

Firm Brochure
(Part 2A of Form ADV)

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This brochure provides you with information about the qualifications, business practices and nature of advisory services of Direct Lending Investments, LLC, all of which should be considered before becoming an advisory client of our Firm. Please contact Brendan Ross, Chief Executive Officer, if you have any questions about this narrative brochure.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority.

We are registered as an Investment Adviser with the SEC. Registration does not imply a certain level of skill or training. Additional information about our Firm is available on the Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number known as a CRD number. Our Firm's CRD number is 282476.

July 12, 2018

Item 2 Material Changes

This Item 2 discusses only material changes made as of the date above to this Form ADV Part 2A ("Firm Brochure") since Direct Lending Investments, LLC ("Direct Lending") filed our most recent Firm Brochure update on March 31, 2018.

Pursuant to SEC rules, you will receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business's fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

Material Changes since the Last Update

For Item 4.E. (Assets under Management), the assets under management have been updated to reflect May 31, 2018 balances.

For Item 5.A. (Advisory Fees & Billing) and Item 5.B. (Other Fees and Expenses), descriptions of the fees and expenses have been updated to reflect recent clarifying amendments made to the Funds' Offering Memoranda.

For Item 7 (Types of Clients), there have been updates to reflect recent clarifying amendments made to the Funds' Offering Memoranda.

For Item 8.A. (Methods of Analysis and Investment Strategies) and Item 8.B. (Materials Risks of Methods of Analysis and Investment Strategies) there have been updates made to reflect recent clarifying amendments made to the Funds' Offering Memoranda and changes to laws regarding the privacy of data.

For 10.C. (Other Material Relationships), there has been an addition to include the names of the Holding Companies utilized to hold certain assets managed by Direct Lending.

For Item 13.C. (Client Reports), updated disclosures have been made regarding how certain information about the Funds is made available to Investors.

Full Brochure Available

We will provide you with a new version of the Firm Brochure as necessary based on changes or new information, at any time, without charge. Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at **213-234-1770** or by email at: **IR@dirlend.com**.

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Item 4 Advisory Business

A. FIRM DESCRIPTION

Direct Lending Investments, LLC ("Direct Lending" or the "Firm") was organized as a California limited liability company in 2012.

Direct Lending's current business activities consist of providing investment advisory services to a private investment fund structure, comprised of Direct Lending Income Fund, L.P. (the "Domestic Fund"), a Delaware limited partnership, Direct Lending Income Feeder Fund, Ltd. (the "Offshore Fund"), a Cayman Islands exempted company (the Domestic Fund and the Offshore Feeder are collectively referred to as the "Feeder Funds") and DLI Capital, Inc., a Nevada Corporation (the "Master Fund," and with the Feeder Funds, collectively the "Funds"). The Offshore Fund and the Master Fund both commenced operations on October 1, 2016. The Feeder Funds invest substantially all of their capital in debt and equity of the Master Fund, which holds investment assets directly or indirectly through subsidiaries.

Principal Owners: Brendan Ross is the principal owner of the Firm, and owns 100% of its ownership interest. Brendan Ross is the Firm's Chief Executive Officer.

B. TYPES OF ADVISORY SERVICES

Direct Lending acts as general partner to the Domestic Fund and holds all the voting management shares of the Offshore Fund. The Feeder Funds are the sole shareholders of the Master Fund, and therefore Direct Lending controls the Master Fund through its control of the Feeder Funds. Direct Lending is solely responsible for the management of the Funds. Investors in the Domestic Fund are limited partners and investors in the Offshore Fund are shareholders (collectively the "Investors"). Direct Lending acts as investment manager for each of the Funds pursuant to a joint investment management agreement.

The Funds are specialty investment funds seeking to generate attractive current income through opportunistic investments across the credit markets, including without limitation, through investing in certain loans and debt obligations (including short-term loans, revolving loan facilities, lines of credit, and real estate loans), and other obligations of non-bank lenders and small- and medium-sized businesses (the "Investments"). The Funds' primary strategy is to make Investments in entities holding or originating short-term loans, lines of credit, receivables, real estate loans, portfolios of loans, intellectual property interests, real estate assets, consumer loans and other tangible and intangible assets, across a variety of assets classes (such underlying assets, the "Collateral Assets"). Typical investments include, but are not limited to, \$50-200 million asset-backed credit facilities to a diverse group of specialty finance companies, special purpose vehicles and other counterparties (collectively the "Counterparties" and each a "Counterparty") across the small business, consumer, receivables, real estate and other sectors. For information about the investment strategy of Direct Lending, see the discussion under "*Item 8. Methods of Analysis, Investment Strategies and Risks of Loss.*" Further information regarding the investment objective for the Funds can be found in the Domestic Fund's Confidential Private Placement Memorandum or the Offshore Fund's Confidential Explanatory Memorandum, and other governing documents (collectively, the "Memoranda").

The Feeder Funds seek to achieve their investment objective by investing exclusively in a revolving loan and equity in the Master Fund. The Master Fund invests directly or indirectly in Collateral Assets.

Although the Firm cannot guarantee results, we offer our Investors in the Funds the following:

- An opportunity to take advantage of the current financing gap created by the long-term decline in traditional bank lending to small- and medium-sized businesses, consumers and various asset classes;
- Potential for investment returns greater than those provided by investment-grade fixed income investments;
- Lower exposure to interest rate risk by focusing on investments with underlying assets that have relatively short-term maturities or by entering into uncommitted financing arrangements with discretionary future advances;
- Diversified exposure to small- and medium-sized businesses and consumers across geographic areas, industries, and asset classes; and
- A modest capital loss ratio resulting from strong collateralization of certain investments.

This document is not an offer to sell or a solicitation of an offer to buy Interests in the Funds. Such an investment may be made only after receipt and review of the Memoranda for the relevant Feeder Fund. The Memoranda contain important information concerning risk factors and other material aspects of the Funds and must be read carefully before making an investment decision. The information in this document is qualified in its entirety by, and should be read in conjunction with, the information contained in the Memoranda.

Copies of the Memoranda are available upon request to Direct Lending by persons who are “accredited investors” as defined under Regulation D of the Securities Act of 1933.

C. TAILORED RELATIONSHIPS

Direct Lending provides investment advisory services to the Funds based on the investment objectives of the Funds. **Direct Lending does not provide tailored investment advice to the Investors in the Funds.**

D. WRAP FEE PROGRAMS

Wrap Fee Programs are arrangements between broker-dealers, investment advisers, banks, and other financial institutions and affiliated and unaffiliated investment advisers through which clients of such firms receive discretionary investment advisory, execution, clearing, and custodial services in a “bundled” form. In exchange for these “bundled” services, clients pay an all-inclusive (or “wrap”) fee determined as a percentage of the assets held in the wrap account.

Due to the nature of its advisory services, Direct Lending does not participate in and is not a sponsor of wrap fee programs.

E. ASSETS UNDER MANAGEMENT

When calculating regulatory assets under management, an investment adviser must include the total asset value of any private fund over which it exercises continuous and regular supervisory or management services, including, without limitation, any assets acquired with leverage. As noted above, Direct Lending’s clients are the Funds. As of May 31, 2018, Direct Lending managed approximately \$649.4 Million in regulatory assets under management for the Domestic Fund and approximately \$216.9 Million for the Offshore Fund, all of which Direct Lending manages on a discretionary basis. Direct Lending does not manage any assets on a non-discretionary basis.

Item 5 Fees and Compensation

A. ADVISORY FEES AND BILLING

Direct Lending earns its fees and compensation by providing advice and investment management services to the Funds. The compensation is in the form of a management fee (the “Management Fee”) and a performance fee (the “Performance Fee”), assessed as follows:

Management Fee

The Management Fee is paid by the Master Fund monthly, in advance, to Direct Lending and may be determined differently with respect to each class and series of Master Fund shares, as disclosed in the Offering Memoranda. The Feeder Funds as shareholders in the Master Fund shall bear their pro rata shares of the Management Fee. The Management Fee is equal to 0.08333% (1.0% per annum) of the Master Fund’s Gross Asset Amount as of the first day of each month. The Gross Asset Amount for each class or series of the Master Fund is equal to the total assets of the Master Fund times the percentage of total shares of the Master Fund made up by that class or series. The Management Fee, with respect to any share class, series or subseries, may be reduced or waived by Direct Lending.

Performance Fee

The Performance Fee is paid by the Master Fund at the end of each calendar month to Direct Lending, which will be determined with respect to each series of Master Fund shares. The Performance Fee is equal to twenty percent (20%) of the EBIT (defined below) allocable to the Master Fund shares for the month. However, no Performance Fee shall be paid with respect to a series of Master Fund shares except to the extent the Performance Fee Base (defined below) of such series immediately prior to calculation of the Performance Fee is greater than the Prior High Base Amount (defined below) of such series.

The term “EBIT” means (a) all income, dividends, fees and other revenue of the Master Fund, less (b) all operating expenses of the Master Fund, including, without limitation, the Management Fee, but not including any federal, state, local or foreign taxes payable by the Master Fund, less (c) net realized and unrealized loan losses, less (d) interest expense of the Master Fund other than interest expense incurred on loans by the Feeder Funds to the Master Fund; provided, that EBIT shall not include capital gains to the extent that such gains are not offset by capital losses.

The term “Performance Fee Base” of a series of the Master Fund means the gross assets of the Master Fund allocable to the series, less all liabilities allocable to the series other than indebtedness of the Master Fund to the Feeder Funds.

The term “Prior High Base Amount” of a series of the Master Fund means the highest Performance Fee Base of that series at the end of each accounting period of the Feeder Funds immediately after the determination of a Performance Fee with respect to such series (or if no Performance Fee has yet been determined with respect to such series, the Performance Fee Base of the series immediately following its initial offering).

B. OTHER FEES AND EXPENSES

The Funds pay and/or reimburse Direct Lending for all ordinary operating and other expenses, including, without limitation, investment-related expenses (e.g. brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, brokers or other professionals or advisors who provide research, advice or due diligence services with regard

to investments, appraisal fees and expenses and investment banking expenses); research costs and expenses (including, without limitation, fees for news, quotation and similar information and pricing services); legal expenses (including, without limitation, the costs of ongoing legal advice and services and blue sky filings, as well as extraordinary legal expenses, such as those related to litigation or regulatory investigations or proceedings); the Management Fee; the Performance Fee; accounting fees and audit expenses; administrative fees; tax preparation expenses and any applicable tax liabilities (including, without limitation, transfer taxes and withholding taxes); portfolio monitoring, asset management and loan compliance expenses (to the extent performed by a third party); other governmental charges or fees payable by the Funds; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers and personnel of the Direct Lending; costs of printing and mailing reports and notices; and other similar expenses related to the Funds, as Direct Lending determines in its sole discretion.

Direct Lending has agreed to limit the Master Fund's expenses, excluding Management Fees, Performance Fees, Transaction Expenses (as defined below) and any expenses relating to indemnification, litigation or similar extraordinary expenses, to 1% on an annual basis or 0.0833% per month, of the Performance Fee Base of the Master Fund as of the beginning of each month. In the event expenses of the Master Fund exceed this limitation in any calendar month, Direct Lending may elect to pay such expenses out of its Management Fee and/or Performance Fee. However, to the extent Direct Lending pays expenses of the Master Fund pursuant to this expense limitation, Direct Lending may continue to charge the Master Fund 0.0833% of the Performance Fee Base per month for expenses in future months (even if the actual expenses for that month are less than 0.0833%) until Direct Lending has recovered from the Master Fund all expenses previously borne by Direct Lending. Direct Lending may, at its sole discretion, modify or eliminate this expense limitation at any time, provided that the Funds will provide the Investors with thirty (30) days advance notice prior to reducing or eliminating the expense limitation policy.

"Transaction Expenses" consist of (a) all amounts paid by the Fund Entities to affect the purchase or sale of a specific investment, including, without limitation, brokerage commissions, origination fees, servicing fees, clearing and settlement charges or professional fees, (b) all amounts paid by the Fund Entities in connection with Investments obtained by the Fund Entities including, without limitation, interest, origination fees, points, or professional fees, and (c) taxes paid by the Fund Entities. For purposes of this Firm Brochure, "Fund Entities" means the Feeder Funds, the Master Fund and the Master Fund's direct wholly owned subsidiaries.

C. REFUND POLICY

The Management Fee is paid by the Master Fund in advance on the first day of each calendar month. In the event of a withdrawal or other termination of an Investor's investment in the Feeder Funds on a date other than the last day of a calendar month, no portion of the Management Fee will be refunded to the Investor.

The Performance Fee is paid in arrears on the amount of EBIT generated each calendar month. In the event of a withdrawal or other termination of an Investor's investment in the Feeder Funds on a date other than the last day of a calendar month, any unpaid Performance Fees will be assessed in accordance with the governing documents through the effective withdrawal date (or termination date) applicable to such Investor.

D. OTHER COMPENSATION

Direct Lending does not receive any compensation other than the Management Fee and Performance Fee.

Item 6 Performance-Based Fees & Side-by-Side Management

A. PERFORMANCE-BASED FEES

Direct Lending assesses a performance-based fee in the form of the Performance Fee described in Item 5 above. Direct Lending charges the performance-based fee to all Investors in the Funds based on the EBIT generated by the Master Fund in reliance on various no action letters issued by the SEC, including, without limitation, Welch & Forbes, Inc., released January 26, 1974, because the formula for calculating EBIT excludes capital gains except to the extent they are offset by capital losses during each performance fee period. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client than those which would be recommended under a different fee arrangement. Allocation of each of the Feeder Fund's ownership of the Master Fund is monitored within a controls framework which is designed to fairly allocate those interests.

B. SIDE-BY-SIDE MANAGEMENT

"Side-by-Side Management" refers to a situation in which the same adviser manages accounts that are billed based only on a percentage of assets under management and at the same time manages other accounts for which fees are performance-based. Because Direct Lending's only clients are the Funds, which invest in the same pool of assets, it does not conduct side-by-side management of dissimilar advisory accounts.

Item 7 Types of Clients

Direct Lending has no clients other than the Funds and, at this time, does not offer any investment management services to any other person or entity.

The Feeder Funds intend to sell interests/shares only to "accredited investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended. An investment in the Feeder Funds will be suitable only for "Sophisticated Investors", which include only those with substantial financial means (a) who do not require immediate liquidity for their investments, (b) for whom an investment in the Feeder Funds does not constitute a complete investment program, (c) who fully understand and are willing to assume the risks involved in the Funds' investment program, and (d) who meet all of the criteria set forth in the Offering Memoranda. Each Investor will be required to represent, among other things, that such Investor's overall commitment to investments that are not readily marketable is not disproportionate to such Investor's net worth, and that such Investor's investment in the Fund will not cause such overall commitment to become excessive; that such Investors can sustain a complete loss of such Investor's investment in the Fund and has no need for liquidity in such Investor's investment in the Fund; and that such Investor has evaluated the risks of investing in the Fund.

The minimum initial capital contribution for the Feeder Funds is \$250,000. Direct Lending reserves the right to reduce the minimum initial capital contribution and to accept subscriptions for lesser amounts. The Master Fund does not accept investments from Investors, other than the Feeder Funds.

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

A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

As noted above, Direct Lending advises the Funds, which seek to achieve their investment objectives primarily through investing opportunistically across the credit markets. As a part of the investment strategy, the Funds invest in a revolving loan and equity in the Master Fund. The Master Fund generally invests in Investments through one or more holding companies (“Holding Companies”). In addition, from time-to-time, the Master Fund may also seek to enhance returns on its loan portfolio through equity participation in connection with its debt investments.

In executing the investment objectives and strategy for the Funds, the Master Fund generally invests in various financing structures, which Direct Lending negotiates on a case by case basis taking into account the unique features of each such transaction. Such structures include, without limitation, the following:

- *Credit Investments.* The Master Fund primarily invests in loans made to Counterparties that own Collateral Assets. Such loans (the “Credit Investments”) may be made directly to the Counterparty or purchased indirectly through assignments or participation interests and may be structured as revolving loans, term loans or other types of loan facilities.

Such Credit Investments are generally secured by all or certain Collateral Assets owned by the Counterparty. Though the nature of the Collateral Assets may differ from loan to loan, the security interests granted by the Counterparties and their affiliated entities, as applicable, are expected to be perfected through the filing of financing statements or as otherwise appropriate for the particular collateral involved. Direct Lending considers the estimated performance and recovery value of the Collateral Assets for a Credit Investment in its evaluation of the particular Credit Investment.

Certain Credit Investments are structured as revolving loan facilities with Counterparties that have originated portfolios of Collateral Assets or acquired portfolios of Collateral Assets from an affiliate entity (including, without limitation, its parent) or an originating bank (the “Specialty Finance Counterparty Investments”). The Counterparty or its affiliate (including, without limitation, its parent) from which the portfolio of Collateral Assets was acquired (the “Specialty Finance Counterparty”) is typically responsible for all aspects of origination, due diligence and documentation of Collateral Assets pursuant to policies and procedures specific to each Specialty Finance Counterparty Investment. The Collateral Assets may be serviced by the Specialty Finance Counterparty itself or a third-party servicer. In some cases where the Specialty Finance Counterparty is the servicer, Direct Lending may engage a backup servicer if it deems it to be appropriate for the particular Credit Investment in its sole discretion. In some cases where there is a third-party servicer, Direct Lending may enter into a tri-party servicing agreement with the Specialty Finance Counterparty and the third-party servicer if it deems it to be appropriate for the particular Credit Investment in its sole discretion. Specialty Finance Counterparties typically receive a percentage of any origination fees, interest revenue or other fee revenue generated from Collateral Assets as compensation for their services as originator, initial purchaser and/or servicer of the Collateral Assets.

- *Working Capital Investments.* The Master Fund from time to time invests in loans to Counterparties for general corporate and working capital purposes (“Working Capital

Investments”). Many Working Capital Investments will be secured by the assets of the Counterparty.

- *Real Estate Loans.* The Master Fund from time to time invests in loans to Counterparties secured by, among other things, first or second liens on commercial and/or residential real estate (including, without limitation, multi-family, manufactured housing and single family residential) (“Real Estate Investments”).
- *Preferred Equity Investments.* The Master Fund from time to time invests in preferred equity interests in Counterparties.
- *Direct investments in Collateral Assets.* The Master Fund from time to time invests directly in Collateral Assets that it has acquired from a Counterparty. Without limitation, such acquisition may be the result of a foreclosure of a loan to a Counterparty.

The Funds typically maintain idle cash and may also invest that cash in money market instruments.

The Master Fund does not expect any of its Investments to trade on any exchange or in any dealer market and therefore any liquidity will generally only be available upon the maturity of a particular investment.

The Master Fund does not expect any of its Investments to be rated by a rating agency or registered with the SEC or any state securities commission. Public information is generally not available with respect to the Master Fund’s Investments. In the event any Investments are rated, they are likely to be rated below investment grade. In the event they are not rated, they are likely to be of a credit quality equivalent to below investment grade.

Direct Lending seeks to monitor the risks of individual Investments and Counterparties and of the Master Fund’s portfolio in the aggregate. The primary goal of this process with respect to individual Investments is to ensure that they are performing as expected, and are adhering in all material respects to their stated policies and procedures and the Investment documentation. In so doing Direct Lending hopes to gain early insight into factors that might call for an increase or decrease in the allocation among such Investments. In this process, Direct Lending relies on software tools and analytical procedures, consultants, legal counsel and third-party servicers, industry research, and, among other things, information from and periodic interactions with the personnel of the relevant Counterparties. Additionally, third-party valuations of the Collateral Assets may be obtained or provided by the Counterparty or its affiliates in connection with Direct Lending’s review process. However, there can be no assurance that these risks can be precisely or accurately gauged, because, among other reasons, the underlying Counterparties may have differing methods of estimating and communicating this exposure information to Direct Lending.

The identity, industry, structure, and number of Investments can and will change materially over time. In its sole discretion, Direct Lending may cause the Master Fund to withdraw from or invest with different Counterparties without prior notice or the consent of the Investors. Direct Lending may reduce or increase exposure to a Counterparty from time to time in its sole discretion according to a variety of factors such as the performance of associated Investments (including, without limitation, relative to benchmarks, peers or expectations), the adherence of the Counterparty to its stated policies and procedures, the responsiveness of the Counterparty to inquiries and requests for information, unexpected changes in the size and composition of the Counterparty’s organization, changes in perception of the character and ethics of the personnel of the Counterparty, the emergence of superior investment opportunities, and other considerations deemed relevant by Direct Lending.

Direct Lending generally reviews and monitors the operation and performance of each Counterparty as frequently as it believes is appropriate taking into account the size and level of risk inherent in the applicable Investment. However, Direct Lending is unable to practically monitor every representation, warranty and covenant made by each Counterparty and related affiliates at all times. Direct Lending solicits such information from each Counterparty and from other sources that Direct Lending deems appropriate in an effort to properly assess the Counterparty's performance, and accordingly the relative success or failure of each Investment.

The Memoranda contain important information concerning risk factors and other material aspects of the Funds and must be read carefully before making an investment decision. The information in this document is qualified in its entirety by, and should be read in conjunction with, the information contained in the Memoranda. An Investor should be aware that it may lose all or part of its investment in the Funds. No guarantee or representation is made that the Funds' investment objectives will be achieved. The Feeder Funds will have no substantial assets other than their investments in the Master Fund, whose primary assets will be the Investments. Therefore, if the Feeder Funds are dissolved, the proceeds of the Funds' assets may not be equal to the fair values of such assets as previously determined by Direct Lending, which could have a material adverse impact on the returns of the Investors. The Funds are not a complete investment program and should represent no more than a portion of an Investor's portfolio management strategy.

B. MATERIAL RISKS OF METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The risk factors summarized below do not purport to be a complete list or explanation of the risks involved in an investment in the Funds. The Memoranda will include a more detailed summary of material risks applicable to the Funds and their investment strategy and structure and should be read in conjunction with the risks below.

In general, an investment in the Interests involves various and substantial risks, including, without limitation, the risk that the Master Fund assets are invested in private investments that are speculative in nature, risks related to the limited transferability of an Investor's interest in the Feeder Funds, the Funds' dependence upon Direct Lending, and certain tax risks.

A non-exclusive summary of certain material risks of the investment strategies utilized by Direct Lending are as follows:

- *General Investment Risks.* The Funds' success depends on the Master Fund's ability to implement its investment strategy. No assurance can be given that the investment strategies to be used by the Master Fund will be successful under all or any market conditions. Although the Master Fund expects to focus primarily on Investments, the Master Fund has broad discretion to invest, to pursue any particular strategy or tactic, or to change the emphasis without obtaining the approval of the Investors. No Investor approval is required for any investment the Master Fund may make within the investment objective described in the Memoranda.

Additionally, the Master Fund may use investment strategies and invest in products not specifically described in the Memoranda, including, without limitation, in financial instruments that have not yet been designed or have not yet become prevalent in the market. Any such instruments or techniques may subject the Funds to additional risks.

Investors should consult their professional advisors to assist them in making their own legal, tax, regulatory, accounting and financial evaluation of the merits and risks of an investment in the Funds in light of their own circumstances and financial condition. Although investments by the

Master Fund may generate current income, the return of contributions and the realization of gains, if any, from an investment generally will occur only upon the partial or complete repayment or disposition of such investment, as to which there can be no certainty.

- *Availability of Investment Strategies.* The success of the Master Fund's investment activities will depend on Direct Lending's ability to identify investment opportunities, as well as to assess the impact of news and events that may affect the financial markets. No assurance can be given that Direct Lending will be able to locate suitable investment opportunities in which to deploy all of the Master Fund's assets.
- *Inherent Limitations of Due Diligence and Analysis.* Investment analyses and decisions may be undertaken by Direct Lending on an expedited basis in order for the Master Fund to take advantage of available investment opportunities. In such cases, Direct Lending may have only a short period to conduct its due diligence activities. Further, the information available at the time of such an investment decision may be limited, and no assurance can be given that Direct Lending will have knowledge of, or sufficient time to analyze, all circumstances that may adversely affect a prospective Investment. In addition, Direct Lending may also rely on independent consultants in connection with its evaluation of proposed Investments. No assurance can be given as to the accuracy or completeness of the information provided by such independent consultants and the Master Fund may incur liability or suffer losses as a result of such consultant's actions.
- *Limited Diversification.* The Master Fund may participate in a relatively limited number of Investments. As a consequence, the aggregate return of the Funds may be adversely affected by the unfavorable performance of even a single Investment. In addition, the Investors have no assurance as to the degree of diversification of the Master Fund's Investments. To the extent the Master Fund concentrates Investments in a particular borrower or issuer, industry, geographic region, asset class, or asset type, its Investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. For the Funds to achieve above-average returns, one or a few of the Master Fund's Investments may need to perform very well. There are no assurances that this will be the case.
- *Illiquidity.* Additionally, Direct Lending does not expect that any investments will be listed on any securities exchange or traded on the over-the-counter market. Though Direct Lending may take steps to dispose of or sell participations in certain investments, in most cases the Master Fund will be contractually required to hold its Investments to maturity; accordingly, an Investor must be prepared to bear the risks of holding any such assets for an indefinite period of time.

In addition, no assurance can be given that, if Direct Lending determines to dispose of a particular Investment, it will be able to find a willing buyer for such Investment without undue marketing delays or unexpected transaction costs. In some cases, the Funds may be legally, contractually or otherwise prohibited from selling certain investments for a period of time or otherwise be restricted from disposing of them, and illiquidity may also result from the absence of an established market for certain investments. The realizable value of a highly illiquid investment, at any given time, may be less than its intrinsic value. In addition, certain types of investments made by the Master Fund may require a substantial length of time to liquidate. As a result, the Master Fund may be unable to realize its investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy. Such illiquidity may affect whether there is sufficient available cash at the Funds to satisfy any requests for withdrawal on a particular date. If the Funds are not able to satisfy all such

withdrawal requests, then the unsatisfied portion of any such request shall continue to be at risk in the Funds' business until there is sufficient available cash to make such payments.

- *Valuation.* The Funds will rely primarily on Direct Lending for the valuations of Investments. All valuations will be determined by Direct Lending in accordance with Direct Lending's valuation policies and procedures in effect from time to time. The valuation of illiquid assets, such as the Master Fund's Investments, is inherently uncertain and subjective and there is an increased risk that the information utilized to value such assets may be inaccurate or fluctuate over short periods of time. The value of the Investments may also be affected by changes to accounting standards, policies or practices as well as general economic, political, regulatory and market conditions and the actual operations of assets which are not predictable and can have a material impact on the reliability and accuracy of such valuations. Furthermore, if Direct Lending's estimates of the fair value of the Investments are materially higher than the values that the Master Fund ultimately realizes upon their final realization, then Investors who withdraw from the Funds would receive higher withdrawal payments than they otherwise should, which would result in economic harm to Investors who do not withdraw from the Funds. The Funds do not withhold any amounts from withdrawing Investors, and thus would have difficulty recovering any excess withdrawal payments made to Investors. Conversely, if Direct Lending's estimates of the fair value of the Investments are materially lower than the values that the Master Fund ultimately realizes upon their final realization, then Investors who withdraw from the Funds would receive lower withdrawal payments than they otherwise should, which would result in economic harm to such Investors. Investors should carefully review the Memoranda for detailed information about Direct Lending's valuation policies.
- *Counterparty Risk.* The Master Fund does not generally intend to take controlling equity positions in its Counterparties. To the extent that the Master Fund does not hold a controlling equity interest in a portfolio company, the Master Fund is subject to the risk that such Counterparty may make business decisions with which the Master Fund disagrees, and the stockholders and management of such portfolio company may take risks or otherwise act in ways that are adverse to the Master Fund's interests. The Master Fund's investments involve reliance upon the accuracy and completeness of representations made by the Counterparties and related entities, but Direct Lending cannot guarantee such accuracy or completeness. While the Master Fund will conduct due diligence with respect to its Counterparties and their assets before investing, including, if applicable and without limitation, obtaining third party valuation reports, and will seek to obtain appropriate monitoring rights, there can be no assurance that Direct Lending will detect such fraud or inaccuracy or that the Master Fund's Investments will not be adversely affected by such fraud or inaccuracy. The Counterparties with which the Master Fund invests may be in the early stages of development, may be highly leveraged, and may have a limited operating history and historical performance data. There are many operational risks involved with these less established companies, including, without limitation, new technologies and products, evolving markets and regulatory environments, the potential for rapid organizational and strategic change, and management teams that may have limited experience working together. Additionally, there is risk that the Counterparties may fail to operate their business in accordance with their own stated policies and procedures, their contractual covenants, or in accordance with applicable law, or to monitor the compliance of the Collateral Assets that they hold and/or service.
- *Uncertainty of Financial Projections.* Direct Lending may base investment decisions upon financial projections that rely on the judgments of Counterparties or other third parties. In all

cases, projections are only estimates of future results based upon assumptions, and actual results may vary significantly. Among other factors, unpredictable general economic conditions can have a material adverse impact on the reliability of such projections.

- *Dependence on Access to Information Sources.* Direct Lending selects investments for the Master Fund based in part on information and data that the Counterparties make directly available to Direct Lending, as well as information that Direct Lending obtains from other sources. Direct Lending is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available. In addition, if any information source limits or stops providing information to Direct Lending, the Funds could be adversely affected.
- *Systematic Risk of Portfolios of Collateral Assets.* Investments supported by portfolios of Collateral Assets carry a variety of risks, which could result in a failure to realize on any individual Collateral Asset or, in certain cases, a substantial portion of the portfolio of Collateral Assets.
- *Credit Risk.* The Master Fund invests primarily in Credit Investments, which are subject to credit risks. “Credit risk” refers to the likelihood that a borrower will default on the payment of principal and/or interest on a debt instrument. Financial strength and solvency of a borrower are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument. Direct Lending expects to incur a certain level of defaults on its Credit Investments, which are inevitable in the lending business. However, the Master Fund’s overall returns would be adversely impacted if borrowers become unable to make its payments when due.
- *Secured Loans.* Certain Credit Investments held by the Master Fund will be secured loans. The value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. The Master Fund cannot guarantee that the underlying collateral will be sufficient to recover losses resulting from a default, or the adequacy of the protection of the Master Fund’s interests, including, without limitation, the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Master Fund cannot assure that claims may not be asserted that might interfere with enforcement of the Master Fund’s rights. In the event of a foreclosure, the Master Fund or one of its affiliates may assume direct ownership of the underlying collateral, which could also increase costs related to the Credit Investment. Any costs or delays involved in the effectuation of a foreclosure of the collateral will further increase the loss.

Although the Master Fund will generally seek to make Investments that Direct Lending believes are secured by specific collateral and which, if securing first priority liens, generally cannot be pledged, lent, re-hypothecated or otherwise re-used by the Counterparty, the value of which may initially exceed the principal amount of such investments, there can be no assurance that the liquidation of any such collateral would satisfy the Counterparty’s obligation in the event of non-payment of scheduled interest or principal payments with respect to such Investment, or that such collateral could be readily liquidated. In addition, in the event of a bankruptcy of a Counterparty, the Master Fund could experience delays, significant transaction costs or limitations with respect to its ability to realize the benefits of the collateral securing an Investment.

The Master Fund may also require that Counterparties comply with certain collateral eligibility guidelines; however, the nature of the specific collateral securing an Investment may change over time as a result of a number of factors, including, without limitation, a change in the competitive environment or a shift in the economic or financial market at the time. Such change in the nature of collateral may increase the risk of mandatory prepayments and the risk that the Counterparty will not have sufficient funds to make payments of principal and interest when due, which could adversely affect the overall performance of the Credit Investment.

Under certain circumstances, collateral securing an Investment may be released without the consent of the Master Fund. Moreover, the Master Fund's security interest (with respect to investments in secured debt) may be unperfected for a variety of reasons, including, without limitation, the failure to make required filings by the Fund Entities and, as a result, the Master Fund may not have priority over other creditors as anticipated.

- *Mezzanine Investments.* The Master Fund may invest in mezzanine loans that are unsecured and/or subordinate to other obligations of a borrower, all or a significant portion of which may be secured. Mezzanine investments often reflect a greater possibility that adverse changes in the financial condition of a borrower or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings), or both, may impair the ability of a borrower to make payment of principal and interest.
- *Subordinated Loans.* The Master Fund may acquire and/or originate subordinated loans or the Master Fund may agree to subordinate an existing loan. A subordinated loan is typically a loan which is contractually subordinate to a senior lender to the Counterparty or borrower. If a borrower defaults (including, without limitation, in the event of a bankruptcy, liquidation or reorganization or similar proceeding), the holders of such Counterparty's or borrower's senior indebtedness (to the extent of the collateral securing such obligation) will be entitled to be paid in full before any payment may be made on the Master Fund's Investment and the Master Fund will participate with all other holders of such borrower's indebtedness in the assets remaining after the senior and/or secured indebtedness (to the extent of the collateral securing such obligation) has been paid in full. A borrower may not have sufficient funds to pay all of its creditors and the Master Fund may receive nothing, or less, ratably, than the holders of senior and/or secured indebtedness of such borrower or the holders of indebtedness that is not subordinated. Therefore, subordinated loans carry greater risk than other types of loans.

Furthermore, Direct Lending's ability to amend the terms of Credit Investments that are subordinated loans, assign such Credit Investments, accept prepayments, exercise the Master Fund's remedies (through "standstill periods") and control decisions made in bankruptcy proceedings relating to Counterparties or borrowers may be limited by subordination agreements while the senior debt is still outstanding.

Any Credit Investments involving mezzanine loans may include Investments with equity participation features such as warrants, convertible securities, senior equity investments and common stock, in each case issued with or without registration rights, which will be subject to additional risks.

- *Loan Participations.* The Master Fund may invest in Credit Investments acquired through a participation arrangement. In purchasing a participation, the Master Fund may only have a contractual relationship with the selling institution and not the borrower. The Master Fund generally will have no direct right to enforce compliance by the borrower with the terms of any such loan agreement, nor any right of set-off against the borrower, nor will it have any right to

object to certain changes to the loan agreement agreed to by the selling institution. The Master Fund may not directly benefit from the collateral supporting the secured loan and may be subject to any right of set-off that the borrower has against the selling institution. In the event of the insolvency of the selling institution, the Master Fund may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, the Master Fund may be subject to the credit risk of the selling institution as well as of the borrower.

- *Insolvency Considerations.* Certain Investments may involve Counterparties and/or borrowers that become involved in bankruptcy or other insolvency proceedings (voluntary and involuntary). Such a proceeding may adversely and permanently negatively impact the value of the Investment and any collateral securing such Investment, including, without limitation, Collateral Assets; and such proceedings can involve very high administrative costs that may further impair the value of the Investment, Collateral Assets and/or other collateral. Under certain circumstances, payments made to the Master Fund by a Counterparty or borrower may need to be restored to the Counterparty's or borrower's estate if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, Investments involving distressed companies and restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability, substantive consolidation and the court's discretionary power to disallow, subordinate or disenfranchise particular claims. There are many significant risks inherent in the bankruptcy process, including, for example, the potentially harmful effects of litigation between the creditors and the debtor, competing lien disputes, the duration of the bankruptcy proceeding, and the tangible and intangible costs to the debtor and creditors, including, without limitation, the potential adverse effects on personnel and business relationships and operations. The debtor may lose its market position and key employees and otherwise become incapable of restructuring itself as a viable entity. In some cases, the debtor may not be able to reorganize and may be required to liquidate assets. Ultimately, the liquidation value of the Investment, Collateral Assets and/or other collateral may not be equal to the value that was believed to exist at the time of the Investment made or acquired by the Master Fund. Bankruptcy proceedings also may cause delays in payments by Counterparties and borrowers, even if the Counterparties or borrowers have no defense to their obligation to make such payment, and such delay would reduce, at least for a time, the funds that might otherwise be available to pay the Master Fund. Additionally, upon a bankruptcy filing, a stay will go into effect that will automatically put any pending collection actions by the Master Fund on hold and prevent further collection action, including, without limitation, automatic credit card charges or Automated Clearing House ("ACH") debits, absent bankruptcy court approval, which often depends on the debtor's particular financial situation and the nature of the assets. In most bankruptcy proceedings, unsecured or under secured creditors will receive nothing, or only a fraction of any amount outstanding on their loans.
- *Additional Risks Related to Credit Investments.* The Funds' Credit Investments will also be subject to additional risks inherent in credit transactions. These risks include, but are not limited to, risks related to commercial lending facilities and servicing, risks of back-up servicing, prepayment risk, interest rate risk, deferred interest income, lender liability and risk arising from purchases of credit investments on a secondary basis, general economic, legal and regulatory risks and other risk outside of the control of Direct Lending and the Funds.

- *Risks Related to Specialty Finance Counterparty Investments.* The Funds' Specialty Finance Counterparty Investments will be subject to risks inherent in the operation of a specialty finance company. These risks include, but are not limited to, competition for specialty finance business, competitive lending market and evolution of technology in finance, absence of restrictions on borrowers from incurring additional debt, absence of perfected security interests, risks related to collection, false information supplied and misrepresentations made by borrowers, inadequate collateral value, reliance on third-party commercial banks, insolvency and defaults of the Specialty Finance Counterparties, debtor relief under bankruptcy laws, disruption in service on a Specialty Finance Counterparty's website or computer systems, data breaches, failure to retain key personnel, failure of identity checks, misrepresentations of the use of collateral asset proceeds, general economic, legal and regulatory risks and other risk outside of the control of Direct Lending and the Funds.
- *Risks Related to Real Estate Investments.* The Funds' Real Estate Investments will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include, but are not limited to, exposure to real estate mortgages; the lack of financing for residential and commercial buyers; credit-impaired commercial borrowers; risks related to real estate counterparty administration; risks related to construction, redevelopment, renovation and repairs at mortgaged properties; risks that some mortgaged properties may not be readily convertible to alternative uses; foreclosing on real estate collateral; second mortgage loans; risks that are incidental to the ownership and operation of real estate assets, including, without limitation, those with respect to selling real estate assets; geographic concentration and considerations; general deflation in real estate prices; general economic, legal and regulatory risks and other risks outside of the control of Direct Lending and the Funds.
- *Cybersecurity & Data Privacy Risks.* Direct Lending's business involves the collection, storage, processing and transmission (including, without limitation, email, fax, cloud computing, or posting on Direct Lending's web-based data site or other internet service) of personal, proprietary or other confidential information ("Confidential Information") on behalf of the Funds that it manages, including, without limitation, personal information of Investors and financial information of Counterparties and obligors under Collateral Assets acquired from Counterparties or which serve as collateral for Investments. As a result, Direct Lending may be an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. While Direct Lending has taken steps to protect confidential and proprietary information and data that it has access to, its security measures could be breached and there is no assurance that such measures are, or any measures could be, sufficient. Furthermore, a Counterparty's business may involve the collection, storage, processing and transmission of Confidential Information, including, without limitation, financial information, whether by the Counterparty, a servicing entity or a third-party vendor. The security measures of the Counterparty, servicing entity and any such third-party vendors could also be breached due to cyberattacks, computer viruses, hacking, phishing, physical or electronic break-ins or other events, and such a security breach can have an adverse effect on such Counterparty, a servicing entity and the Investments related to such Counterparty or servicing entity. Any accidental or willful security breaches or other unauthorized access to Direct Lending's, a Counterparty's or a servicing entity's systems could cause Confidential Information or other communications and information to be stolen and misused. The techniques used to obtain unauthorized, improper or illegal access to computer or network systems, Direct Lending's data or investor, Counterparty or servicing entity data, disable or degrade service, or

sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized until after they have been launched against a target. Certain efforts may be state-sponsored and supported by significant financial and technological resources, making them even more difficult to detect.

Security breaches or unauthorized access to Confidential Information could expose both Direct Lending and the Funds it manages to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our software are exposed and exploited, Direct Lending's relationships with its Counterparties and investors could be severely damaged, and both Direct Lending and the Funds it manages could incur significant liability.

Federal regulators and many federal and state regulations require notice if data security breaches involve certain personal data. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity, which may cause Counterparties, obligors under Collateral Assets and investors to lose confidence in the effectiveness of Direct Lending's data security measures. Any security breach, whether actual or perceived, would harm the reputation of Direct Lending and the investment funds it manages, which could cause them to lose investors and business partners, and of which could adversely affect their business. While Direct Lending has insurance to cover cybersecurity risks, such policies carry self-insured retention and coverage limits, and therefore may not be adequate to reimburse the Funds for losses caused by security breaches.

With the emergence of new privacy laws designed to broadly apply to businesses that collect personal information about residents of particular states, countries or international regions such as the European Union, there are increased regulatory and litigation risks that could affect the Funds, Direct Lending and the Investors.

There can be no assurance that the Master Fund will achieve its investment objective or avoid substantial losses. An Investor could lose all or a substantial amount of his or her investment. Notwithstanding the method of analysis or investment strategy employed by Direct Lending, the assets of the Master Fund are subject to risk of devaluation or loss. An Investor should not make an investment in the Funds with the expectation of generating capital gains or sheltering income.

Direct Lending urges Investors to carefully read the risk factors set forth in the Memoranda. The summary description of risk factors set forth herein is qualified by the more complete description of risk factors set forth in the Memoranda, which is incorporated herein by reference. The Memoranda contain important information concerning risk factors and other material aspects of the Funds and must be read carefully before any Investor decides to invest in the Funds. The risk factors set forth in the Memoranda are those deemed by Direct Lending to be the most significant.

An investment in the Funds should form only a part of a complete investment program, and an Investor must be able to bear the loss of his or her entire investment. Prospective Investors are urged to consult with their own financial, tax and legal advisors before investing in the Funds.

Item 9 Disciplinary Information

Direct Lending is required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of Direct Lending's advisory business or the integrity of

its management. None of Direct Lending, its principals, or its employees have been involved in any legal or disciplinary proceedings related to past or present investment advisory clients.

Item 10 Other Financial Industry Activities and Affiliations

A. BROKER DEALER REGISTRATIONS

Direct Lending is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. One of our vice presidents, Yasser Ahmad, is a registered representative of Growth Capital Services, Inc.

B. OTHER FINANCIAL INDUSTRY REGISTRATIONS

Direct Lending is not a registered futures commission merchant, commodity pool operator, or commodity trading advisor and does not have an application pending to register as such. Furthermore, none of Direct Lending principals or supervised persons is registered as, or has an application pending to register as, an associated person of any of the foregoing types of firms.

C. OTHER MATERIAL RELATIONSHIPS

Direct Lending has a wholly-owned subsidiary, DLI Lending Agent, LLC, which holds a California Lender's License.

Direct Lending's Holding Companies include DLI Assets, LLC, a Nevada limited liability company, and DLI Assets Bravo, LLC, a Nevada limited liability company. DLI TC, LLC, a Delaware limit liability company, is a subsidiary of Direct Lending Income Fund, L.P. The Master Fund reserves the right to form additional or dissolve Holding Companies in the future for any reason, including, without limitation, for tax, regulatory or liability purposes.

Other than as disclosed above, Direct Lending does not have any other arrangements with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser, 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 investment vehicles other than those already disclosed herein.

D. OTHER INVESTMENT ADVISERS

Direct Lending does not recommend other investment advisers to its clients, nor does it have any material arrangements with other investment advisers that would be material to its advisory clients.

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

A. CODE OF ETHICS

Direct Lending has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, which establishes standards of conduct for Direct Lending's supervised persons. The Code of Ethics includes general requirements that Direct Lending's Covered Persons comply with their fiduciary obligations to the Funds that Direct Lending manages and applicable

securities laws, and specific requirements relating to, among other things, personal trading, insider trading, gifts, business entertainment, political donations, outside business activities, conflicts of interest and confidentiality of client information. It requires employees ("Covered Persons") to comply with the personal trading restrictions described below, to periodically to report their personal securities transactions and holdings to the Direct Lending's Chief Compliance Officer (the "CCO"), and for the CCO to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the CCO. Each Covered Person of Direct Lending receives a copy of the Code of Ethics and any amendments to it initially upon becoming a Covered Person, as well as annually, and must acknowledge in writing having received those materials. Annually, each Covered Person must certify that he or she complied with the Code of Ethics during the preceding year. Violations of the Code of Ethics may result in the Covered Person being sanctioned up to and including termination of employment.

Clients and prospective clients may obtain a copy of Direct Lending's Code of Ethics by contacting the CCO at compliance@dirlend.com.

B. RECOMMENDATION OF INVESTMENTS WITH A MATERIAL FINANCIAL INTEREST

Direct Lending's only clients are the Funds. Direct Lending solicits potential Investors to purchase interests in the Feeder Funds, but Direct Lending does not enter into an investment advisory relationship with actual or potential Investors, and does not purport to give them advice as to the desirability of investing in the Feeder Funds. Direct Lending does not sell securities to the Funds or purchase securities from the Funds.

Under Direct Lending's Code of Ethics, Direct Lending and its partners, officers and employees are prohibited from owning any interest in a Counterparty with which it does business or being a borrower from a Counterparty.

Direct Lending and its officers and affiliates own interests in the Feeder Funds. Direct Lending and its affiliates (i.e., management personnel, principal owner, and employees) may not be subject to the Management Fee or the Performance Fee, but will share pro rata in all other expenses and liabilities of the Funds.

These and other pertinent conflicts of interest are disclosed in the Memoranda.

C. PROPRIETARY /SIMULTANEOUS TRADING

Under Direct Lending's Code of Ethics, Direct Lending and its partners, officers and employees generally may not invest in Collateral Assets that are purchased from any Counterparty with which the Funds have an ongoing business relationship. Direct Lending and its partners, officers and employees may buy or sell other types of loans or securities for their own accounts as long as Direct Lending does not have a relationship with the Counterparty which originates and/or services the loan or security. Direct Lending requires prior approval of any investment by a Covered Person in an initial public offering, a private placement, or in a security listed on an internal restricted or watch list maintained by the Compliance Committee of Direct Lending.

It is the policy of Direct Lending that supervised persons must avoid securities transactions and activities for their own accounts that might conflict with or be detrimental to the interest of a client. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, Direct Lending collects and monitors proprietary and personal trading reports for adherence to the Firm's Code of Ethics. Direct Lending also prohibits its partners, officers and employees from borrowing from any non-bank lending source without the prior approval of Direct Lending to ensure that the Funds do

not inadvertently become a creditor of the employee through an investment relationship. Direct Lending documents any transactions that present potential conflicts of interest.

Item 12 Brokerage Practices

A. SELECTION AND RECOMMENDATION

Direct Lending's only clients are the Funds. It does not utilize brokers to purchase investments for the Funds, but sometimes retains brokers to dispose of Fund investments. The investments for which Direct Lending retains brokers do not trade on any recognized securities market. Direct Lending selects the broker based on the broker's experience in procuring purchasers for similar illiquid assets and its contacts with institutional investors who are might be possible buyers of the such assets. Each brokerage contract is negotiated separately. Direct Lending seeks to negotiate a fee structure with the broker that reflects market terms for such services, and provides the broker with sufficient incentives to locate one or more buyers for such assets at their market value.

The Funds generally allow Counterparties which originate Collateral Assets to retain any origination fees or points paid in connection with the origination of the Collateral Asset. Potential Investors in the Funds should review the applicable offering documents for brokerage practices that relate to the Funds.

B. RESEARCH AND OTHER SOFT DOLLAR BENEFITS

Direct Lending has not entered into any arrangements with brokerage firms that generate "soft dollar" benefits as of the date of this Firm Brochure.

C. BROKERAGE FOR CLIENT REFERRALS

Direct Lending's only clients are the Funds. It does not utilize brokers to purchase investments for the Funds, but it sometimes retains brokers to dispose of Fund investments. Direct Lending does not select brokerage firms for investment transactions based on the brokerage firm's ability or success in referring potential Investors to the Funds.

D. DIRECTED BROKERAGE

Direct Lending's only clients are the Funds, and it does not utilize brokers to purchase investments for the Funds, but it has retained brokers to dispose of Fund investments. While Direct Lending does not require that the Funds purchase investments through brokerage firms designated by Direct Lending, it directs the Funds to brokers selected by Direct Lending to dispose of Fund investments. Direct Lending does not have any economic relationship with the brokers to which it directs the Funds. By directing brokerage to brokers selected by Direct Lending, the Funds may not achieve the most favorable execution of transactions, which could impact the Funds' returns.

E. ORDER AGGREGATION

Direct Lending does not aggregate orders among multiple clients. Direct Lending may, in the future, have additional clients. At that time, Direct Lending will review its order aggregation policy for the purpose of allocating orders in a fair and equitable manner among all client accounts.

Item 13 Review of Accounts

A. PERIODIC REVIEWS

Direct Lending's Investment Committee reviews the Funds' investment program, including, without limitation, current holdings, on a continual basis. Our Investment Committee typically meets weekly to review existing investments and an investment pipeline of investments in various stages of due diligence, negotiation or documentation. The Investment Committee reviews the Funds' investment program to analyze rates of return, allocation of assets, and to verify that the investment portfolio is consistent with their investment objectives. The Investment Committee consists of Brendan Ross, Chief Executive Officer, Frank Turner, Chief Investment Officer, and Bryce Mason, Executive Vice President of Research.

B. INTERMITTENT REVIEW FACTORS

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in the Funds' objectives or strategies. Direct Lending typically receives a comprehensive monthly report from each Counterparty with which it does business, and reviews may be triggered by information contained in such reports.

C. CLIENT REPORTS

The Funds' books of account are maintained in accordance with GAAP, and are audited annually. Investors will receive a copy of the audit report each year. All Investors will also receive the information necessary to prepare federal and state income tax returns following the conclusion of each fiscal year or as soon thereafter as is reasonably practical.

Investors will also receive unaudited performance reports and such other information as Direct Lending determines on a monthly basis. With regard to reports provided to Investors, Direct Lending is not required to provide information about specific investment transactions of the Funds. For Investors that have agreed to receive communications from Direct Lending electronically, Direct Lending reserves the right to make such reports and annual Schedule K-1s available solely in electronic form on the website of Direct Lending or the administrator, or to send such information via e-mail.

Direct Lending makes certain financial and investment information about the Funds available to Investors through a secure online data room. Prior to being granted access, Investors must agree to Direct Lending's terms. The data room generally includes, without limitation, audited financials, ADV Forms, Investor presentations, and investor letters. Direct Lending's Fund administrator, Opus Fund Services, also makes financial and tax information available to Investors through its own investor portal.

Item 14 Client Referrals and Other Compensation

A. ECONOMIC BENEFITS FROM OTHERS

Direct Lending and its related persons do not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to its clients.

B. COMPENSATION TO UNAFFILIATED THIRD PARTIES

Direct Lending does not pay a sales commission or a load to third parties in connection with the offering of the interests in the Funds, but reserves the right to do so in the future. Direct Lending has entered into agreements to share a percentage of its Management Fee or Performance Fee with broker-dealers who introduce Investors to the Funds. Direct Lending does not engage third parties to solicit clients for Direct Lending, and therefore is not subject to requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940.

Item 15 Custody

Under certain rules applicable to Direct Lending under the Advisers Act, Direct Lending is deemed to maintain custody of the Funds' assets because it serves as general partner/investment manager to the Funds. In accordance with such rules, custody of the Funds' assets is maintained with a qualified custodian (as defined under such rules) and the Funds are audited on an annual basis. The audited financial statements of the Funds are distributed within 120 days following the end of each of the Funds' fiscal years.

Item 16 Investment Discretion

Direct Lending has discretionary authority to manage investments on behalf of the Funds, which are its only clients at this time. Such discretion is exercised in a manner consistent with stated investment objectives for the Funds as described in the Memoranda for the Funds.

Item 17 Voting Client Securities

The investments in which the Master Fund invests typically do not have any voting rights. However, in some cases the Master Fund owns an equity interest a Counterparty that has the right to vote on certain material issues, and Direct Lending has the power to determine how the Master Fund will vote such equity securities. Direct Lending exercises any voting rights held by the Master Fund in a manner intended to maximize the Master Fund's return on investment.

Because the Master Fund does not ordinarily hold any voting securities, Direct Lending has not adopted formal proxy voting policies and procedures for voting proxies on behalf of the Master Fund.

To the extent that a conflict exists between supervised persons of Direct Lending and the Master Fund with respect to a matter requiring a vote by the Master Fund, the manner in which the Master Fund votes will be determined by the disinterested members of the Investment Committee.

Item 18 Financial Information

A. BALANCE SHEET REQUIREMENT

A balance sheet is not required to be attached because Direct Lending is not the qualified custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client six (6) months or more in advance.

B. FINANCIAL CONDITION

Direct Lending does not have any financial impairment that will preclude it from meeting contractual commitments to clients.

C. BANKRUPTCY PETITION

Direct Lending has not been the subject of a bankruptcy petition at any time during the last 10 years.

Item 19 Requirements for State-Registered Advisers

Not Applicable.

Privacy Policy

Direct Lending does not have any clients other than the Funds. Direct Lending does not disclose nonpublic personal information about Investors in the Funds to third parties other than as described below. Direct Lending collects information about Fund Investors (such as name, address, social security number, assets and income) from its discussions with Fund Investors, from documents that Fund Investors may deliver to Direct Lending (such as subscription documents) and in the course of providing services to the Funds. In order to perform required administrative responsibilities for the Funds, Direct Lending may provide personal information about Investors to its affiliates and to firms that assist Direct Lending and the Funds with their legal, accounting and tax compliance matters, such as legal counsel, fund administrators, or accountants. Direct Lending does not otherwise provide information about Fund Investors to outside firms, organizations, or individuals except as required or permitted by law. Any party that receives this information will use it only for the services required and as allowed by applicable law or regulation, and is not permitted to share or use this information for any other purpose.