facilities and access the securitization markets, there is no guarantee that the Adviser will actually be able to obtain such an agency credit rating for its Clients or be able to access such securitization markets, and the failure to do so could impair the Adviser's leverage strategy and negatively affect the overall performance of its Clients.

Diversification. Although the Adviser will diversify Client investments among the LendingClub member loans, it does not currently plan to make any material investments outside of the LendingClub member loans, though the Adviser may elect to invest outside of the LendingClub platform in the future. As a result, this concentration of Client investments will cause Client returns to become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting LendingClub and/or the consumer loan market in general.

Key Personnel. Investors have no right or power to take part in the management of a Client. Accordingly, no investor should invest in a Client unless such investor is willing to entrust all aspects of the management of the investment to the Adviser. The investment performance of the Clients depends largely on the skill of the Principal. If the Principal were to leave the Adviser, an equally desirable replacement might not be available, and the performance of the Clients could, as a result, be adversely affected.

Success of LendingClub. The Adviser's success or failure is highly dependent on the success or failure of LendingClub. In the event LendingClub were not able to conduct its business successfully (including, without limitation, with respect to attracting borrower members, servicing member loans, and remaining adequately capitalized) or if LendingClub were to experience a material adverse effect or a complete failure of its business, it would materially and adversely affect the performance of the Adviser and its Clients.

Distributions. In the event that certain Clients, including the Funds, are unable otherwise to meet their obligations, the investors in such Clients may be required to repay to the Client, or to pay to creditors of the Client, distributions previously received by them pursuant. In addition, investors may be required to pay to the Client amounts that are required to be withheld by the Client for tax purposes.

Side Letters. The Adviser may enter into side letters with certain investors establishing rights different from, or supplementing or altering, the terms set forth in a Client's Offering Documents. The Adviser reserves the right to, on its own behalf or on behalf of a Client, without any act, consent or approval of any other Client investor, enter into, deliver and perform such side letters with one or more investors that may result in such investors receiving greater economic benefits or other preferential rights and terms than may otherwise be provided or disclosed to any other investor. Any rights established, or any terms in a Client's Offering Documents, in each case so supplemented or altered in any such side letter,

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)

will govern with respect to such investor notwithstanding any other terms in the Offering Documents.

No Market for Interests. An investment with the Adviser is a relatively illiquid investment because the investment is not generally transferable and the withdrawal rights of the investors are restricted. In addition, transfer of the investment may be affected by restrictions on resales imposed by federal and state securities laws and the requirement that the Adviser consent. The Adviser's investment program is not intended as a complete investment program and is designed only for persons who are able to bear the economic risk of the investment and are sophisticated persons in connection with financial and business matters.

Withdrawals. The Adviser in its sole discretion may require an investor to withdraw all or any portion of its investment and withdraw from a Client at any time for any reason or no reason.

Lender Licensing. The Adviser believes that its Clients and the trusts are either not required to be licensed or otherwise exempt from licensing in each of the jurisdictions in which the obligors of the member loans are located. However, if a governmental authority or other regulatory agency in any of these jurisdictions were to assert or determine in the future that the activities of the Clients or the trusts were subject to its licensing requirements, then the business of the Adviser and the value of the member loans could be materially and adversely affected, which, in turn, would likely result in significant, or even substantial, expenses and losses to the Clients and materially and adversely affect your investment in the Clients.

Loan Selection and Valuation Models. While the Adviser's loan selection and valuation models have produced satisfactory results based on backtests performed on historical LendingClub loan pools, there is no guarantee that such models will actually produce satisfactory results going forward or that such models will identify member loans that will perform better than (or as well as) any other member loans originated by LendingClub. The Adviser believes that such models will serve to increase Client returns by successfully filtering out the least attractive member loans, but it is possible that such models will produce less favorable results, which could negatively affect the performance of the Clients. Additionally, there is no guarantee that the member loans selected by the Adviser's loan selection and/or valuation models will actually be available for investment to the Adviser, which could negatively affect Client performance.

Operational Risks. The Adviser relies extensively on computer systems and proprietary programs to evaluate and purchase member loans, to monitor Client portfolios and net capital, and to generate reports that are critical to oversight of the Adviser's investment activities. In addition, certain of the Adviser's operations interface with or depend on systems operated by third parties, and the Adviser may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Such failures could cause the evaluation and purchase of member loans to fail, lead to inaccurate accounting, recording or processing of transactions relating to member loans, and cause inaccurate reports, which may affect the Adviser's ability to monitor Client investment portfolios and its risks. Any such defect or failure could cause the disruption of the Adviser's its business, liability to clients or third parties, regulatory intervention or reputational damage, or financial loss to its Clients.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)

- C. An investment in a Client involves a high degree of investment risk, including the risk that the entire amount invested may be lost. The Adviser may invest Client assets in debt instruments and engage in transactions using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of the Adviser will be realized. Below is a list of potential investment risk factors related to investing in LendingClub member loans. There is no guarantee that the Adviser will be able to control these risks or that the risks will not aggregate in a manner adverse to the Adviser's Clients. The risks factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the applicable Client's Offering Documents.

Unsecured Obligations. Member loans are unsecured obligations of borrower members. They are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way. LendingClub, or any other applicable services, and their respective designated third-party collection agency will, therefore, be the only parties that may take collection actions on member loans. Moreover, Client investors will have no recourse against borrower members and no ability to pursue borrower members to collect payments under member loans. Investors may look only to the Client for payment in connection with their investments, and a Client's obligation to pay make such payments in connection with such investments is limited as described in the Client's Offering Documents.

Borrower Credit Information. LendingClub obtains borrower member credit information from consumer reporting agencies, such as TransUnion, Experian or Equifax, and assigns one of thirty-five (35) LendingClub loan grades to loan requests, from A1 through G5, based on the reported credit score, other information reported by the consumer reporting agencies and the requested loan amount. A credit score or loan grade assigned to a borrower member may not reflect that borrower member's actual creditworthiness because the credit score may be based on outdated, incomplete or inaccurate consumer reporting data, and LendingClub does not verify the information obtained from the borrower member's credit report. Additionally, there is a risk that, following the date of the credit report that LendingClub obtains and reviews, a borrower member may have: (i) become delinquent; (ii) defaulted on a pre-existing debt obligation; (iii) taken on additional debt; or (iv) sustained other adverse financial events. Moreover, the Adviser does not, and will not, have access to financial statements of borrower members.

Additional Borrower Information. Borrower members on the LendingClub site supply a variety of information that is included in the borrower member loan listings on their website. LendingClub does not verify this information, and it may be inaccurate or incomplete. For example, LendingClub does not verify a borrower member's stated home ownership status, job title, employer or tenure, unless otherwise indicated, and the information a borrower member may supply may be inaccurate or intentionally false. Borrower members may misrepresent their intentions for the use of loan proceeds. Unless they have specifically indicated otherwise in a loan listing, LendingClub does not verify a borrower member's stated income. For example, unless otherwise indicated, they do not verify borrower member paystubs, IRS Forms W-2, federal or state income tax returns, bank and savings account balances, retirement account balances, letters from employers, home ownership or rental records, car ownership records or any records related to past bankruptcy and legal proceedings. For the year ended March 31, 2011, approximately 64.6% of requested borrower members provided LendingClub with satisfactory responses to verify their income or employment; approximately 13.2% of requested borrower members withdrew their

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)

applications for loans, and approximately 22.2% of requested borrower members either failed to respond to LendingClub's request in full or provided information that failed to verify their stated information, and they therefore removed those borrower members' loan postings from their website. The identity of borrower members is not revealed to the Adviser, and the Adviser has no ability to obtain or verify borrower member information either before or after it purchases an interest for a Client in any member loan. The Adviser may only communicate with borrower members through the LendingClub website postings, and then only on an anonymous basis, and investors in the Clients may not communicate or otherwise interact with potential borrowers on the LendingClub website. While LendingClub may monitor website posting for appropriate content, they do not verify any information in the postings nor do they respond to requests from investor or borrower members in any posting and any response to the contrary should not be seen as accurate. If the Adviser relies on false, misleading or unverified information supplied by borrower members in deciding to purchase an interest for a Client in any member loan, the Client may lose part of, or all of its investment in that member loan.

Identity Fraud. LendingClub uses identity checks with a third-party provider to verify each borrower member's identity and credit history. Notwithstanding their efforts, there is a risk that identity fraud may occur and remain undetected by them. If LendingClub repurchases a member loan based on identity fraud involving the corresponding member loan, the Client will only receive an amount equal to its pro-rata, outstanding principal balance of such member loan, which could negatively impact your investment and your ability to receive payments from the Client in connection therewith. LendingClub has the exclusive right to investigate claims of identity theft and determine, in its sole discretion, whether verifiable identity theft has occurred. As LendingClub is the sole entity with the ability to investigate and determine verifiable identity theft, which triggers its repurchase obligation, a conflict of interest exists as the denial of a claim under LendingClub's identity theft guarantee would save LendingClub from its repurchase obligation. There are, however, three factors that mitigate the risk of this conflict. Without the protection offered by this guarantee, fewer potential lenders will have the confidence to participate on the LendingClub site, therefore limiting LendingClub's growth and long term profitability. In addition, LendingClub's relationship with WebBank includes a requirement – and accompanying audit function – to insure that claims of identity theft are thoroughly investigated and accurately reported. Finally, California statutes include severe penalties owed to the victim of identity theft if it is shown that a claim of identity theft was not adequately investigated or was frivolously dismissed.

Financial Restrictions on Borrowers. All member loans are credit obligations of individual borrower members. If a borrower member incurs additional debt after obtaining a member loan through the LendingClub platform, the additional debt may impair the ability of that borrower member to make payments on the borrower's member loan and a Client's ability to receive the principal and interest payments that it expects to receive on those member loans. In addition, the additional debt may adversely affect the borrower member's creditworthiness generally, and could result in the financial distress, insolvency, or bankruptcy of the borrower member. To the extent that the borrower member has or incurs other indebtedness and cannot pay all of its indebtedness, the borrower member may choose to make payments to creditors other than LendingClub or the Client. As to these member loans, to the extent borrower members incur other indebtedness that is secured, such as mortgage, home equity or auto loans, the ability of the secured creditors to exercise remedies against the assets of the

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)

borrower member may impair the borrower member's ability to repay the unsecured member loan on which the Interests are dependent. Since the member loans are unsecured, borrower members may choose to repay obligations under other indebtedness before repaying member loans originated through the LendingClub platform because the borrower members have no collateral at risk. The Adviser will not be made aware of any additional debt incurred by a borrower member, or whether such debt is secured.

Default Rate. Member loan default rates may be significantly affected by economic downturns or general economic conditions beyond our control and beyond the control of LendingClub and the individual borrower members. In particular, default rates on member loans on which Clients are dependent for payment may increase due to factors such as prevailing interest rates, the rate of unemployment, the level of consumer confidence, residential real estate values, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors. The current, continued, significant downturn in the United States economy has caused default rates on consumer loans to increase, and the downturn will likely result in increased member loan default rates.

Likelihood of Default. If the borrower member fails to make a required payment on a member loan within thirty (30) days of the due date, LendingClub will pursue reasonable collection efforts in respect of such member loan. Referral of a delinquent member loan to a collection agency on the thirty-first (31st) day of its delinquency will be considered reasonable collection efforts. If LendingClub refers a member loan to a collection agency, LendingClub will have no other obligation to attempt to collect on such delinquent member loan. LendingClub may also handle collection efforts in respect of a delinquent member loan directly. If payment amounts on a delinquent member loan are received from a borrower member more than thirty (30) days after the applicable due date, then LendingClub, or, if they have referred the delinquent member loan to an outside collection agency, that collection agency, will retain a percentage of any funds recovered from such borrower member as a service fee before any principal or interest becomes payable to a Client from recovered amounts in respect of the Client's interests in the corresponding member loan. Collection fees range from 30% to 35% of recovered amounts. LendingClub and/or any other applicable servicer for the Client (or the collection agency selected by LendingClub or such other servicer, as applicable) may not be able to recover some or all of the unpaid balance of a non-performing member loan. The Clients must rely on the collection efforts of LendingClub or such other applicable servicer and the designated collection agency, and the Clients are not permitted to attempt to collect payments on the member loans in any manner.

Cross-Default. Member loans do not contain cross-default provisions. A cross-default provision makes a default under certain debt of a borrower member an automatic default on other debt of that borrower member. Because the member loans do not contain cross-default provisions, a borrower member's loan will not be placed automatically in default upon that borrower member's default on any of the borrower member's other debt obligations, unless there are independent grounds for a default on the member loan. The member loans will not be referred to a third-party collection agency for collection because of a borrower member's default on debt obligations other than the member loan. If a borrower member defaults on debt obligations owed to a third party and continues to satisfy payment obligations under the member loans, the third party may seize the borrower's assets or pursue other legal action against the borrower member before the borrower member defaults on their member loan.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)

Payments on member loans may be substantially reduced if the borrower member subsequently defaults on the member loans and a Client may be unable to recoup any or all of its expected principal and interest payments on its investment in such member loans.

Prepayment. Borrower member loan prepayment occurs when a borrower member decides to pay some or all of the principal amount on a member loan earlier than originally scheduled. A borrower member may decide to prepay all or a portion of the remaining principal amount at any time without penalty. In the event of a prepayment of the entire remaining unpaid principal amount of a member loan, the Client will receive its share of such prepayment, net of any service fee, but further interest will not accrue after the date on which the payment is made. If a borrower member prepays a portion of the remaining unpaid principal balance on a member loan, LendingClub will reduce the outstanding principal amount and interest will cease to accrue on the prepaid portion. As a result of the combination of the reduced principal amount and the unchanged monthly payment, the effective term of the member loan will be shortened. If a borrower member prepays a member loan in full or in part, the Client will not receive all of the interest payments that it originally expected to receive in connection with such member loan, and the Adviser may not be able to find a similar rate of return for the Client on another investment at the time at which the member loan is prepaid. A Client's return on such member loan may actually be negative if prepayment occurs within the first few months after the Client's purchase of such member loan.

Change in Interest Rates. The member loans have a term of three (3) or five (5) years and bear fixed, not floating, rates of interest. If the prevailing interest rates increase, the interest rates on member loans purchased by the Adviser for a Client might be less than the rate of return the Client could earn if the Adviser invested the purchase price for such member loans in other investments. While the Client may still receive a return on its purchase price for the member loans through the receipt of amounts equal to the interest portion of a borrower member's payments on the member loan, if prevailing interest rates exceed the rate of interest payable on the member loan, the payments received by the Client during the term of the member loan may not reflect the full opportunity cost to the Client after taking into account factors such as the time value of money. If prevailing interest rates on consumer loans decrease, borrower members may choose to prepay their member loans with money they borrow from other sources or other resources.

Death of the Borrower. All borrower members are individuals. If a borrower member with outstanding obligations under a member loan dies while the member loan is outstanding, LendingClub (as the servicer) will generally seek to work with the executor of the estate of the borrower member to obtain repayment of the member loan. However, the borrower member's estate may not contain sufficient assets to repay the member loan. In addition, if a borrower member dies near the end of the term of an unsecured member loan, it is unlikely that any further payments will be made to the Client, because the time required for the probate of the estate may extend beyond the final maturity date of the member loan.

Borrower Bankruptcy. Borrower members may seek protection under federal bankruptcy law or similar laws. If a borrower member files for bankruptcy (or becomes the subject of an involuntary petition), a stay will go into effect that will automatically put any pending collection actions on hold and prevent further collection action absent bankruptcy court approval. If LendingClub (as the servicer) receives notice that a borrower member has filed for protection under the federal bankruptcy laws, or has become the subject of an involuntary

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)

bankruptcy petition, LendingClub will put the borrower member's member loan account into "bankruptcy status." When LendingClub puts a member loan into bankruptcy status, they terminate automatic monthly Automated Clearing House (ACH) debits and do not undertake collection activity without bankruptcy court approval, which may result in a loss of a Client's investment in such member loan. Whether any payment will ultimately be made or received on a member loan after a bankruptcy status is declared depends on the borrower member's particular financial situation and the determination of the court. It is possible that a borrower member's personal liability on the member loan will be discharged in bankruptcy. In most cases involving the bankruptcy of a borrower member with an unsecured loan, unsecured creditors, including the Client as holder of the member loan, will receive only a fraction of any amount outstanding on their member loans, if anything.

Investing in the Clients involves risk of loss that prospective investors should be prepared to bear. There can be no assurance that a Client's objective will be achieved or that the investment strategies the Adviser employs will be successful. Investors must be prepared to lose all or substantially all of their investment. The past performance of the Adviser is not indicative of its future performance.

For a more complete description of the risks associated with investing with the Adviser, investors should refer to the relevant Offering Documents for each Client.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of adviser's management.

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of management.

Item 10 - Other Financial Industry Activities and Affiliations

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. 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, commodity trading advisor, or an associated person of the foregoing entities.
- C. The Principal is a LendingClub stockholder, and currently owns capital stock and warrants in LendingClub representing less than 0.1% of LendingClub's aggregate issued and outstanding capital stock. Other than this ownership and the relationship with LendingClub discussed in Item 8 above, the Adviser has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to its Clients.
- D. The Adviser does not receive any compensation for the recommendation of other investment advisers for its Clients.

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

- A. The Adviser has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's employees. The Code contains policies and procedures that ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

While the Adviser rarely has access to non-public information relating to public companies, as part of its Code, the Adviser has established procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non- public information, and, therefore, may not trade on the basis of that information.

The Adviser will provide a copy of the Code to any investor or prospective investor upon request.

- B. Affiliates of the Adviser serve as the General Partners to the Funds, which issue partnership interests to third party investors. Other than with respect to these structures, neither the Adviser nor any of its related persons recommend to its Clients, or buy or sell for its Clients, investments in which the Adviser or any related persons have a material financial interest.
- C. The Principal makes significant capital contributions in the Funds. Such amounts may be invested pro rata with the investors of each Fund in all Fund portfolio investments. Other than any of these investments in the Funds, neither the Adviser nor any of its related persons invest in the same or related securities that either the Adviser or its related persons recommend to its Clients.
- D. Neither the Adviser nor any related person recommends investments to its Client, or makes investments for its Clients, at or about the same time that the Adviser or its related persons buys or sells the same investments for their own account.

Item 12 - Brokerage Practices

- A. The Adviser's investment strategy involves investing in consumer loans and does not involve the not purchase or sale of publicly traded equity securities. As a result, the Adviser does not select or recommend broker-dealers for the purchase and sales of securities for its Clients.

The Adviser does not maintain any trading accounts and does not use "soft" dollars received from broker-dealers from the purchase and sales of securities for its Clients.

- B. Not applicable.

Item 13 - Review of Accounts

- A. Jonathan Barlow, the Principal of the Adviser and the portfolio manager for the Clients, is responsible for reviewing Client investment portfolios. Mr. Barlow performs daily, weekly or monthly reviews of Client positions as he deems appropriate. Performance, certain investment positions, exposure levels, and investment opportunities are among some of the matters that may be reviewed.
- B. See Item 13.A. above.
- C. Annually, the Adviser assists each Fund in furnishing all investors with (i) audited written financial statements prepared in accordance with generally accepted accounting principles, accompanied by the report of its independent certified public accountants, and (ii) tax information necessary for the completion of tax returns. In addition, on a quarterly basis, the Adviser assists each Fund in distributing unaudited financial information to investors in the form of monthly “tear sheets” and quarterly newsletters. The Adviser will provide investors in a Separate Account with such reports that are required by such Separate Account’s Offering Documents.

Item 14 - Client Referrals and Other Compensation

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.
- B. The Adviser may enter into agreements with persons who refer potential investors for Clients to the Adviser. For their referral services, these persons may receive compensation from the Adviser in the form of a percentage of the Management Fee and/or performance-based fee or allocation that the Adviser and its affiliates receive from the Clients with respect to the referred investors. All such arrangements will be in accordance with Rule 206(4)-3 under the Advisers Act.

Item 15 - Custody

The Adviser may be deemed under Rule 206(4)-2 of the Advisers Act to have custody of the assets of the Funds by virtue of its control of the General Partner of each Fund. All assets and securities of the Funds are held by qualified custodians. As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

The Adviser does not have nor is it deemed to have custody of the assets and securities of the Separate Accounts.

Item 16 - Investment Discretion

The Adviser exercises discretion in managing the investments of each Client, based on the Client's particular investment objectives, policies and strategies disclosed in its Offering Documents.

The Adviser contractually assumes discretionary authority over the assets of each Fund under an investment management agreement entered into among the Adviser, the Fund and the Fund's General Partner or other controlling entity.

The Adviser contractually assumes discretionary authority with each Separate Account under an investment management agreement with the Separate Account.

Item 17 - Voting Client Securities

The Adviser's investment strategy involves investing in consumer loans. As a result, the Adviser does not invest Client assets in public equity securities and therefore does not receive proxies on behalf of its Clients.

Item 18 - Financial Information

- A. The Adviser does not require or solicit prepayment of more than \$1,200, six months or more in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.