

**EDWARDS CAPITAL, LLC**  
**d/b/a Flexpoint Ford, LLC**

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Part 2A of Form ADV: Firm Brochure

March 28, 2014

This brochure provides information about the qualifications and business practices of Flexpoint Ford, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 327-4520. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Flexpoint Ford, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

## **Item 2. Material Changes**

There are no material changes from FlexPoint Ford, LLC's last brochure, dated April 1, 2013.

Pursuant to SEC rules, Flexpoint Ford is providing this summary of material changes to its brochure within 120 days of the close of Flexpoint Ford's fiscal year. Flexpoint Ford may further provide clients with other ongoing disclosure information about material changes as deemed necessary. Additionally, Flexpoint Ford will provide clients with a new Brochure as necessary based on material changes, without charge.

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#### **Item 4. Advisory Business**

Edwards Capital, LLC d/b/a Flexpoint Ford, LLC (“Flexpoint” or the “Firm”), an Illinois limited liability company, together (where the context permits) with its affiliates, provide advisory services to investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). As of December 31, 2013, Flexpoint serves as the investment manager for Flexpoint Fund, L.P. (“Fund I”) and Flexpoint Fund II, L.P. (“Fund II”) (together, the “Main Funds”) as well as to Flexpoint Fund II (Cayman), L.P., an Alternative Investment Vehicle (“Alternative Investment Vehicle”) (The Main Funds and Alternative Investment Vehicles are collectively referred to as the “Funds.”). The Alternative Investment Vehicle is under common control and was organized to address specific tax, legal, business, accounting and regulatory-related matters. Flexpoint may in the future advise Funds in addition to those listed above. Such affiliates are under common control with Flexpoint Ford, LLC and as such are relying advisers subject to Flexpoint’s compliance program.

The Funds make primarily long-term private equity and equity-related investments. Some of the investments in the Funds may be in public companies or in private companies that go public while owned by a particular fund. In accordance with the Funds’ respective investment objectives, investments are generally made in companies doing business in financial services and healthcare industries. Flexpoint’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments.

Flexpoint provides investment supervisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund or separate investment and advisory, investment management or portfolio management agreements (each, an “Advisory Agreement”).

The sole member of Flexpoint Ford, LLC is Donald J. Edwards. Fund I is owned 4.4% by its general partner; Fund II and its respective Alternative Investment Vehicle is owned 2.6% by its respective general partner; the remaining interests are divided pro rata amongst the applicable Fund’s limited partners according to each investor’s capital commitment.

The Adviser has been in business since 2005. As of December 31, 2013, the Adviser manages a total of \$933,484,000 of client assets, all of which is managed on a discretionary basis.

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

As compensation for investment advisory services rendered to the Funds, Flexpoint receives from each Fund a management fee (each, a “Management Fee”). Generally, Flexpoint charges each Fund an annual Management Fee of 2% based on each limited partner’s committed capital. During the

investment period, the annual Management Fee is based on the total capital commitments of a Fund's limited partners. Thereafter, the Management Fee is computed based on the lesser of each limited partner's commitment to the Fund and the respective Fund's net asset value.

In addition, Flexpoint and its affiliates may perform management, advisory, transaction-related, financial advisory and other services ("Related Services") for, and receive fees from portfolio companies or other investment vehicles of the Funds, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions. Although these fees are in addition to the Management Fees, Flexpoint reduces the amount of Management Fees paid by the applicable Fund in connection with the receipt of such fees. If Flexpoint receives any of these fees, management fees of the respective Fund are reduced by 100% of any such fees. The amount and manner of such reduction is set forth in the Advisory Agreement and/or organizational documents of the applicable Fund. Additionally, a portfolio company may reimburse Flexpoint for expenses (including without limitation travel expenses, which may include expenses for chartered or first class travel) incurred by Flexpoint in connection with its performance of services for a portfolio company, and such reimbursements are not subject to the sharing arrangements described above and below. For a discussion of material conflicts of interest created by the receipt of fees and reimbursements, please see Item 11 below.

The precise amount of, and the manner and calculation of, the Management Fees for each Fund are established by Flexpoint, as modified by negotiations with investors in the applicable Fund, and are set forth in each Fund's Advisory Agreement, organizational documents and/or other documentation received by each investor prior to investment in a Fund. The fee structures described above may be modified from time to time; however, once the relevant Fund has been established and commenced operations, compensation and expenses are generally not negotiable. Fees may differ from one Fund to another, as well as among investors in the same Fund. To date, fees have been the same for all investors.

Management Fees billed to and received from the Funds vary Fund by Fund and are payable on a semi-annual basis for the semi-annual period commencing on January 1 and July 1 of each year, payable on January 15 and July 15 of each year, in arrears with respect to the first fifteen days of the period and in advance for the remainder of the period.

Upon termination of an Advisory Agreement, Management Fees that have been prepaid are generally returned on a pro-rated basis.

To the extent provided in the Advisory Agreements, the partnership agreements and other organizational documents of the Funds, Flexpoint will pay out of Management Fees certain operating expenses, including expenses on account of rent, utilities, equipment expenses, compensation of its partners and employees (other than Carried Interest described in Item 6 below) and other routine administrative expenses relating to the services and facilities provided by Flexpoint

to the Funds. Each Fund will bear all other expenses relating to it to the extent not borne by its portfolio companies, including travel, legal, filing and accounting, audit, investment banking, consulting, research, brokerage, finders', custody, transfer, registration, advisory board, annual meeting and associated expenses, directors' and officers' insurance, appraisal, litigation, interest, title, taxes, preparation of the Fund's financial statements and extraordinary expenses, a Fund's allocable share of expenses and fees generated by outside vendors or service providers in the course of evaluating and making investments which are not consummated and other similar fees and expenses, as well as any other fees or expenses incurred by Flexpoint or a Fund in connection with the Fund's operations that are not specifically set forth above as being paid by Flexpoint. Portfolio company expenses generally include reimbursements for travel and Flexpoint employee visits to the specific portfolio company.

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

A portion of the profits of each Fund is distributed to its general partner as "carried interest" (the "Carried Interest"). Each general partner of a Fund is a related person of Flexpoint. The Carried Interest allocations are subject to specified minimum valuation tests, as well as claw-backs in the event that a Fund's general partner is paid in excess of its entitled carried interest distribution.

Each Fund's Carried Interest fee structure is described in detail in the relevant Advisory Agreement, organizational documents and/or other documentation received by each investor prior to investment in such Fund. These performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

The payment by the Funds of Carried Interest may create an incentive for Flexpoint to disproportionately allocate time, services or functions to Funds paying Carried Interest, or allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the organizational documents of the Funds, this conflict is mitigated by the general partner's commitment to each Fund.

The Alternative Investment Vehicle contains terms and conditions substantially similar to those of the applicable Main Fund (Fund II) and profits and losses of the Alternative Investment Vehicle are aggregated with those of the Main Fund (Fund II) for purposes of determining distributions by the Main Fund and the Alternative Investment Vehicle (except as may be advisable because of legal, regulatory or tax constraints). Additionally, Flexpoint periodically reviews the time and services being devoted to the Funds to ensure that the necessary resources are being allocated to each Fund.

#### **Item 7. Types of Clients**

Flexpoint provides investment advisory services directly to the Funds (subject to the direction and control of the general partner of each such Fund, if applicable) and not individually to investors in

such Fund. Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally “qualified purchasers” as defined in the 1940 Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

While Flexpoint does not have a minimum size for a Fund, historically, the Main Funds have had a \$1.0 million minimum commitment requirement. The general partner of each Fund may in its sole discretion permit investments below the minimum amounts set forth in a Fund’s offering documents. All of Flexpoint’s Funds are closed to new investors at this time. More information about the Flexpoint Funds is available in each Fund’s respective offering documents.

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

### **Methods of Analysis and Investment Strategies**

#### ***Investment Strategy***

Flexpoint will apply the industry expertise of the principals of the firm (the “Principals”) to identify and evaluate investment opportunities and to add value to its portfolio companies following investment. The Funds make investments in a range of structures where the Principals will generally have influence over the target company’s strategy and operations.

The Funds’ investment activity remains focused on financial services and healthcare. The Funds will make both middle market investments and may take advantage of larger market investment opportunities. While the Principals expect a majority of the Funds’ capital to be deployed in private equity control transactions, the Adviser seeks to invest in the best opportunities available, regardless of asset class.

#### ***Active Portfolio Company Management***

Flexpoint expects the majority of the Funds’ investments to represent either majority ownership or to provide meaningful contractual rights. The Firm generally seeks at least one board seat in each investment, with the Principals providing the appropriate degree of oversight.

While carefully protecting the contractual interests of the Funds, the Funds’ professionals will also work to develop a relationship with portfolio company management based on trust and mutual respect.

#### ***Financial Services Strategy***

The Firm believes that opportunities in the financial services sector are broad, significant and ever-changing due to macroeconomic factors, regulation, consumer trends, and technological innovation. The Principals determine the relative attractiveness of sub-sectors within financial services. For example, at times in the economic cycle, bank assets can be attractively valued for investment, while at other times the Principals believe that banks, in general, offer only limited return opportunities. However, commercial lenders and specialized consumer lenders may not follow these same patterns. Similarly, insurance companies in different sectors experience “hard” and “soft” markets for their products that can dictate investment success.

Targeted areas for investment in financial services include commercial banks, commercial finance companies, specialized consumer lenders, insurance companies (including property/casualty, life, auto and reinsurance), asset managers, transaction processors, and other service providers to the financial services industry.

Flexpoint intends to add value to the operations and subsequent investment returns of each portfolio company. Consistent with that core strategy, the majority of the investments will generally be in private companies or public companies where the Funds have a significant ownership interest. The Principals believe there will be opportunities during various stages of development within financial services companies, including during: the growth and rollout of an existing strategy; a mature phase when maximizing cash flow; a period of industry consolidation; and a required turn-around. Across all stages, it will be an integral part of Flexpoint’s strategy to maintain pricing discipline relative to earnings and book value.

### ***Healthcare Strategy***

Flexpoint views the healthcare investing opportunities in four categories: providers (e.g., hospitals, long term care facilities, clinical laboratories, home health); payors (i.e., managed care organizations focused either on a particular population or on a particular type of healthcare benefit); product companies (i.e., manufacturers and marketers of pharmaceuticals and medical devices); and services to the product companies (e.g., distribution, pharmacy, outsourced clinical research).

Many generalist investors shy away from companies that have significant government reimbursement. The Principals seek to find investment opportunities that take advantage of potential reimbursement increases while avoiding the pitfalls of investing in companies with declining reimbursement. Flexpoint plans to continue its focus in these arenas on investments that it believes provide real value to the ultimate source of reimbursement, whether that source is the government, private enterprise or the consumer.

### ***Investment Analysis***

The Firm takes a proactive and industry-focused approach to sourcing investment opportunities. By



immersing themselves in an industry in advance of finding an investment opportunity, the Principals intend (a) to find or create proprietary investment opportunities; (b) to formulate, test and rework their investment theses for that industry; and (c) to build a knowledge base that will accelerate the same process in related industries.

After initial qualification of an investment idea or opportunity, Firm professionals build a valuation and returns model and develop a preliminary investment thesis encompassing assessment of both the industry and the target company.

Following thesis development, due diligence on specific target companies will entail rigorous accounting and financial diligence, legal diligence, operational diligence, management assessment, and customer and supplier diligence. The Principals will use outside firms under their close supervision to assist in elements of accounting and legal diligence.

The Principals have a successful record of adding value to their investments by providing strategic guidance on a wide range of topics including business strategy, management structure, operational improvements, financial capitalization, strategic alliances, acquisitions and divestitures. Flexpoint will also have the capability to operate certain portfolio company investments when appropriate. Consistent with its emphasis on capital preservation, the Firm intends to devote substantial resources to monitoring and support activities across its entire portfolio. Flexpoint will work closely with management on major strategic decisions, assist in company financings, and recruit senior management as appropriate.

The Principals have experience optimizing exit timing and value through a variety of vehicles including sales, recapitalizations, public offerings, and liquidation over time of public positions. The Principals believe that the Firm's industry-focused approach gives it enhanced insight into optimal exit timing and, as applicable, into the dynamics affecting specific potential strategic acquirers that allow it to oversee a more successful sale process.

## **Risks**

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include the following:

### ***Business Risks***

The Funds' investment portfolio will consist, in whole or in part, of securities issued by privately

held companies, and operating results in a specified period may be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses. The business of the Funds is to invest in securities and to use investment techniques that involve substantial risks. The prices of the Funds' investments are volatile and market movements are difficult to predict. In addition, the Funds are permitted to utilize leverage, sell short and use a variety of derivative instruments, including options, which may increase the risk of loss by the Funds. Also, the Funds may realize gains and losses at any time and in any amounts without regard to whether they are short-term or long-term. The actual results of the Funds may affect individual investors differently, depending upon their individual financial and tax situations.

### ***Investment in Junior Securities***

The securities in which the Funds will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

### ***Concentration of Investments***

The Funds will participate in a limited number of investments and generally will seek to make several investments in a limited number of industries or industry segments. As a result, each Fund's investment portfolio could become highly concentrated, and its aggregate return may be affected substantially by the performance of a few holdings. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies and thus be less diversified.

### ***Leveraged Investments***

The Funds may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in such portfolio company. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of their investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. In addition, this leverage could accelerate and magnify declines in the value of the Funds' investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Funds. Furthermore, should the credit markets be

tight at the time the Funds determine that it is desirable to sell all or a part of a portfolio company, the Funds may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Funds will invest generally will not be rated by a credit rating agency.

### ***Restricted Nature of Investment Positions***

Generally, there may be no readily available market for a substantial number of the Funds' investments, and hence, most of the Funds' investments may be difficult to value. Certain investments may be distributed in kind to the Investors.

### ***Reliance on Portfolio Company Management***

Although the General Partner will monitor the performance of a Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis.

### ***Projections***

Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

### ***Need for Follow-On Investments***

Following their initial investment in a given portfolio company, the Funds may decide to provide additional funds to such portfolio company or may have the opportunity to increase their investment in a successful portfolio company. There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient funds to make all or any of such investments. Any decision by the Funds not to make follow-on investments or its inability to make such investments may have a substantial negative impact on a portfolio company in need of such an investment or may result in a lost opportunity for the Funds to increase their participation in a successful operation.

### ***Non-U.S. Investments***

The Funds may invest in portfolio companies that are organized and/or have substantial sales or

operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Funds) and the application of complex U.S. and foreign tax rules to cross border investments, possible imposition of foreign taxes on the Funds and/or the investors with respect to the Funds' income, and possible foreign tax return filing requirements for the Funds and/or the investors. Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

### ***Non-controlling Investments***

The Funds anticipate that they will hold certain non-controlling interests in portfolio companies and, therefore, will have a limited ability to protect the Funds' position in such portfolio companies.

### ***Director Liability***

The Funds will often obtain the right to appoint a representative to the board of directors of the companies in which they invest. Serving on the board of directors of a portfolio company exposes the Funds' representatives, and ultimately the Funds, to potential liability. Although portfolio companies often have insurance to protect directors and officers from such liability, such insurance may not be obtained by all portfolio companies and may be insufficient if obtained.

## **Item 9. Disciplinary Information**

Like other registered investment advisers, Flexpoint is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a client's evaluation of Flexpoint or the integrity of Flexpoint's management. No events have occurred at Flexpoint that are applicable to this Item.

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

Flexpoint is not actively engaged in a business other than giving investment advice to its clients, the Funds, and managing the portfolio companies owned by the Funds. Neither Flexpoint nor any of its management persons is registered or has an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser, or associated person of the foregoing, and Flexpoint does not anticipate such affiliations in the future.

Except as discussed below, Flexpoint has no arrangements with a related person who is a broker-

dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services, the Funds, or their investors.

Various limited partnerships serve as general partners of the Funds (the “General Partners”), and are affiliated entities of Flexpoint. The sole member of the Flexpoint Main Funds (and Managing Principal) is also the sole member of the general partner of the General Partners. The general partner of the AIV is made up of twelve affiliated Flexpoint employees. For a description of material conflicts of interest created by the relationship among Flexpoint and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

Flexpoint has and will continue to maintain and develop relationships with professionals that provide services it does not provide, including: legal, accounting, banking, tax preparation, insurance brokerage, and other services. None of these relationships create a material conflict of interest with any of Flexpoint’s clients or its investors.

From time to time, Flexpoint receives training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will Flexpoint accept any benefits, gifts or other arrangements that are conditioned on directing individual client transactions to a specific security, product or provider.

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

### **Code of Ethics**

Flexpoint has adopted a written Code of Ethics that is applicable to all of its members, officers and employees, as well as officers and employees of its affiliates and certain independent contractors that the Adviser has deemed to be Access Persons (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations.

Flexpoint personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware and to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to:

Flexpoint Ford, LLC, Attention: Compliance Officer, 676 N. Michigan Avenue, Suite 3300, Chicago, IL 60611.

### **Participation or Interest in Client Transactions**

Certain employees and affiliates of the Adviser may invest in and alongside the Funds through the General Partners. Each Fund or its general partner may exempt a Flexpoint employee or affiliate from all or a portion of the management fee or carried interest calculation.

Flexpoint does not affect any principal or agency cross securities transactions for client accounts. Flexpoint will also not cause clients to enter into securities trades with each other. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Neither of these circumstances applies to Flexpoint.

### **Conflicts of Interest**

Flexpoint and its related entities engage in a broad range of activities for the account of other investment funds, and providing transaction-related, investment advisory, management and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Fund may conflict with the interests of Flexpoint, other Funds or their respective affiliates.

### ***Resolution of Conflicts***

In the case of all conflicts of interest, Flexpoint's determination as to which factors are relevant, and the resolution of such conflicts, will be made using Flexpoint's best judgment, but in its sole discretion. In resolving conflicts, Flexpoint may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless Flexpoint believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- (2) Many important conflicts of interest will generally be resolved by set procedures,

- restrictions or other provisions contained in the relevant offering and/or organizational documents for the Funds;
- (3) Generally, each Main Fund has established an advisory board consisting of representatives of investors not affiliated with Flexpoint. The advisory boards meet as required to consult with Flexpoint as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, Flexpoint will be guided by its good faith discretion; and
  - (4) Where Flexpoint deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price.

### ***Allocation of Investment Opportunities Among Clients***

In connection with its investment activities, Flexpoint may encounter situations in which it must determine how to allocate investment opportunities among various clients and other persons, which may include, but are not limited to, the following:

- The Main Funds, which may include Main Funds organized as parallel investment entities that have been formed to invest side-by-side with one or more of the Funds (either in all transactions entered into by such Fund(s) or in a limited subset of such investments);
- Any Alternative Investment Vehicles that have been formed to address, for example, specific tax, legal, business, accounting or regulatory-related matters that may arise in connection with a transaction or transactions;
- Fund Investors and/or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Fund(s); and
- Fund Investors and/or Third Parties acting as “co-sponsors” with Flexpoint with respect to a particular transaction.

In recognition of its fiduciary duties, it is Flexpoint’s policy to treat the Funds fairly and equitably in the allocation of investment opportunities and transactions more generally. Flexpoint has adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently these policies.

The Funds are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”). Investment Allocation Requirements may be set forth in the instrument under which the Fund was established (such as a Fund’s limited partnership agreement or private placement memorandum), or in side letters. To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow Flexpoint discretion in making allocation decisions among the Funds, the Firm will follow the process set forth below.

Flexpoint must first determine which Funds will participate in an investment opportunity. The Firm assesses whether an investment opportunity is appropriate for a particular Fund(s) based on the Fund's investment objectives, strategies and structure. A Fund's investment objectives, strategies and structure typically are reflected in the Fund's offering memoranda and organizational documents. Prior to making any allocation to a Fund of an investment opportunity, Flexpoint determines what additional factors may restrict or limit the offering of an investment opportunity to the Fund(s). Possible restrictions include, but are not limited to:

- **Obligation to Offer:** Flexpoint may be required to offer an investment opportunity to one or more Funds. This obligation to offer investment opportunities may be set forth in a Fund's offering documents and/or operating agreement.
- **Related Investments:** Flexpoint may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) to the exclusion of, or resulting in a limited offering to, other Funds.
- **Legal and Regulatory Exclusions:** Flexpoint may determine that certain Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

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

In exercising its discretion to allocate investment opportunities and fees and expenses, Flexpoint may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, the Firm may have an incentive to allocate investment opportunities to the Funds from which it or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit.

In addition, Flexpoint principal executive officers and other personnel invest indirectly in and may be permitted to invest directly in Funds and may therefore participate indirectly in investments made by the Funds in which they invest. Such interests will vary Fund by Fund. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

Because Fund I is past its investment period, Flexpoint currently does not face a conflict with regard to the allocation of investment opportunities among Funds.

### ***Conflicts Related to Purchases and Sales***



Conflicts may arise when a Fund makes investments in conjunction with an investment being made by other Funds, or in a transaction where another Fund has already made an investment. Investment opportunities may be appropriate for Funds at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. Investments by more than one client of the Adviser in a portfolio company may also raise the risk of using assets of a client of the Adviser to support positions taken by other clients of the Adviser. Employees and related persons of the Adviser and its affiliates have made or may make capital investments in or alongside certain Funds, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A Fund may invest in opportunities that other Funds have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds have invested.

### ***Management of the Funds***

Flexpoint manages a number of Funds that may have investment objectives similar to each other and may in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Clients*" above. In addition, it is expected that Flexpoint employees responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by Flexpoint, including Funds that may be raised in the future. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

### ***Conflicts Relating to the General Partner and the Adviser***

Flexpoint generally may, in its discretion, contract with any related person of the Firm (including but not limited to a portfolio company of a Fund) to perform services in connection with its provision of services to the Funds. When engaging a related person to provide such services, Flexpoint may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Flexpoint generally may, in its discretion, recommend to a Fund or to a portfolio company (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) Flexpoint or a related person (including but not limited to a portfolio company of a Fund) or (ii) an entity with which Flexpoint or its affiliates or a member of their personnel has a relationship or from which Flexpoint or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, Flexpoint may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Flexpoint, its affiliates, and members, officers, principals and employees of Flexpoint and its affiliates may buy or sell securities or other instruments that it has recommended to Funds. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by Funds. Such transactions are subject to the policies and procedures set forth in the Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees have made large capital investments in or alongside the Funds they may have conflicting interests with respect to these investments.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by Flexpoint, are reimbursed by a Fund and/or its portfolio companies, Flexpoint may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

On at least one occasion, the Adviser purchased a defaulting limited partner's interest.

### ***Fee Structure***

Because there is a fixed investment period after which capital from investors in the Funds may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure may create an incentive to deploy capital when Flexpoint may not otherwise have done so.

Additionally, as discussed above in Item 6, the General Partners of Funds are entitled to Carried Interest under the terms of the limited partnership agreements of such Funds. Such General Partners are Flexpoint affiliates. The existence of the General Partners' Carried Interest may create

an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

### ***Related Services***

As described in Item 5 above, Flexpoint and its affiliates may perform Related Services for, and will receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds. Such fees will be in addition to any Management Fees or Carried Interest paid by the Funds to Flexpoint. Additionally, a portfolio company may reimburse Flexpoint for expenses (including without limitation travel expenses, which may include expenses for chartered or first class travel) incurred by Flexpoint in connection with its performance of services for such portfolio company, and such reimbursements are not subject to the sharing arrangements described above and below. Flexpoint determines the amount of these fees for Related Services and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements may not (except in connection with the reductions described below) be disclosed to investors in the Funds. Flexpoint and its affiliates will reduce the amount of Management Fees paid by the applicable Fund in connection with the receipt of the applicable Fund's share of such fees. The amount and nature of this reduction varies from Fund to Fund and is set forth in the Advisory Agreement and/or organizational documents of the applicable Fund.

### ***Diverse Membership***

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by Flexpoint or its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, Flexpoint and its affiliates will consider the investment and tax objectives of the applicable Fund and the investors as a whole, not the investment, tax or other objectives of any investor individually.

### ***Business with Portfolio Companies and Investors***

Given the collaborative nature of Flexpoint's business and the portfolio companies in which the Funds have invested, there are often situations where Flexpoint is in the position of recommending

portfolio company services to other portfolio companies. Flexpoint may have a conflict of interest in making such recommendations in that it has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Funds.

Flexpoint may have an incentive to recommend the products or services of certain investors in the Funds or their related businesses to the Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies.

Flexpoint has service providers, including for example, investment bankers, outside legal counsel and pension consultants, who are investors in Funds and/or who provide services to businesses that are competitors of Flexpoint. Flexpoint may have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide the Firm information about markets and industries in which Flexpoint operates or is interested or will provide other services that are beneficial to Flexpoint. There is a possibility that Flexpoint, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Certain members of a Main Fund's advisory board are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in a Fund. The general partner of a Fund may from time to time utilize the services of investors and their affiliates on an arm's length basis, as it deems appropriate.

### ***Positions with Portfolio Companies***

Flexpoint employees may serve as directors of portfolio companies. Such employees are generally not compensated for their director activities. As the Funds are generally significant shareholders of such companies in which the Funds invests, it is expected that the companies' interests will generally align with the directors', and thus, the Funds'; however, appropriate measures will be taken whereby such directors may recuse themselves in such circumstances from the decision-making process.

In addition, Flexpoint employees may leave Flexpoint or its affiliates and become an officer or employee of a portfolio company. Employees are prohibited from receiving consulting, management or other fees personally from portfolio companies.

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

Flexpoint, without any further act, approval or vote of any Fund or investor, may enter into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, and liquidity or transfer rights. Flexpoint's right to enter into such arrangements is disclosed to investors in a respective Fund's offering memorandum and other organizational documents of a Fund.

### ***Other Potential Conflicts***

The partnership agreements (or analogous organizational documents) of certain Funds permit the General Partner of each such Fund to cause such Fund to distribute such General Partner's share of securities resulting from an investment disposition by such Fund to such General Partner or its affiliates in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the General Partners and the limited partners of the applicable Fund because the General Partner may have an incentive to cause the Fund to exit an investment at a time that may result in limited partners receiving a lesser return on such investment than would be the case if the General Partner were prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as limited partners). The partnership agreements (or analogous organizational documents) of certain Funds permit each such Fund's General Partner, or its affiliates, to lend money to the applicable Fund. Such lending arrangements create conflicts of interest between the applicable General Partner or affiliate and the Fund acting as borrower.

Due in part to the fact that potential investors in a Fund (including a purchaser of a limited partner's interests in a secondary transaction) may ask different questions and request different information, Flexpoint may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Personal Trading**

The Code of Ethics also establishes guidelines for personal trading requirements, insider trading, reporting of personal securities transactions, including certain pre-clearance and reporting obligations. Flexpoint Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Fund, subject to the terms of the Code of Ethics. Under the Code of Ethics, Flexpoint Personnel are also required to file certain periodic reports (i.e. annual and quarterly reports of security transactions for their own accounts or any account in which they have a direct or indirect beneficial interest) with the Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Adviser has contracted with Compliance11, a compliance software system owned by Charles Schwab, to monitor personal trading by Firm Personnel.

## **Item 12. Brokerage Practices**

### **Selection of Brokers and Dealers**

The Funds may periodically engage broker-dealers to perform various services for its clients and/or its portfolio companies, such as assisting in the purchase or sale of a portfolio company or assisting in the purchase or sale of shares of securities of a public portfolio company. For each of the Funds, the Adviser has, subject to the direction of such Fund's general partner, if applicable, sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek "best execution" of the transaction except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services (as discussed below). "Best execution" means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser's Investment Team takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Adviser may consider the use of Electronic Communications Networks ("ECNs") when placing trades on behalf of the Funds. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the Adviser's Investment Team, in consultation with the Adviser's Management Committee, will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

The Adviser does not receive "soft dollars" in connection with its use of broker-dealers.

### **Aggregation of Trades**

In pursuing the Funds' investment objectives, the Adviser may cause on or more of the Funds to purchase and sell publicly traded securities through brokers. If the Adviser has determined to sell or purchase a publicly traded security at the same time for more than one Fund, the Adviser will generally place combined orders for all such Funds while assigning pre-order allocations. If an order for more than one Fund for a publicly traded security cannot be fully executed, the Adviser will allocate the investments in accordance with the Adviser's policies.

Portfolio managers and traders often employ this practice because larger transactions can enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of Funds with orders for other Funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally aggregates trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction on a pro-rata basis. The share price distributed to each Fund is based on an average price of the past ten days of trading.

If an order for more than one Fund for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

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

#### **Oversight and Monitoring**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly Flexpoint's review of them is not directed toward a short-term decision to dispose of securities. However, Flexpoint closely monitors the portfolio companies of the Funds and maintains an ongoing oversight position in such portfolio companies. The portfolios are reviewed by a team of investment professionals on an ongoing basis. The team generally includes Principals and other Flexpoint investment professionals.

#### **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the end of each fiscal year, as well as a semi-annual performance reports within 60 days after the first semi-annual period of each fiscal year. Flexpoint and the applicable General Partner also semiannually distribute to underlying fund investors an investment memorandum of each portfolio investment and a capital account statement. All reports are sent to investors in writing and are delivered electronically.

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

In connection with investments made by the Funds, Flexpoint may receive commitment, structuring, monitoring and/or other transaction fees from portfolio companies in which one or more of the Funds may invest or propose to invest. Flexpoint or such other persons may also receive management, monitoring or other fees from a portfolio company while a Fund continues to have an investment in such portfolio company. Any such fees received by Flexpoint are rebated 100% against the relevant Fund. These types of arrangements present potential conflicts of interest discussed in Item 11 above and provide Flexpoint with an incentive to recommend investments

based on compensation received rather than the best interests of a Fund. To help mitigate this potential conflict, such benefits received by Flexpoint or its employees in connection with services rendered to portfolio companies or transactions of a Fund offset in whole against (and therefore reduce) advisory fees payable by the relevant Fund, to the extent provided in and subject to certain exceptions described in each Fund's governing documents.

#### **Item 15. Custody**

By its ability to deduct performance fees from investor accounts, the Adviser is deemed to have custody over its clients' funds. The Funds are audited annually by Ernst & Young LLP, and Flexpoint delivers to the Funds and their limited partner investors a copy of the annual audited financial statements within 120 days of the fiscal year end.

Flexpoint, however, does not take physical possession of client money or securities; called capital is directly sent or wired into Flexpoint's custodial accounts. Each Fund uses a bank as custodian for limited partner cash accounts and a qualified custodian for all certificated securities. The Adviser receives monthly statements from its banks for capital account balances and activity and quarterly statements from its qualified custodian for its security balance and activity. Custodians are identified in Flexpoint's Form ADV Part 1.

#### **Item 16. Investment Discretion**

Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner of each Fund, and not individually to the investors in the Funds. The terms upon which Flexpoint serves as an investment manager of a Fund are established at the time each vehicle is established and services are provided in accordance with the Advisory Agreements and/or organizational documents of the applicable vehicle. Investment restrictions for the Funds, if any, are generally established in the Advisory Agreements of the applicable vehicle. Alternative Investment Vehicles are generally established in order to invest alongside or in the place of one or more Main Funds in a particular investment opportunity or opportunities, and Flexpoint has limited discretion to invest the assets of the Alternative Investment Vehicles independent of the limitations as set forth in the organizational documents of the Alternative Investment Vehicle and applicable Main Fund.

To become a limited partner in a Fund, an investor must execute a subscription agreement which includes a power of attorney applicable to the execution of a limited partnership agreement with such Fund. Flexpoint is not permitted to transact any business with a limited partner until the limited partner executes the subscription agreement. An investor in a Fund may impose limitations on the Adviser's authority through a side letter agreement and the Adviser may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed upon a limited partner's account must be presented to Flexpoint in writing and agreed to by all parties. No limited partners to date have limited Flexpoint's discretion to provide investment advice, nor have



any limited partners limited Flexpoint's ability to invest in specific company sectors or otherwise.

### **Item 17. Voting Client Securities**

Flexpoint has established written policies and procedures pursuant to SEC Rule 206(4)-6 setting forth the principles and procedures by which it votes or gives consent with respect to securities owned by the Funds ("Votes"). The guiding principle by which Flexpoint votes all Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund's holdings, taking into account the relevant Fund's investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. Flexpoint does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is Flexpoint's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Firm reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the its Chief Financial Officer (the "CFO") or the relevant investment professional, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Funds generally cannot direct the Flexpoint's Vote.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to: Flexpoint Ford, LLC, Attention: Compliance Officer, 676 N. Michigan Avenue, Suite 3300, Chicago, IL 60611.

### **Item 18. Financial Information**

Registered investment advisers are required in this Item to provide certain financial information or disclosures about an adviser's financial condition. Flexpoint has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.