

INVESTMENT ADVISER BROCHURE

LIGHTBAY MANAGEMENT LLC

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of LightBay Management LLC (the “Adviser” or “Firm”). If you have any questions about the contents of this Brochure, please contact us at (310) 919-4300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

The Adviser is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

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MATERIAL CHANGES

LightBay Management LLC (the “**Adviser**”) is required to identify and discuss any material changes made to its Brochure since its last annual update. LightBay updated its Brochure in January 2018 as part of its annual amendment filing. Since that amendment, this Brochure was updated to reflect a change in the firm’s address.

ADVISORY BUSINESS

The Adviser, a California limited liability company and its affiliates provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Adviser was formed in June 2016 and its principal owners are Nav Rahemtulla and Adam Stein.

The Adviser’s clients include the following (each, a “**Fund**,” and together with any future private investment fund to which the Adviser or its affiliates provide investment advisory services, the “**Funds**”):

- LightBay Investment Partners LP
- LightBay Investment Partners A LP
- LightBay Executive Fund LP

It should be noted that the Executive Fund was offered to partners, employees, friends and family of the Adviser and its affiliates and is subject to preferential terms, specifically with respect to fees.

The following general partner entity is affiliated with the Adviser:

- LightBay Investment Partners GP LP

(the “**General Partner**,” and together with the Adviser and their affiliated entities, “**LightBay**”).

The General Partner is subject to the Advisers Act pursuant to the Adviser’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partner, which operates as a single advisory business together with the Adviser.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” LightBay’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments, and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the principals (the “**Partners**”) or other principals or personnel of LightBay or its affiliates generally serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

LightBay’s advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), limited partnership or other operating agreements or governing documents (each, a “**Partnership Agreement**” and together with the Memorandum, the “**Offering Documents**”), and are further described below under “Methods of Analysis,

Investment Strategies, and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory, or other agreed-upon circumstances pursuant to the relevant Partnership Agreement. The Funds and the General Partner have entered into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights (including economic, information, liquidity or transfer rights or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, LightBay expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors and/or other persons in its sole discretion. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. In addition, LightBay may charge a management fee and obtain a carried interest in respect of any such co-investment. From time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in LightBay’s sole discretion, LightBay is authorized to charge interest on the purchase to the co-investor or co-invest vehicle, and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As of December 1, 2018, LightBay manages approximately \$655,000,000 total client regulatory assets on a discretionary basis.

FEES AND COMPENSATION

In general, LightBay receives a management fee and a carried interest in connection with advisory services. LightBay may receive additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to LightBay. In addition, in certain circumstances LightBay may receive compensation for management and other services performed in connection with co-investments made in portfolio companies of the Funds. Investors in a Fund also bear certain expenses.

The actual fees and expenses applicable to each Fund are set forth in detail in each of the Fund’s respective Offering Documents. A brief summary of those fees and expenses is provided below.

In addition, as noted above, it is anticipated that the Executive Fund may be subject to preferential terms, specifically with respect to fees.

Management Fees

The Funds will pay LightBay a management fee (the “**Management Fee**”) equal to 2% on an annual basis of aggregate Fund investor capital commitments (“**Commitments**”) made by investors not designated by the General Partner as “affiliated partners,” during each Fund’s investment period (the “**Investment Period**”). Commencing with the first Management Fee due date after the expiration of the Investment Period or earlier upon the occurrence of certain events as set forth in the applicable Partnership Agreement, the Management Fee with respect to limited partners not designated as “affiliated partners”

will equal 2% of (i) the aggregate investment contributions, less (ii) the aggregate amount of investment contributions with respect to the portion of each investment that has been disposed of or completely written-off.

The Management Fee will commence as of the initial closing of each Fund based on aggregate Commitments, regardless of when a limited partner is actually admitted. Limited partners participating in a subsequent closing after the initial closing date will be assessed Management Fees retroactive to the initial closing date as if such limited partner were admitted for its full Commitment on the initial closing date and, in addition, will be charged an amount equal to the product of (i) the prime rate plus 2% per annum multiplied by (ii) the amount of such assessed Management Fees, calculated from the date such Management Fee payments would have been due if such limited partner were admitted for its full Commitment on the initial closing date. The Management Fee will be paid out of current income and investment proceeds of the Fund and/or, in LightBay's discretion, from drawdowns that will reduce unfunded Commitments.

The Management Fee will be reduced by an amount equal to 100% of Transaction Fees attributable to Fund investors not designated as "affiliated partners" by the General Partner. "Transaction Fees" include 100% of any: (i) directors' fees, financial consulting fees or advisory fees paid to the General Partner with respect to any Fund investment; (ii) transaction fees paid to the General Partner with respect to any Fund investment; and (iii) break-up fees with respect to Fund transactions not completed that are paid to the General Partner, in each case net of certain expenses as set forth in the applicable Fund's Partnership Agreement; but not including, in any event, any amount received by the General Partner or other person from a portfolio company (A) as reimbursement for expenses directly related to such portfolio company, (B) as payment for services provided to any portfolio company in the ordinary course of such portfolio company's business or (C) as compensation for services provided by the General Partner or other person as an employee of or in a similar capacity for such portfolio company. Various costs and expenses will reduce Transaction Fees (and therefore such amounts will not reduce the Management Fee), including out-of-pocket costs and expenses (including travel expenses) incurred by the General Partner in connection with any consummated or unconsummated transaction or in connection with generating any such Transaction Fees.

LightBay may be paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors.

The Partnership Agreements generally permit LightBay to waive or agree to reduce the Management Fee. Certain waived portions of the Management Fee are treated by the Partnership Agreement as a deemed capital contribution by the General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf, and operates to reduce the amount of capital such General Partner would otherwise be required to contribute to the Fund. The limited partners of such Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of LightBay in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by LightBay and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will be delayed.

Carried Interest

LightBay will receive a carried interest with respect to the Funds equal to 20% of all realized profits subject to an 8% compound preferred return, as more fully described in the Partnership Agreement. The carried interest distributed to LightBay is subject to a potential giveback at the end of the life of the Funds if LightBay has received excess cumulative distributions.

Other Information

Each Fund's Partnership Agreement permits LightBay to waive or agree to reduce the Management Fee and carried interest for investors designated as "affiliated partners" by the applicable General Partner (whether or not such investors are actual affiliates of LightBay). Generally, LightBay and limited partners who are affiliates, employees, or other designees of LightBay will not be subject to the Management Fee and carried interest. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by LightBay and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where a LightBay professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, the General Partner has the right to permit investors, affiliated with LightBay or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals and other current or former employees of LightBay generally receive a portion of the Management Fee, carried interest or other compensation received by the Adviser or its affiliates.

In addition to the Management Fee and carried interest payable to LightBay, each Fund bears certain expenses. As set forth more fully in the applicable Offering Documents, a Fund bears all expenses relating to the Fund's activities, portfolio companies or actual or potential investments, and business to the extent not reimbursed by a portfolio company or applied to reduce transaction fees, including all fees, costs, expenses, liabilities, and obligations relating or attributable to: (i) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, the Funds' portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated, whether or not such activities are successful and whether or not such activities were undertaken prior to the initial closing date; (ii) indebtedness of, or guarantees made by, the Funds, the General Partner or any "affiliated partner" on behalf of the Funds (including any credit facility, letter of credit, or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination, and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder, and similar services; (v) brokerage, sale, custodial, depository (including a depository appointed pursuant to EU Alternative Investment Fund Managers Directive, including any law, rule, or regulation relating to the implementation thereof

("AIFMD"), or any similar law, rule, or regulation), Swiss representative and paying agent (pursuant to the Swiss Collective Investment Schemes Act (as amended) and the implementation thereof), trustee, record keeping, account, and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with the Funds' third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation paid to consultants performing investment initiatives and other similar consultants), tax, and other professional services; (vii) reverse breakup, termination, and other similar fees; (viii) directors and officers liability, errors and omissions liability, crime coverage, and general partnership liability premiums and other insurance and regulatory expenses; (ix) filing, title, transfer, registration, and other similar fees and expenses; (x) printing, communications, marketing, and publicity; (xi) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, or any other administrative, compliance, or regulatory filings or reports (including Form PF and any filings, compliance, or reports contemplated by AIFMD or any similar law, rule, or regulation), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xii) developing, licensing, implementing, maintaining, or upgrading any web portal, extranet tools, computer software, or other administrative or reporting tools (including subscription-based services) for the benefit of the Funds or the limited partners; (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xiv) to the extent provided in the Offering Documents, or otherwise approved by the General Partner in its sole discretion, activities or proceedings of a Fund's advisory board (including any reasonable out-of-pocket costs and expenses incurred by representatives of the General Partner, the advisory board members, permitted observers and other persons in attending or otherwise participating in meetings of the advisory board); (xv) indemnification (including any fees, costs, and expenses incurred in connection with indemnifying any partner of a Fund or other person pursuant to the Offering Documents and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Offering Documents), except as otherwise set forth in the Offering Documents; (xvi) actual, threatened or otherwise anticipated litigation, mediation, arbitration, or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith; (xvii) any annual limited partner meeting or other periodic, if any, meetings of the limited partners and any other conference or meeting with any limited partner(s); (xviii) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability, or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies, or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Funds, and any expenses incurred in connection with the formation, management, operation, termination, winding up, and dissolution of any feeder vehicles related to the Funds to the extent not paid by the investors investing in such entities; (xix) the termination, liquidation, winding up, or dissolution of the Funds; (xx) defaults by any partner of a Fund in the payment of any capital contributions; (xxi) amendments to, and waivers, consents, or approvals pursuant to, the constituent documents of the Funds, the General Partner and related entities and any alternative investment vehicle of the Funds, including the preparation, distribution, and implementation thereof; (xxii) complying with any law or regulation related to the activities of the Funds (including regulatory expenses of the General Partner incurred in connection with the operation of the Funds and legal fees and expenses); (xxiii) any litigation or governmental inquiry, investigation, or proceeding involving the Funds, including the amount of any judgments, settlements, or fines paid in connection therewith, except as set forth in the Offering Documents; (xxiv) any third-party experts, including independent appraisers, engaged by the General Partner in connection with the Funds considering, making or holding an investment in the same entity as one or more other funds or other entities sponsored by the General Partner or its affiliates; (xxv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner; (xxvi) any taxes, fees, and other governmental charges levied against the Funds and all expenses incurred in connection with any tax audit, investigation settlement, or review of the Funds (except

to the extent that the Funds are reimbursed therefor by a partner in a Fund or such tax, fee or charge is treated as having been distributed to the partners of a Fund pursuant to the Offering Documents); (xxvii) distributions to the partners of a Fund and other expenses associated with the acquisition, holding and disposition of the Funds' investments, including extraordinary expenses; (xxviii) compliance or regulatory matters related to the Funds, except as set forth in the Partnership Agreement; (xxix) any travel, lodging, meals, or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxx) all costs and expenses associated with operating a parallel investment entity which invests all or substantially all of its assets in the Funds, including all expenses associated with its management, operation, winding-up, liquidating, and dissolution and with preparing and distributing such parallel investment entity's financial statements, tax returns, and parallel investment entity limited partner reports, but not including any income-based or similar taxes, fees, or other governmental charges levied against such parallel investment entity; (xxxi) any organizational expenses; (xxxii) any placement fees payable to any placement agent; and (xxxiii) any other fees, costs, expenses, liabilities, or obligations approved by a Fund's advisory board. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in the Fund Offering Documents.

As described above, in certain circumstances, LightBay is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to LightBay's related policies and the relevant Offering Documents and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all broken deal expenses relating to such unconsummated transaction will be borne by the Fund(s), and not by any prospective co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such broken deal expenses.

LightBay and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and LightBay and/or its affiliates on the other hand.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under "Fees and Compensation," LightBay receives a carried interest allocation on certain realized profits in the Funds, although it generally has the authority to waive carried interest with respect to certain investors as described above.

In addition, certain Funds may be offered to investors associated with LightBay and/or its affiliates, such as LightBay employees, executives of companies in which the Partners previously have invested, been employed, or otherwise been associated with, or family members. Such Funds generally are not charged management fees or carried interest. This practice could present a conflict of interest because LightBay has an incentive to favor Funds for which it receives the highest performance-based compensation. To alleviate potential conflicts of interest, the allocation of commitments and investment decisions with respect to each Fund are made by LightBay with respect to all Funds in accordance with LightBay's investment

allocation policy, which takes into account multiple criteria, including each Fund's governing agreements, as well as other factors that do not include the amount of performance-based compensation received.

The existence of performance-based compensation has the potential to create an incentive for LightBay to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although LightBay generally considers performance-based compensation to better align its interests with those of its investors.

TYPES OF CLIENTS

LightBay provides investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates, charitable organizations, other corporations or business entities, and may include, directly or indirectly, the Partners, principals, or other employees of LightBay and its affiliates and members of their families, or other service providers retained by LightBay.

The Funds generally have a minimum investment amount of \$5 million for third-party investors, and the Funds' interests are offered and sold solely to qualified purchasers, accredited investors that are also qualified clients, or qualified knowledgeable LightBay employees. Such minimum investment amount may be waived by LightBay, in its sole discretion.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

The investment strategies, methods of analysis, and material risks applicable to each Fund are set forth in detail in each of the Fund's respective Offering Documents. A general summary of those investment strategies, methods of analysis, and material risks is provided below.

There can be no assurance that LightBay will achieve the investment objectives of any Fund and a loss of investment is possible.

Investment Strategy and Method of Analysis

On behalf of the Funds, LightBay seeks to invest in middle market companies through various transaction types, ranging from traditional buyouts to complex balance sheet reorganizations. The Firm takes a value-oriented analytical approach to evaluating investment opportunities, with a focus on finding elements of undercapitalization preventing high quality businesses from achieving optimal growth. LightBay seeks to work with portfolio company management teams to accelerate growth by making investments in people and infrastructure in order to remove constraints to critical financial, human, and intellectual components of the business and optimizing the company's capital allocation process.

LightBay believes its flexible "all weather" strategy is currently underserved in the middle and lower middle markets by sophisticated, sponsor-oriented firms. With over 30 years of combined experience, the Partners believe they bring to LightBay the insight and expertise necessary to evaluate and pursue attractive risk / reward opportunities across the capital structure at each phase of the economic cycle. LightBay believes this is a significant competitive advantage in the middle market, as the Firm is not

dependent on the availability of debt financing and intends to deploy capital in periods of market dislocation by making distressed debt, structured equity, or rescue capital investments.

LightBay will primarily focus on North American investment opportunities in the consumer, healthcare, and business services sectors.

Risks of Investment

Each Fund and its investors bear the risk of loss that LightBay's investment strategy entails. The risks involved with LightBay's investment strategy and an investment in a Fund include, but are not limited to:

Business Risks. The Fund's investment portfolio may consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Future and Past Performance. The performance of the Partners' prior investments is not necessarily indicative of the Fund's future results. While LightBay intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

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

Concentration of Investments. The Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the Fund raises less than any targeted amount of capital, the Fund may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners will be required to bear Management Fees through the Fund during the Investment Period based on the entire amount of the limited partners' Commitments and other expenses as set forth in the Partnership Agreement.

Dynamic Investment Strategy. While LightBay generally intends to seek attractive returns for the Fund primarily through making private equity investments as described herein, LightBay may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. LightBay may pursue investments outside of the industries and sectors in which the Partners have previously made investments or have internal operational experience.

Growth Equity Transactions. The Fund's strategy may include targeting growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional

research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

Impact of Government Regulation, Reimbursement and Reform. Certain industry segments in which the Fund intends to invest, including various segments of the healthcare industry, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the healthcare industry, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Fund invests. By way of example, the healthcare and financial services industries have been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals related to such industries are introduced from time to time, which, if adopted, could have a significant impact on such industries in general and/or on companies in which the Fund may invest.

Illiquidity; Lack of Current Distributions. An investment in the Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including the Management Fee payable to LightBay) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded Commitments.

Leveraged Investments; Borrowing. The Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment, and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which are difficult to accurately forecast and may be impacted by regulatory restrictions and guidelines, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Additionally, lenders would typically have a claim that has priority over any claim by the Fund to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its

forecasts. If a portfolio company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal amount of financial leverage, the Fund may hold a larger than expected equity investment in such portfolio company and may realize lower than expected returns from the portfolio company that would adversely affect the Fund's ability to generate attractive investment returns for the Fund as a whole. Any failure by lenders to provide previously committed financing could also expose the Fund to potential claims by sellers of businesses which the Fund may have been contracted to purchase.

The Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). Although use of such borrowing facilities enhances LightBay's ability to close transactions quickly, such activity also increases risk and raises the possibility that LightBay will need to call additional capital to pay off such debt. Any use of leverage by the Fund may result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the LightBay or any of its affiliates and, in connection with incurring such indebtedness, LightBay may, in its sole discretion, cause the Fund to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such entities. However, it is possible that, if and when the Fund were to seek to enforce any such right, any such entity could default on its obligation and/or such right may otherwise be unenforceable. In addition, to the extent the Fund incurs leverage or provides any guaranty, such amounts may be secured by the capital commitments made by the Fund's investors and other Fund assets. The inability of the Fund to repay any leverage secured by the capital commitments of the Fund's investors could enable a lender to issue a capital call on behalf of LightBay.

Early Stage and Startup Investments. The Fund may make investments in startup and early stage companies that have inherently greater risk than more established businesses. Accordingly, the growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Fund will be successful.

Limited Transferability of Fund Interests. There will be no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreement and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for Fund investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the limited partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such limited partners. After a distribution of securities is made to the limited partners, many limited partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such limited partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to LightBay with respect to such investment.

Reliance on the General Partner and Portfolio Company Management. Control over the operation of the Fund will be vested with LightBay, and the Fund's future profitability will depend largely upon the business and investment acumen of the Partners. The loss or reduction of service of one or more of the Partners could have an adverse effect on the Fund's ability to realize its investment objectives. If LightBay, which was recently established, is unable to attract or retain a sufficient number of investment professionals and other employees, it could have a similar adverse effect on the Fund. In addition, the Partners may in the future, manage other investment funds besides the Fund and the Partners may need to devote substantial

amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the Partners. Limited partners generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund will depend on the actions of LightBay. In addition, certain changes in LightBay or circumstances relating to itself or its affiliates may have an adverse effect on the Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

Although LightBay will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day to day basis. Although the Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

Absence of Operating History. The Funds have no operating history and will be entirely dependent on LightBay. Furthermore, there can be no assurance that a Fund's investments will achieve results similar to those attained by previous investments of the Partners. In addition, the Funds' investments may differ from previous investments made by the Partners in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure, and holding period.

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

Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities. The United States, pursuant to the "Foreign Account Tax Compliance Act" or "FATCA" has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the OECD has been actively working towards the exchange of information on a global scale and has published a global Common Reporting Standard for the exchange of information pursuant to which many countries have now signed multilateral agreements. A limited partner's failure to provide such information may result in expulsion from the Fund and/or alternative investment vehicles. One or more of these information exchange regimes are likely to apply to the Fund and/or alternative investment vehicles, and may require the LightBay to collect and share with applicable taxing authorities information concerning limited partners (including identifying information and amounts of certain income allocable or distributable to them). In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of most payments attributable to investments in the United States, including dividends, interest, and, beginning on January 1, 2019, gross proceeds of a disposition of stock, unless an exception applies. The Fund may be required to withhold such taxes from certain non-U.S. limited partners, unless an exception applies.

Conflicting Investor Interests. Limited partners may have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by LightBay regarding an investment that may be more beneficial to one limited partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, LightBay

generally will consider the investment and tax objectives of the Fund and its limited partners as a whole, not the investment, tax, or other objectives of any limited partner individually.

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Fund's activities, including the ability of the Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent the Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of the Fund, could adversely affect the ability of the Partners, employees or other individuals associated with the Fund, or LightBay who were or may in the future be granted direct or indirect interests in LightBay to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from the Fund and LightBay, which could make it more difficult for LightBay and its affiliates to incentivize, attract and retain individuals to perform services for the Fund. These same issues may also apply to officers, directors and employees of the Fund's portfolio companies if such persons receive a profits interest in such companies.

Alternative Investment Fund Managers Directive. The AIFMD regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). To the extent that the Fund is actively marketed to investors domiciled or having their registered office in the EEA: (i) the Fund and LightBay will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in the Fund incurring additional costs and expenses; (ii) the Fund and/or LightBay may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in the Fund incurring additional costs and expenses or may otherwise affect the management and operation of the Fund; (iii) LightBay will be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (iv) the AIFMD will also restrict certain activities of the Fund in relation to EEA portfolio companies including, in some circumstances, the Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership, which may in turn affect operations of the Fund generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Fund to raise its targeted amount of Commitments.

In the future, it may be possible for non-EEA alternative investment fund managers ("AIFMs") to market an alternative investment fund ("AIF") within the EEA pursuant to a pan-European marketing "passport" instead of under national private placement regimes. The access to the passport may be subject to the non-EEA AIFM complying with various requirements under the AIFMD, which may include one or more of the following: rules relating to the remuneration of certain personnel, minimum regulatory capital

requirements, restrictions on the use of leverage, additional disclosure and reporting requirements to both investors and EEA home state regulators, the independent valuation of an AIF's assets, and the appointment of legal representatives and an independent depository to hold assets. Certain EEA Member States have indicated that they will cease to operate national private placement regimes when or shortly after the passport becomes available, which would mean that non-EEA AIFMs to whom the passport is available would be required to comply with all relevant provisions of the AIFMD in order to market to professional investors in those jurisdictions. As a result, if in the future non-EEA AIFMs may only market in certain EEA jurisdictions pursuant to a passport, LightBay may not seek to market interests in the Fund in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in the Fund. Alternatively, if the General Partner sought to comply with the requirements needed to use the passport, this could have other adverse effects including, among other things, increasing the regulatory burden and costs of operating and managing the Fund and its investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting LightBay's ability to recruit and retain these personnel.

United Kingdom Exit from the European Union. On June 23 2016, the people of the United Kingdom voted in a referendum to leave the European Union ("EU"). As at the date of this Memorandum, there has been no change in the status of the United Kingdom as a member of the EU and, pursuant to the EU constitution, the only method of withdrawal is via Article 50 of the Treaty of the EU, which itself provides for a period of up to two years during which the terms of the United Kingdom's ongoing relationship with the EU will be negotiated. The government of the United Kingdom has announced its intention to trigger the Article 50 procedure by the end of March 2017. Accordingly, and whilst it is too early to speculate as to the ultimate outcome, should Article 50 be invoked, it is currently anticipated that the United Kingdom will cease to be a member of the EU during 2019. As a result of the United Kingdom ceasing to be a member of the EU, the manner in which the Fund invests in assets located within the EU may be impacted. The political and economic uncertainty generally resulting from the United Kingdom referendum result may adversely impact United Kingdom-based businesses and may also result in an economic slowdown and/or a deteriorating business environment in one or more EU member states.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for the Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third-party invests in such portfolio company.

Non-U.S. Investments. The Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Fund and/or the limited partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the limited partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations,

regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Hedging Arrangements. LightBay may (but is not obligated to) endeavor to manage the Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject the Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled.

Significant Adverse Consequences for Default. The Partnership Agreement provides for significant adverse consequences in the event a limited partner defaults on its Commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting limited partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

Dilution. Limited partners admitted or that increase their respective Commitments to the Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing limited partners in such investments. Although any such new limited partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

General Partner's Carried Interest. The fact that the General Partner's carried interest is based on a percentage of net profits may create an incentive for the General Partner and/or its employees to cause the Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case.

Transfer by LightBay. To the extent the LightBay, the Partners and/or their respective affiliates commit to make a direct or indirect investment in or along-side the Fund, a material participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.

Public Company Holdings. The Fund's investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Partners, and increased costs associated with each of the aforementioned risks.

Distressed Investments. The Fund may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that LightBay will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. It may take a number of years for the market price of distressed securities to reflect their intrinsic value. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (e.g., due to failure to obtain requisite approvals), or will be delayed (e.g., until various liabilities, actual or contingent, have been satisfied). In the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which the Fund invested.

Fixed-Income Securities. The Fund may invest in bonds or other fixed-income securities of U.S. and non-U.S. issuers, including bank debt, loans, notes, debentures, and commercial paper, as well as derivatives thereon. The value of fixed-income securities in which the Fund invests will change in response to fluctuations in interest rates, which have been near historic lows. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, foreign exchange rates, political stability or soundness of economic policies. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Non-controlling Investments. The Fund may hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, the Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that the Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Fund holds a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if the Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

Director Liability. The Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Fund's investment activities.

Limitation of Recourse and Indemnification. The Partnership Agreement will limit the circumstances under which LightBay and its affiliates will 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 have in the absence of

such provision. In addition, the Partnership Agreement will provide that the Fund will indemnify LightBay and its affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the Fund. Such indemnification obligations could materially impact the returns to limited partners.

Litigation. In the ordinary course of its business, the Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of LightBay's and the Partners' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Advisory Board. LightBay will appoint one or more limited partner representatives to the Advisory Board. The Partnership Agreement may provide that to the fullest extent permitted by applicable law, none of the Advisory Board members shall owe any fiduciary duties to the Fund or any other Fund Partner. In addition, representatives of the Advisory Board may have various business and other relationships with LightBay and its partners, employees and affiliates. These relationships may influence their decisions as members of the Advisory Board.

Delayed Schedule K-1s. The Fund may not be able to provide final Schedule K 1s to limited partners for any given fiscal year until after April 15 of the following year. LightBay will endeavor to provide limited partners with final Schedule K-1s on or before such date, but final Schedule K-1s may not be available until the Fund has received tax-reporting information from its portfolio companies necessary to prepare final Schedule K-1s. Limited partners may be required to obtain extensions of the filing dates for their U.S. federal, state and local income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Fund.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Fund's portfolio companies.

Market Conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Fund and may affect the Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the

Fund to pay break-up, termination or other fees and expenses in the event the Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Fund to dispose of investments at prices that LightBay believes reflect the fair value of such investments. The impact of market and other economic events may also affect the Fund's ability to raise funding to support its investment objective.

Conflict of Interest. Until such time as LightBay is permitted to raise a successor investment fund to the Fund, the Partners will pursue all appropriate investment opportunities that meet the investment criteria of the Fund principally for the benefit of the Fund, subject to certain exceptions set forth in the Partnership Agreement. However, the Partners may in the future manage several other investment funds besides the Fund and investments similar to those in which the Fund will be investing and may direct certain relevant investment opportunities to those investment funds and investments. In addition, the Partners may spend a portion of their business time and attention pursuing investment opportunities for other investment funds and other than on behalf of the Fund. LightBay believes that the significant investment of the Partners in the Fund, as well as the Partners' interest in the carried interest, operate to align, to some extent, the interest of the Partners with the interest of the limited partners, although the Partners have or may have economic interests in such other investment funds and investments as well and receive management fees and carried interests relating to these interests. Such other investment funds and investments that the Partners may control or manage may compete with the Fund or companies acquired by the Fund. At such time as LightBay is permitted to raise a successor investment fund to the Fund, the Partners will continue to manage the Fund's investments, but also may and likely will focus investment activities on other opportunities and areas unrelated to the Fund's investments. Certain investments may be allocated between the Fund and any successor or predecessor fund in a manner as set forth in the Partnership Agreement.

Certain Consultants. The portfolio companies may from time to time retain other companies and individuals, which may be third-party consultants (including individual consultants and external executives) or executives and other corporate management personnel from the Partners' professional network, to provide services to such companies, including in relation to operational aspects of such companies.

Unfunded Pension Liabilities of Portfolio Companies. Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Fund intends to manage its investments to minimize any such exposure, the Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Fund may own an 80% or greater interest in such a portfolio company. If the Fund (or other 80%-owned portfolio companies of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding ERISA control group liability as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

Monitoring Fee Acceleration. Agreements made with portfolio companies may require the acceleration of future monitoring fees and other fees payable by a portfolio company at the sale or public offering of such portfolio company and an agreed upon value of such fees may be paid to LightBay at such time.

Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by the Fund. When estimating fair value, LightBay will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that

would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by LightBay may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the retail industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at LightBay or one of its service providers holding financial or investor data, LightBay and/or the Fund may also be at risk of loss.

Contingent Liabilities Upon Disposition. In connection with the disposition of an investment, the Fund and LightBay may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Fund and, ultimately, its investors.

Loans in Lieu of Distributions. Pursuant to the Partnership Agreements, certain distributions to LightBay may be deferred to the extent the amount distributable exceeds LightBay's tax basis in the Fund. In such case, the deferred distribution amount may be loaned by the Fund to LightBay. Any interest accruing with respect to such a loan will be allocated and distributed solely to the LightBay.

Tax Liability Considerations. The Fund may take positions with respect to certain tax issues that depend on legal and other interpretive conclusions. Should any such positions be successfully challenged by the IRS, a limited partner might be found to have a different tax liability for that year than that reported on its federal income tax return. In addition, an audit of the Fund may result in an audit of the returns of some or all of the limited partners, which examination could result in adjustments to the tax consequences initially reported by the Fund and affect items not related to a limited partner's investment in the Fund. If such adjustments result in an increase in a limited partner's federal income tax liability for any year, such limited partner may also be liable for interest and penalties with respect to the amount of underpayment. The legal and accounting costs incurred in connection with any audit of the Fund's tax return will be borne by the Fund. The cost of any audit of a limited partner's tax return will be borne solely by the limited partner. The taxation of partnerships and partners is complex.

New Rules Regarding U.S. Federal Income Tax Liability Resulting from IRS Audits. For taxable years of the Fund beginning on or after January 1, 2018 (or earlier, if the Fund so elects), U.S. federal income taxes arising from a U.S. Internal Revenue Service ("IRS") audit will be paid by the Fund absent an election to the contrary. In addition, a newly designated "partnership representative" will have the power to act on behalf of the Fund and its limited partners in all IRS audits and other proceedings involving the Fund's U.S. federal income, loss, deductions, and credits. These new rules may be less favorable than current partnership audit rules for certain limited partners in certain cases.

Conflicts of Interest

LightBay and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own accounts and providing investment advisory and other services to Funds and portfolio companies. LightBay will devote such time, personnel, and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Offering Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of LightBay conducting its activities, the interests of a Fund may conflict with the interests of LightBay, one or more other Funds, portfolio companies, or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, LightBay will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory boards of the participating Funds.

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by LightBay principals through such Fund, subject to certain limited exceptions. Without limitation, LightBay principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. LightBay's principals and LightBay's investment staff will continue to manage and monitor such investments until their realization. Such other investments that LightBay principals may control or manage may potentially compete with companies acquired by a Fund. Following the commitment period of a Fund, LightBay principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, LightBay will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of LightBay. In determining which investment vehicles should participate in such investment opportunities, LightBay and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of LightBay in a portfolio company may also raise the risk of using assets of a client of LightBay to support positions taken by other clients of LightBay.

LightBay must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. LightBay generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Partnership Agreement, as well as factors including, but not limited to differences with respect to available capital, size of an advisory client and/or the remaining life of an advisory client account, differences in investment objectives or strategies, differences in risk profiles, potential transaction costs, potential conflicts of interest, the nature of the investment or the transaction, or current and anticipated market and general economic conditions. For example, a newly organized Fund generally may seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds advised by an affiliated adviser of LightBay in the manner set forth in the relevant Offering Documents and LightBay's allocation policy. LightBay will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with LightBay's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, LightBay will, in its sole discretion, determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties such as other sponsors, finders, consultants and other service providers and LightBay's personnel and/or affiliates, as determined by the Funds' Offering Documents, Side Letters, and LightBay's procedures regarding allocation. LightBay's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: the likelihood

that an investor may invest in a future fund sponsored by LightBay, expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; LightBay's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair LightBay's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether LightBay believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds or LightBay. The Funds may co-invest with third parties through partnerships, joint ventures or other entities or arrangements, which may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may have economic or business interests that are inconsistent with those of a Fund.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by LightBay or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other LightBay investors. When and to the extent that employees and related persons of LightBay and its affiliates make capital investments in or alongside certain Funds, LightBay and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

LightBay's allocation of investment (including co-investment) opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While LightBay will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which LightBay may be subject, discussed herein, did not exist.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit, or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage, and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. LightBay and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Offering Documents of the Funds, LightBay will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, LightBay may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual, or similar restrictions, expense allocation decisions will generally be made by LightBay or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion (e.g., in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size). The Funds may have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, LightBay and/or its affiliates typically have the right to appoint portfolio company board members (including current or former LightBay personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to LightBay and/or its affiliates. Unless such amounts are subject to the Offering Document offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to LightBay.

Additionally, a portfolio company typically will reimburse LightBay or service providers retained at LightBay's discretion for expenses (including without limitation travel expenses) incurred by LightBay or such service providers in connection with its performance of services for such portfolio company. This subjects LightBay and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. LightBay determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, any fee paid or expense reimbursed to LightBay or such service providers generally may be subject to: agreements with or review by sellers, buyers, and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third-party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

LightBay generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with: (i) LightBay or a related person of LightBay (which may include a portfolio company of such Fund), (ii) an entity with which LightBay or its affiliates or current or former members of their personnel has a relationship or from which LightBay or its affiliates or their personnel otherwise derives financial or other benefit, or (iii) certain limited partners or their affiliates. For example, LightBay may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects LightBay to conflicts of interest, because although LightBay selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, LightBay may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that LightBay, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen, and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or LightBay), may favor such retention or continuation

even if a better price and/or quality of service could be obtained from another person. Whether or not LightBay has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

LightBay and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by LightBay and/or its affiliates; conversely, former personnel or executives of LightBay and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by LightBay. Similarly, LightBay, its affiliates, and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks, and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with, and/or provide services (including services at reduced rates) to, LightBay and/or its affiliates, and/or the Funds or other investment vehicles they advise. LightBay may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide LightBay information about markets and industries in which LightBay operates (or is contemplating operations) or will provide other services that are beneficial to LightBay. LightBay may have a conflict of interest in making such recommendations, in that LightBay has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

LightBay, its affiliates, and equity holders, officers, principals and employees of LightBay and its affiliates may buy or sell securities or other instruments that LightBay has recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to the policies and procedures set forth in LightBay's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of LightBay have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

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

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

Any of these situations subjects LightBay and/or its affiliates to potential conflicts of interest. LightBay attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by LightBay's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds, and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, LightBay will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, LightBay consults and receives consent to conflicts from an advisory board consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

DISCIPLINARY INFORMATION

LightBay and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

LightBay is affiliated with the General Partner, which is an investment adviser deemed registered with the SEC under the Advisers Act pursuant to LightBay's registration in accordance with SEC guidance. This affiliated investment adviser operates as a single advisory business together with the Adviser and generally shares common owners, officers, partners, employees, consultants, or persons occupying similar positions.

Employees of LightBay and its affiliates may serve as officers, advisors, directors, or in comparable management functions for portfolio companies in which the Funds invest, or provide other services to portfolio companies, and may receive compensation in connection therewith.

CODE OF ETHICS, PARTICIPATION, OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

LightBay has adopted a Code of Ethics and Securities Trading Policy (the "**Code**"), which sets forth standards of conduct that are expected of the Partners and employees and addresses conflicts that arise from personal trading.

The Code requires all LightBay access persons (which includes Partners and employees) to report their personal securities transactions consistent with the requirements of Rule 204A-1 of the Advisers Act. In addition, it requires that LightBay access persons receive pre-clearance from the Chief Compliance Officer prior to directly or indirectly acquiring beneficial ownership or disposing of reportable securities (with the exception of unaffiliated open-end exchange traded funds), including investments in initial public offerings and private offerings. Also, as a general matter, all access persons are prohibited from trading in any security on the Firm's "restricted list," which includes companies about which a determination has been made that it is prudent to restrict trading activity. This might include, for example, Fund portfolio company securities or companies about which access persons may have acquired material non-public information. In addition to the restricted list, the Code also contains policies and procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to LightBay's Chief Compliance Officer at (310) 919-4300. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

LightBay and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, LightBay and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of LightBay.

Accordingly, should LightBay or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, LightBay generally would be prohibited from communicating such information to clients, and LightBay will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of LightBay personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of LightBay and its affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities may also be presented to certain affiliates of LightBay, as well as third-party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies, and Risk of Loss.”

LightBay and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

BROKERAGE PRACTICES

LightBay focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, LightBay may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although LightBay does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If LightBay engages in public securities transactions, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by LightBay. When doing so, LightBay will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, LightBay may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

LightBay has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although LightBay generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with LightBay seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although LightBay generally does not make use of such services at the current time and has not made use of such services since its inception.

As discussed above, LightBay has established procedures for the allocation of portfolio investment transactions multiple Funds. Such investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies, and Risk of Loss.”

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid, and long-term in nature. While LightBay closely monitors companies in which the Funds invest, the review process is not directed toward a short-term decision to dispose of securities. LightBay maintains an investment committee, which consists of the Partners and other investment personnel. The investment committee meets on a periodic basis to review the Funds’ portfolio and (among other things), evaluate potential investments, review key findings from third-party advisers, discuss key strategic considerations, and develop transaction structures. In addition, LightBay’s Chief Compliance Officer periodically checks to confirm that each Fund portfolio is maintained in accordance with its stated objectives.

Each Fund generally will provide to its limited partners: (i) audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each Fund’s limited partner’s U.S. tax returns, and (iv) descriptive investment information for each portfolio company periodically.

CLIENT REFERRALS AND OTHER COMPENSATION

LightBay and/or its affiliates may provide certain business or consulting services to companies in a Fund’s portfolio and may receive compensation from these companies in connection with such services. As described in the Offering Documents, this compensation may, in many cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees.

LightBay has entered (and may in the future enter) into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents will be borne by LightBay indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund. LightBay currently has retained UBS Securities, LLC, a placement agent, to solicit Commitments from investors in exchange for a non-refundable fee based on a percentage of Commitments to the Funds made by certain investors. Placement agents that introduce investors to a Fund are subject to a conflict of interest to the extent that they will be compensated in connection with their introduction activities.

CUSTODY

To the extent required under Rule 206(4)-2 of the Adviser Act, LightBay maintains custody of assets held in the name of one or more Funds with qualified custodians.

INVESTMENT DISCRETION

LightBay has discretionary authority to manage investments on behalf of each Fund. As a general policy, LightBay does not allow clients to place limitations on this authority. Pursuant to the terms of the Offering Documents, however, LightBay and/or its affiliates may enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. LightBay assumes this discretionary authority pursuant to the terms of the Offering Documents and powers of attorney executed by the limited partners of such Fund.

VOTING CLIENT SECURITIES

LightBay has adopted the Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for the Funds' portfolio investments. The Proxy Policy seeks to ensure that LightBay votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. LightBay generally believes its interests are aligned with those of each Fund's investors, for example, through the principals' beneficial ownership interests in such Fund. Therefore, LightBay will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that LightBay may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board or through the formation of a conflict committee as further set forth in the Proxy Policy. LightBay does not consider service on portfolio company boards by LightBay personnel or LightBay's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by LightBay when voting proxies on behalf of a Fund. If investors would like a copy of LightBay's complete Proxy Policy or information regarding how LightBay voted proxies for particular portfolio companies, please contact LightBay's Chief Compliance Officer at (310) 919-4300.

FINANCIAL INFORMATION

LightBay does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.