



Cloverlay Investment Management, LLC

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This Brochure provides information about the qualifications and business practices of Cloverlay Investment Management, LLC ("Cloverlay"). If you have any questions about the contents of this Brochure, please contact us at 484-262-5020 or info@cloverlay.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Cloverlay 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 Cloverlay also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure, dated August 2015, is a new document prepared by Cloverlay according to the SEC's requirements and rules.

In the future, within this Item 2, Cloverlay will discuss only specific material changes made to the Brochure and will provide clients with a summary of such changes, since the last annual update. We may provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Cloverlay Investment Management, LLC (“Cloverlay”) is a Delaware limited liability company that was founded in June, 2015. Cloverlay provides investment advisory services to private funds. Currently, Cloverlay provides such services as the investment manager (the “Investment Manager”) to Cloverlay Solutions L.P. (a Delaware series limited partnership) (the “Partnership”). Each series of the Partnership is segregated from each other series (each series, a “Fund” and collectively, the “Funds”) Cloverlay GP, LLC, an affiliate of Cloverlay, acts as the general partner (the “General Partner”) for the Funds. Each Limited Partner will receive limited partnership interests and will be a “Limited Partner” in the relevant Fund.

Cloverlay Partners Management Company, LLC (“CPMC”) is the sole member of Cloverlay. Jeffrey Collins owns greater than 25% of CPMC, and is the principal owner of Cloverlay through his ownership of CPMC.

Cloverlay provides investment advisory services to the Funds on a discretionary basis in accordance with the investment objectives, policies and guidelines set forth in the relevant Fund offering and operating documents (the “Governing Documents”).

Overall, Cloverlay’s investment objective is to achieve attractive long-term returns on invested capital. Cloverlay attempts to implement its investment objective primarily by making private equity investments into certain investment sectors, including, but not limited to, the following sectors:

1. Resource Assets, which include, but are not limited to, natural resources, metals and mining, agriculture and food, timber, and water rights;
2. Transportation Assets, which include, but are not limited to, aviation, maritime, rail, logistics systems, and intermodal systems;
3. Energy Assets, which include, but are not limited to, power, storage, up/mid/downstream, contracted renewables, and structured project finance;
4. Financial Assets, which include, but are not limited to, banks, insurance, asset managers, specialty lending, and mezzanine and direct lending;
5. Distressed Assets, which include, but are not limited to, non-performing loan pools, receivables and claims, OpCo/PropCo structures, distressed credit, and opportunistic transactions; and

6. Royalty Assets, which include, but are not limited to, resource, pharma, gaming, media, and intellectual property royalties.

In making these investments, Cloverlay may engage in one or more of the following types of transactions: fund commitments, co-investments/platforms and secondaries. The General Partner and Investment Manager will implement the investment program in accordance with each Fund's Governing Documents, which programs are tailored to the outlined investment objectives of the clients.

As of the date of this Brochure, Cloverlay has approximately \$201M in regulatory assets under management for the Funds on a discretionary basis. As of the date of this Brochure, Cloverlay does not manage any assets on a nondiscretionary basis.

Item 5 – Fees and Compensation

Cloverlay receives various fees from the Funds that are negotiated at the time of formation of the Funds. The specific manner in which Cloverlay charges fees for a Fund is established in the relevant Fund's Governing Documents. Cloverlay and/or its affiliates will generally earn the following compensation from the Funds: (1) a management fee as set forth in the applicable Governing Documents; and (2) performance-based compensation calculated upon a specified percentage of the Fund's return on its invested capital.

Typically, Cloverlay and/or its affiliates receive a management fee and a carried interest distribution set forth, calculated and payable as provided in the applicable Governing Documents.

The asset-based management fee (the "Management Fee") is paid to Cloverlay periodically in accordance with the terms of the applicable Fund's Governing Documents. The Management Fee payable for any payment period that is less than a complete calendar quarter or year, as applicable, shall be calculated on a pro rata basis to reflect the actual number of days during such payment period to which the Management Fee relates. The Management Fee shall be assessed in addition to the amount committed by Limited Partner in a Fund as its capital commitment. Cloverlay may decrease, or waive in whole or in part, the Management Fee for any Limited Partner.

All fees are subject to negotiation, and existing and future Limited Partners may have differing fee arrangements. It is critical that potential Limited Partners refer to the relevant Fund's Governing Documents for a complete understanding of how Cloverlay is

compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.

Organizational Fees and Expenses

Each Fund shall be assessed a one-time charge, equal to the amount set forth in the applicable Governing Documents, and payable to the General Partner as reimbursement for organizational fees and expenses incurred in connection with the creation of the Partnership. Each Fund is responsible for the organizational fees and expenses incurred in connection with the creation of such Fund, and the marketing and offering of interests in any such Fund, including all legal, accounting and filing expenses, printing costs, travel and accommodation expenses, and other related fees and expenses (the “Organizational Expenses”). The General Partner may decrease, or waive in whole or in part, the Organizational Expenses for any Limited Partner.

Fund Expenses

Except as may otherwise be expressly provided in the applicable Governing Documents, each Fund shall pay its Management Fee and shall be responsible for paying or reimbursing the General Partner directly for all out-of-pocket fund expenses (the “Fund Expenses”), which the General Partner may decrease, or waive in whole or in part, for any Limited Partner.

Unless decreased or waived by the General Partner, each Fund will be responsible for paying all of its administrative, operating, offering and organizational costs, including, but not limited to, broken deal expenses, fees and expenses arising out of borrowings made by the Fund, and fees and expenses related to any investments into a trading company or other vehicle, as such expenses are incurred.

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

In addition to the compensation discussed in Item 5 – Fees and Compensation, the General Partner, an affiliate of Cloverlay, will be eligible to receive performance-based compensation (“carried interest”) from each Fund, which will be paid in accordance with the Governing Documents and consistent with Section 205(3) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), or Rule 205-3 thereunder. This carried interest is calculated upon a percentage of the applicable Fund’s return on its invested capital.

The carried interest payable by a Fund to an affiliate of Cloverlay may create an incentive for Cloverlay to make riskier or more speculative investments on behalf of a Fund than would be the case in the absence of such performance-based compensation. However, this risk is mitigated to some extent because: (1) the payment of carried interest is based on the success of the investment program and not any single investment, and therefore Cloverlay's total carried interest would be affected by any single unsuccessful investment; (2) the carried interest paid to the General Partner will be clawed back if clients have not received their preferred return percentage as of the clawback determination date; and (3) Cloverlay's personnel have made personal capital commitments to the Funds, which aligns Cloverlay's interests with that of its clients.

Distributions of investment proceeds made by a Fund from an investment or any portion thereof will initially be allocated pro rata among the partners of such Fund (including Limited Partners and the General Partner) in proportion to their ownership interests with respect to such investment; provided, however, that amounts otherwise distributable to a Limited Partner shall be reduced by the amount of Organizational Expenses paid with respect to, or otherwise allocable to, such Limited Partner. Unless otherwise set forth in the applicable Governing Document, investment proceeds which would otherwise be distributed to each Limited Partner will then be distributed in the following amounts and order of priority:

(1) *Return of Capital and Costs*. First, 100% to such Limited Partner until such Limited Partner has received cumulative distributions of investment proceeds from all investments that have been disposed of ("Realized Investments") equal to:

(a) such Limited Partner's capital contributions for all Realized Investments and such Limited Partner's pro rata share of any net unrealized losses on any writedowns of the Fund's investments (i.e., unrealized losses net of any unrealized gains) ("Realized Capital"); and

(b) the product of (A) the sum of such Limited Partner's capital contributions for the Management Fee, Organizational Expenses and other Fund Expenses as of such date and (B) a fraction, the numerator of which is the sum of such Limited Partner's capital contributions for all Realized Investments as of such date and the denominator of which is such Limited Partner's capital contributions for all investments as of such date (such amounts, together with such Limited Partner's Realized Capital, being referred to as such Limited Partner's "Realized Capital and Costs");

(2) *Preferred Return*. Second, 100% to such Limited Partner until the cumulative distributions of investment proceeds to such Limited Partner from Realized Investments

equal the applicable Preferred Return, calculated from each relevant funding date, on such Limited Partner's Realized Capital and Costs;

(3) *Catch-Up to Overall Carried Interest.* Third, 100% to General Partner until the cumulative Carried Interest distributions to the General Partner from Realized Investments with respect to such Limited Partner equal the Carried Interest Percentage set forth in the applicable Fund's Governing Documents of the sum of the excess of the cumulative distributions paid to such Limited Partner over the amount described in clause 1(a) above, plus the cumulative distributions of carried interest to the General Partner; and

(4) *Split.* Thereafter, the Carried Interest Percentage to the General Partner, and the remaining percentage to such Limited Partner (the distributions to the General Partner described in clause 3 and this clause 4 being referred to collectively as "Carried Interest").

Distributions of income from temporary investments will be made among the Limited and General Partners in proportion to their respective ownership interests with respect to such investment, as reasonably determined by the General Partner.

Item 7 – Types of Clients

As discussed in Item 4 – Advisory Business, Cloverlay provides discretionary investment management services to the Funds, which are pooled investment vehicles exempt from registration under the Investment Company Act of 1940, as amended (the "Act").

In no event should this Brochure be considered to be an offer of interests in a Fund or relied upon in determining whether to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient. Rather, this Brochure is designed solely to provide information about Cloverlay for the purpose of compliance with certain obligations under the Advisers Act. To the extent that there is any conflict between disclosures herein and similar or related disclosures in any Governing Documents, the Governing Documents and other relevant organizational documents shall control.

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

The descriptions set forth in this Brochure of specific investment strategies that Cloverlay utilizes to manage the Funds is indicative and does not purport to be exhaustive. Investors should refer to each Fund's investment strategy as set forth in its applicable Governing Documents.

The foundation of Cloverlay's investment approach is to leverage its industry expertise and the network of relationships formed by its principals by focusing on specific industry sectors. Cloverlay typically makes investments globally in private equity markets via fund commitments, co-investments/platforms, and secondaries in order to achieve attractive long-term returns on invested capital.

Cloverlay's investment activity includes, but is not limited to, transactions in the following investment sectors:

1. Resource Assets, which include, but are not limited to, natural resources, metals and mining, agriculture and food, timber, and water rights;
2. Transportation Assets, which include, but are not limited to, aviation, maritime, rail, logistics systems, and intermodal systems;
3. Energy Assets, which include, but are not limited to, power, storage, up/mid/downstream, contracted renewables, and structured project finance;
4. Financial Assets, which include, but are not limited to, banks, insurance, asset managers, specialty lending, and mezzanine and direct lending;
5. Distressed Assets, which include, but are not limited to, non-performing loan pools, receivables and claims, OpCo/PropCo structures, distressed credit, and opportunistic transactions; and
6. Royalty Assets, which include, but are not limited to, resource, pharma, gaming, media, and intellectual property royalties.

Risk Factors

- *You Should Not Rely on Past Performance of the General Partner or the Investment Manager In Deciding To Purchase Interests.* The past investment performance of other entities managed by Cloverlay or principals of Cloverlay is not necessarily indicative of a Fund's future results. No assurance can be given that Cloverlay will succeed in

meeting the investment objectives of a Fund. You may lose all or substantially all of your investment in a Fund.

- *Dependence on Key Personnel.* In managing the investments, Cloverlay will be relying extensively on the experience, relationships and expertise of the principals of Cloverlay and other key employees. There can be no assurance that these individuals will remain in the employ of Cloverlay or otherwise continue to carry on their current duties through the term of the Partnership or a Fund.
- *Risks Associated with Market Generally.* Investors will be relying on the ability of Cloverlay to source attractive investments for each Fund. Because such investments may occur over a substantial period of time, each Fund faces the risks of changes in long-term interest rates and adverse changes in the buyout market. Even if the investments entered into by a Fund are successful, they may not produce a realized return to the Limited Partners for a period of several years.
- *Restricted Investment Liquidity in the Interests.* The Interests are not registered and it is not contemplated that the Interests will ever be registered under the Securities Act of 1933, as amended, or any other securities laws. There is no public market for the Interests and one is not expected to develop. Interests may not be transferred, pledged, charged or otherwise encumbered without the prior written consent of Cloverlay. Except in extremely limited circumstances, withdrawal from a Fund will not be permitted. Limited Partners must be prepared to bear the risks of owning Interests for an extended period of time.
- *Absence of Recourse to the General Partner.* The Fund's limited partnership agreement (including the applicable series designation) limits the circumstances under which Cloverlay can be held liable to the Fund. As a result, Limited Partners may have a more limited right of action in certain cases than they would in the absence of such limitation.
- *Risks of Investments.* Private equity investments are subject to varying degrees of risk. The value of the investments contemplated by a Fund is affected by a number of factors, including changes in the general economic climate, industry dynamics, quality of management, competition, and changes in operating costs. Values of equity investments in companies are also affected by such factors as government regulations, interest rate levels, availability of financing and potential liability under changing environmental and other laws.
- *Lack of Liquidity of Investments.* The investments to be made (directly or indirectly) by a Fund are likely to be illiquid. Illiquidity may result from the absence of an established

market for the investments, as well as legal, contractual or other restrictions on their resale by the Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. The possibility of partial or total loss of capital will exist, and Limited Partners should not subscribe unless they can readily bear the consequences of such loss.

- *No Assurance of Investment Return.* A Fund cannot provide assurance that it will be able to identify, make and realize investments. There can be no assurance that a Fund will be able to generate returns for its Limited Partners or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. There can be no assurance that any Limited Partner will receive any distributions from the applicable Fund. Accordingly, an investment in a Fund should only be considered by persons who can afford a loss of their entire investment. The past activities of the principals of the Investment Manager provide no assurance of future success.
- *Competitive Market for Investment Opportunities.* As with any market, the activity of identifying, completing and realizing attractive investments in accordance with the guidelines of a Fund involves a significant degree of uncertainty, and such Fund will compete with other investors for investment opportunities. There can be no assurance that the Fund will be able to locate and complete investments that satisfy the Fund objectives or realize upon their values or that it will be able to invest fully its committed capital.
- *The Funds Incur Substantial Charges.* Each Fund must pay substantial charges, and must generate profits and interest income which exceed its fixed costs in order to avoid depletion of its assets. Each Fund is required to pay management fees to the Investment Manager regardless of its performance, and each Fund may be required to pay brokerage commissions to brokers used regardless of their trading performance.
- *No Fund is required to register as a Registered Investment Company.* No Fund is required to register, and none are registered, as investment companies under the Investment Company Act. Accordingly, Limited Partners will not have the protections afforded by the Investment Company Act (which, among other matters, requires investment companies to have a majority of disinterested directors and regulates the relationship between the advisor and the investment company).

THE INTERESTS OF EACH FUND ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. THEY ARE SUITABLE ONLY FOR PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

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 whether to make an investment decision. Cloverlay has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Aside from Cloverlay Solutions L.P., Cloverlay and its principals and associated persons have no information applicable to this Item.

Item 11 – Code of Ethics

Cloverlay has adopted a Code of Ethics (the “Code”) that obligates Cloverlay and its employees to put the interests of Cloverlay’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of Cloverlay’s personnel are also required to comply with applicable federal securities laws. While “clients” in the context used herein means the Funds, a copy of the Code is available to Limited Partners and prospective investors upon request by contacting Cloverlay’s Chief Compliance Officer, Jane Shahmanesh, by email at jane@cloverlay.com or by telephone at (484) 262-5020. See below for a description of specific provisions of the Code relating to the pre-clearing and reporting of securities transactions by employees.

Cloverlay and its related persons do not recommend to clients, or buy or sell for client accounts, securities in which Cloverlay or its related persons have a material financial interest.

All trades made by employees are reviewed by the Chief Compliance Officer on a case-by-case basis. Cloverlay requires its employees to pre-clear all transactions in their personal accounts with the Chief Compliance Officer who may deny permission to execute the transaction if such transaction is believed to have an adverse economic impact on one of its clients. Any approval will remain in effect for 24 hours. In addition, the Code

prohibits Cloverlay or its employees from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer.

No employee may acquire new issues or securities in a limited offering without first obtaining pre-clearance and approval from the Chief Compliance Officer.

All of Cloverlay's employees are required to disclose their securities transactions, if any, on a quarterly basis and their holdings within 10 days of commencement of employment with Cloverlay and on an annual basis thereafter. All of Cloverlay's employees are also required to provide brokerage statements quarterly and an annual certification of transactions. Trading in employees' accounts will be reviewed by the Chief Compliance Officer and compared with transactions for the Client Accounts and reviewed against the restricted securities list.

Item 12 – Brokerage Practices

Cloverlay does not currently utilize any soft dollar arrangements. Furthermore, Cloverlay does not intend to direct trades in recognition of research provided by a broker-dealer. Cloverlay will not pay a higher dealer "spread" or otherwise utilize client funds to compensate dealers for the provision of research or trading advice.

Item 13 – Review of Accounts

The Funds are under continuous review by Cloverlay's officers. Such reviews include a review of investment policy, the suitability of the investments used to meet policy objectives, cash availability, and investment objectives. Cloverlay's officers consider, among other things, investment performance, the portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return. Further, Cloverlay's Chief Compliance Officer periodically reviews trading to ensure consistency with applicable law and regulations. Additionally, a review of a client account may be triggered by any unusual activity or special circumstances.

Generally, Limited Partners will receive quarterly statements for their investment in a Fund directly from an independent administrator. Investors also receive annual financial statements audited by a third party independent auditor to the Funds and, if applicable, the information necessary for a Limited Partner to complete its annual federal income tax

returns. Additionally, on a quarterly basis, Cloverlay provides Limited Partners with estimates of the Fund's performance and other information as Cloverlay may, from time to time, deem advisable and desirable.

Item 14 – Client Referrals and Other Compensation

Cloverlay does not have any relationships to disclose in this section.

Item 15 – Custody

An affiliate of Cloverlay, Cloverlay GP, LLC, serves as general partner of the Funds. Consequently, Cloverlay is deemed to have “custody” over the Funds within the meaning of Rule 206(4)-2 under the Advisers Act. To comply with this Rule, Cloverlay provides each investor in a Fund audited financial statements within 180 days of the Fund's fiscal year-end under Rule 206(4)-2(b)(4). Limited Partners should review these audited financial statements carefully. If you have invested in a Fund and have not received audited financial statements in a timely manner, please contact us immediately.

Item 16 – Investment Discretion

Cloverlay provides its investment advisory services on a discretionary basis. Cloverlay's authority is established by the Governing Documents at the outset of the advisory relationship. When selecting and determining amounts for investments, Cloverlay observes the investment policies, limitations and restrictions of the Funds which it advises. Investment guidelines and restrictions are provided to Cloverlay in writing.

Cloverlay's investment decisions and advice with respect to its Funds are subject to each Fund's investment objectives and guidelines, as set forth in its Governing Documents.

Clients agree to inform Cloverlay promptly in writing of any change in their financial circumstances and investment objectives and to provide such other information as may be needed to manage the account.

Item 17 – Voting Client Securities

Cloverlay typically exercises proxy voting authority only when a Fund's holdings of an individual stock represent 5% or more of a Fund's portfolio. However, Cloverlay may be unable to vote proxies if a Fund's prime broker has loaned out the securities in question.

Generally, Cloverlay will vote Fund proxies in accordance with management recommendations, except Cloverlay will oppose proposals that it believes diminish rights of shareholders or diminish management or board accountability to shareholders; and it will oppose compensation plans that it believes are excessive relative to comparable companies' compensation packages or appear unreasonable in light of the companies' performance.

Currently, Cloverlay has identified no conflicts of interest between the Funds' interests and its own interests within the proxy voting process. Nevertheless, if Cloverlay determines that it is facing a material conflict of interest in voting a Fund's proxy, it will vote in accordance with its pre-determined policy. If the pre-determined policy would not be in the best interest of the Funds, Cloverlay's Compliance Committee will determine the appropriate vote.

Cloverlay's complete proxy voting policy and procedures are memorialized in writing and are available for review upon request. In addition, Cloverlay's complete proxy voting record is available to Limited Partners, and only to Limited Partners. Please contact Cloverlay if you have any questions or if you would like to review either of these documents.

Item 18 – Financial Information

Cloverlay does not require or solicit prepayment of any fees six months or more in advance and does not have any financial condition that would impair its ability to meet contractual commitments to its clients.