



---

**Part 2A of Form ADV: Firm Brochure**

**Pathlight Capital LP  
18 Shipyard Drive, Suite 2C  
Hingham, Massachusetts 02043  
Phone – (617) 830-7055**

**March 2019**

---

This brochure (the “Brochure”) provides information about the qualifications and business practices of Pathlight Capital LP (the “Adviser,” “we,” “our,” or “us”). If you have any questions about the contents of this brochure, please contact us at (617) 830-7055. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Pathlight Capital LP is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Pathlight Capital LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

This section of the Brochure addresses “material changes” that have taken place since the last annual update and will be posted to the SEC’s public disclosure website (IAPD). There have been no material changes since the Adviser’s last annual Form ADV amendment. However, the Adviser has made certain routine updates including but not limited to a change in regulatory assets under management disclosed in Item 4 and custody practices disclosed in Item 15. – –

Pursuant to SEC rules, the Adviser will ensure that its clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of its business fiscal year. The Adviser may further provide other ongoing disclosure information about material changes as necessary.

Currently, the Brochure may be requested by contacting Mr. Peter Nawrocki, the Adviser’s Chief Compliance Officer at (617) 830-7048.

### **Item 3 - Table of Contents**

Item 2 - Material Changes .....	ii
Item 3 - Table of Contents.....	iii
Item 4 - Advisory Business .....	4
Item 5 - Fees and Compensation .....	5
Item 6 - Performance-Based Fees and Side-By-Side Management.....	8
Item 7 - Types of Clients .....	9
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9 - Disciplinary Information.....	29
Item 10 - Other Financial Industry Activities and Affiliations.....	30
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.	31
Item 12 - Brokerage Practices .....	32
Item 13 - Review of Accounts.....	33
Item 14 - Client Referrals and Other Compensation .....	34
Item 15 - Custody .....	35
Item 16 - Investment Discretion .....	36
Item 17 - Voting Client Securities.....	37
Item 18 - Financial Information .....	38

#### **Item 4 - Advisory Business**

- A. The Adviser is a newly formed investment advisory firm located in Hingham, Massachusetts that commenced business in the last quarter of 2017. The Adviser specializes in advising on the collection of interest payments and other fees related to “stretch asset-based lending” or “Stretch ABL” across a variety of industries in order to generate strong risk adjusted returns.

The Adviser currently has four principals, consisting of Daniel Platt, Katie Hendricks, Kyle Shonack, and Mark Twomey. Mr. Platt is also the sole owner of the Adviser’s general partner, Pathlight GP LLC.

- B. The Adviser provides investment advisory services to one or more affiliated pooled investment vehicles into which certain sophisticated and qualified investors will make investments (each a “Fund” and, collectively, the “Funds”) as well as separate accounts for unaffiliated pooled investment vehicles (each a “Separate Account Client,” and, together with the Funds, the “Clients”). The general partner or equivalent of each Fund will be an affiliate of the Adviser (the “General Partner”). The governing documents of each Client may also provide for the establishment of parallel or other alternative investment vehicles in certain circumstances. Client investors may participate in such vehicles for the purposes of certain investments, and if formed, such vehicles would also become Clients of the Adviser. In this brochure, because it is uncertain whether such additional parallel or alternative investment vehicles will be classified as clients of the Adviser, when we refer to a Fund or Client, we are also referring to such additional parallel or alternative investment vehicles, if any.

The investment advisory services to be provided by the Adviser to each of its Clients will focus on investments related to the collection of interest payments and other fees related to Stretch ABL across a variety of industries in order to generate strong risk adjusted returns. The Adviser, on behalf of its Clients, intends to achieve this objective by investing primarily in first and second lien secured asset-based loans (each, a “Portfolio Investment” and collectively, the “Portfolio Investments”) to low-cap and mid-cap companies headquartered in North America.

- C. Each Client’s portfolio is managed pursuant to an investment management agreement with the Client, an agreement of limited partnership or similar governing document, any investment guidelines attached thereto, the Client’s investment policy, and/or other governing documentation that may be entered into from time to time, and any applicable regulations. While it is anticipated that each of its Clients will follow the strategy stated above, the Adviser may tailor the specific advisory services with respect to each Client to the individual investment strategy of that Client. In addition, the governing documents of Clients may, in certain limited circumstances, impose restrictions on investing in certain securities or types of securities, for example in connection with regulatory or compliance reasons.
- D. The Adviser does not participate in wrap fee programs.
- E. As of December 31, 2019, the Adviser manages \$147,743,868 in discretionary and non-discretionary portfolios.

## Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser is compensated in connection with providing advisory services to its Clients. The Adviser may enter into different fee arrangements on a Client by Client basis. It is critical that all Clients, and investors in all Clients, refer to the applicable Client's governing documents for a complete understanding of how the Adviser and its affiliates are compensated for advisory services. The following information is a summary only and is qualified in its entirety by each applicable Client's governing documents:

*Management Fee.* In consideration of management and advisory services provided by the Adviser, each Fund will pay to the Adviser a quarterly management fee (the "Management Fee") in advance equal to a percentage, typically ranging from .75 to 1.75 per annum, of capital contributions and/or commitments to the Fund.

*Performance Fee.* In addition to the Management Fee, each Fund will pay to the Adviser or an affiliate, a performance-based or capital appreciation-based fee based upon a percentage of the distributions made to each Fund investor (the "Performance Fee").

LOWER FEES FOR COMPARABLE SERVICES MAY BE AVAILABLE FROM OTHER SOURCES.

- B. The Adviser will neither deduct fees from a Client's assets nor bill a Client directly. Management Fees will be payable by a Client to the Adviser and the Performance Fee will be distributed by the Client to the Adviser or an affiliate, in each case on the terms provided for in the applicable Client's governing documentation. Generally, the Adviser may draw-down capital commitments from the investors in a Fund or Client, or may use amounts that would otherwise be available for distribution to such investors, in order to meet the obligation to pay the Management Fee. The Adviser may also, in its discretion, accrue unpaid Management Fees, without interest, and issue a capital call (or offset distributions) in respect of such unpaid Management Fees on a later date as determined by the Adviser.
- C. With respect to a Fund, and as more fully described in the Fund's governing documents, a Fund bears the costs and expenses relating to its organization and formation, continuation, and business. Such expenses include:

*Organizational Expenses.* Expenses incurred in connection with (i) the offering and sale of the interests in the Fund (the "Interests"), excluding expenses incurred by a placement agent and placement agent fees, (ii) the organization of the Fund; (iii) the negotiation, execution and delivery of the partnership agreement, the investment management agreement and any related or similar documents, including, without limitation, any related legal and accounting fees and expenses, printing costs, travel expenses and filing fees, and (iv) the organization of the applicable General Partner, and the Adviser will be paid by the Fund.

*Fund Expenses.* The Fund will be responsible for all expenses attributable to the operation of the Fund and its Portfolio Investments, including, but not limited to: (i) Organizational Expenses (including the organization of any alternative investment vehicle); (ii) the Management Fee; (iii) all expenses incurred in connection with the identification, discovery, structuring, screening, evaluation (including due diligence),

negotiation, acquisition, monitoring or disposition of Portfolio Investments, whether or not the investment is consummated, including consultants' and finders' fees (which may include performance-based compensation, investment) banking fees, appraisal fees, taxes, brokerage and other finders fees, transfer fees, registration fees and similar fees and expenses, commissions, reasonable travel expenses, reasonable rental or lodging expenses, legal, compliance, accounting, audit, administration, consulting and other professional fees (including due diligence in connection therewith), information services, software, research related to Portfolio Investments, and other investment or disposition costs (to the extent not subject to reimbursement); (iv) expenses incurred in connection with the carrying or management of Portfolio Investments, including custodial, trustee, record keeping (including preparation of financial statements, and the costs and expenses of preparing and circulating reports and any fees or imposts of a U.S. or non-U.S. governmental authority imposed in connection therewith (including imposts or other U.S. and non-U.S. governmental or regulatory expenses of the General Partner or the Adviser)) and other routine administrative expenses of the Fund or its subsidiaries, including, but not limited to, the cost of the preparation of applicable tax returns of the Fund, blue sky and filing fees and other administrative fees (including fees and expenses of the Fund's administrator); (v) costs and liabilities (including damages) incurred in connection with litigation or other extraordinary events, indemnification expenses, and insurance expenses (including premiums); (vi) all taxes, fees and other related charges payable by, or otherwise imposed on, the Fund, expenses incidental to the transfer, servicing, management and accounting for the Fund's cash and securities, including all charges of depositories and custodians, and all expenses incurred by the "tax matters partner" or "partnership representative" of the Fund (or its subsidiaries); (vii) communication expenses, including, without limitation, costs associated with the preparation and delivery of reports, financial statements, tax returns, and Schedule K-1s to investors, (viii) all expenses and costs associated with Fund investor meetings; (ix) all expenses and costs of any Fund advisory boards; (x) all interest and expenses incurred in connection with any indebtedness of the Fund or other credit arrangement (including any line of credit, loan commitment or letter of credit for the Fund or related to any Portfolio Investment (or any underlying asset)); (xi) expenses relating to defaults by Fund investors in the payment of any capital contributions; (xii) fees and out-of-pocket expenses of third-party professionals providing services to the Fund, such as legal, accounting, consulting, valuation, audit and tax return preparation; (xiii) expenses incurred in connection with any restructuring or amendments to the constituent documents of the Fund and related entities, including the General Partner (but only to the extent such restructuring or amendments to the General Partner are directly attributable to any restructuring or amendments to the constituent documents of the Fund and/or its related entities); (xiii) expenses incurred in connection with distributions to the Fund investors; and (xiv) any extraordinary expenses ((i) to (xiv) together, the "Fund Expenses").

*Transaction, Break-up, and Other Fees.* The Adviser or its affiliates may derive from third parties syndication fees, loan origination fees, collateral agent fees, consulting fees, advisory fees, management fees, transaction fees, monitoring fees, closing fees or break-up fees in connection with a Portfolio Investment or potential Portfolio Investment. To the extent the Adviser or its affiliates earns any such fees and a Fund does not syndicate the Portfolio Investment generating such fees, the Management Fees indirectly borne by each Fund investor will be offset by such Fund investor's proportionate share of 100% of any such fees on a net basis; provided, however, that if the Fund syndicates the Portfolio Investment generating such fees, the Management

Fees indirectly borne by each Fund investor will be offset by such Fund investor's proportionate share of 50% of any such fees attributable to such syndication on a net basis ("Offset Amounts"). The Adviser or an affiliate will apply any Offset Amounts in excess of the Management Fees in a quarter to the Management Fees of the following quarter. Except as otherwise agreed with a Fund investor, the Adviser will distribute to each Fund investor any Offset Amounts that remain at the liquidation of the applicable Fund.

The Adviser does not maintain any trading accounts and does not anticipate using "soft" dollars. Please refer to Item 12, Brokerage Practices, for more information.

- D. The Management Fees described above are anticipated to be payable quarterly in advance. The Management Fee obligation of a Fund, and its investors, may only be terminated or modified as provided by the Fund's governing documents and the investment management agreement between the Adviser and the Fund. The Management Fee will be calculated on an annual basis and is pro-rated for partial periods.
- E. Other than as described above, neither the Adviser nor any of its supervised persons receive any compensation from the sale of securities or other investment products.

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

As stated in Item 5 above, the Adviser or its affiliates may receive performance-based fees or allocations from Clients. Additionally, the Adviser intends to charge performance-based fees to all Clients and therefore not engage in side-by-side management. These payments, to the extent received, are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

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

Client investors are provided with disclosure in the respective governing documents of each Client as to how investment opportunities are allocated and how performance-based compensation is charged and the risks associated with such performance-based compensation, prior to making capital commitments to a Client.

In addition, the Adviser employs policies and procedures governing the identification, assessment and monitoring of conflicts of interest.



**Item 7 - Types of Clients**

As described in Item 4, the Adviser provides investment advisory services only to Funds, which are investment partnerships, or similar entities, which are exempt from registration under the Investment Company Act of 1940, as amended. Also, as described in Item 4, investors in the Funds may participate in the investments through parallel vehicles or alternative investment vehicles in accordance with the governing documentation of the applicable Fund. Such vehicles may also be Clients of the Adviser. Each investor in each Fund must be a “qualified purchaser” for Investment Company Act purposes and a “qualified client” for Advisers Act purposes.

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

- A. Each Client intends to principally make first and second lien secured asset-based loans, or Stretch ABL, to middle market companies headquartered in North America. A Client's loans will typically be secured by a company's inventory, accounts receivable, intellectual property, machinery and equipment and/or real estate and are expected to be junior to senior secured loans. A Client's financing is expected to be utilized to support growth, acquisitions, operational performance, debt refinancings or restructurings of companies with sufficient and appropriate assets. Each Client will generally seek to hold, on a per loan basis, \$5 million to \$100 million of exposure in loans ranging up to \$300 million in total size.

INVESTING IN SECURITIES SUCH AS THOSE DESCRIBED ABOVE, AS WELL AS A FUND, INVOLVES A SIGNIFICANT RISK OF THAT ALL FUND INVESTORS SHOULD BE PREPARED TO BEAR.

B. Risks Involved with an Investment in a Fund and Portfolio Investments

For purposes of this Item 8.B, the term "Fund" refers, as appropriate, to each Client managed by the Adviser.

*Availability of Suitable Investment Opportunities.* The pursuit of the Fund's investment strategy involves uncertainty. There can be no assurance that the Adviser will be able to locate and complete suitable investments that satisfy the Fund's objectives and that Adviser believes will provide performance commensurate with the Fund's targets. If the Adviser does not locate suitable and compelling investment opportunities in which to deploy all of the Fund's capital, the Fund may not invest fully its available capital which may result in an adverse effect on performance results.

*Competition.* Other entities, including commercial banks, commercial financing companies, business development companies, insurance companies and other private funds compete with the Fund to make the types of investments that the Fund plans to make. Certain of these competitors may be substantially larger, have considerably greater financial, technical and marketing resources than the Fund will have and offer a wider array of financial services. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to the Fund. There may be intense competition for financings or investments of the type the Fund intends to make, and such competition may result in less favorable financing or investment terms than might otherwise exist. There can be no assurance that there will be a sufficient number of attractive potential projects available to the Fund to achieve target returns. In addition, some of the Fund's competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than the Fund. The competitive pressures the Fund face may have a material adverse effect on the Fund's business, financial condition, results of operations and cash flows.

*Dependence on Key Personnel of the Adviser.* The Fund will depend on the diligence, skill, experience and network of business contacts of the Adviser's investment team, in particular Mr. Platt. There can be no assurances that Mr. Platt will continue to provide investment services to the Adviser. The loss of Mr. Platt would limit the Fund's ability to achieve its investment objective and operate as anticipated.

*Dependence on Adviser's Network.* The Fund will depend on the Adviser to maintain its relationships with private equity sponsors, placement agents, investment banks, management groups and other financial institutions and the Fund expects to rely to a significant extent upon these relationships to provide it with potential investment opportunities. If the Adviser fails to maintain such relationships, or to develop new relationships with other sources of investment opportunities, the Fund will not be able to grow its investment portfolio. In addition, individuals with whom the Adviser has relationships are not obligated to provide the Fund with investment opportunities, and the Adviser can offer no assurance that these relationships will generate investment opportunities for the Fund in the future.

*Due Diligence Risk.* When conducting due diligence and making an assessment regarding a potential Portfolio Investment, the Adviser will be required to rely on resources available to them, including internal sources of information as well as information provided by existing and potential obligors, any equity sponsor(s), lenders and other independent sources. The due diligence process may at times be required to rely on limited or incomplete information.

The Adviser will select Portfolio Investments for the Fund in part on the basis of information and data relating to potential Portfolio Investments filed with various government regulators and publicly available or made directly available to the Adviser by the prospective Portfolio Companies or third parties. Although the Adviser will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, the Adviser will not be in a position to confirm the completeness, genuineness or accuracy of such information and data. The Adviser is dependent upon the integrity of the management of the entities filing such information and of such Portfolio Companies and third parties providing such information, as well as the financial reporting process in general. The value of a Portfolio Investment made by the Fund may be affected by fraud, misrepresentation or omission on the part of a Portfolio Company or any related parties to such Portfolio Company, or by other parties to the Portfolio Investment (or any related collateral and security arrangements). Such fraud, misrepresentation or omission may adversely affect the value of the Portfolio Investment and/or the value of the collateral underlying the Portfolio Investment in question and may adversely affect the Fund's ability to enforce its contractual rights relating to that Portfolio Investment or the relevant obligor's ability to repay the principal or interest on the Portfolio Investment.

In addition, the Adviser may rely upon independent consultants or experts in connection with its evaluation of proposed Portfolio Investments. There can be no assurance that these consultants or experts will accurately evaluate such Portfolio Investments. Investment analyses and decisions by the Adviser may be undertaken on an expedited basis in order to make it possible for the Fund to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. In addition, the financial information available to the Adviser may not be accurate or provided based upon accepted accounting methods. Accordingly, the Adviser cannot guarantee that the due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Any failure by the Adviser to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which may have a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, results of operations and the value of the Interests.

*Non-Specified Investments and Discretion in Determining Use of Proceeds.* The Adviser has not yet identified the potential investments that the Fund will acquire with the net proceeds of this offering and the net proceeds of this offering will be used to finance or invest in portfolio companies that will not be meaningfully described to the Fund investors prior to such financing or investment. No assurance can be given as to when the Fund will fund any Portfolio Investments. Fund investors will not have an opportunity to evaluate the specific merits or risks of any prospective Portfolio Investment. As a result, Fund investors will be dependent on the judgment of the Investment Manager in connection with the Portfolio Investment and management of the proceeds of this offering, including the selection of the Portfolio Investments. The Fund's reliance on the Adviser is substantially increased in a "blind" investment offering such as this (i.e., specific deals have not been targeted), because the Fund will be totally reliant upon the Adviser to locate, evaluate and negotiate for the funding of loans. There can be no assurance that determinations ultimately made by the Adviser will permit the Fund to achieve its business objectives. The number of Portfolio Investments that the Fund makes and diversification of its Portfolio Investments may be dependent on the amount of proceeds raised herein and will be reduced if less than the maximum amount of the offering is raised. The Fund's success will depend on its ability to identify suitable Portfolio Investments and to negotiate and arrange the closing of appropriate transactions. There can be no guarantee that a sufficient number of Portfolio Investments will be available and that the Fund will therefore be able to invest all funds committed by the Fund investors.

*Delay in Return of Capital.* It is uncertain as to when profits, if any, will be realized by the Fund. Losses on unsuccessful Portfolio Investments may be realized before gains on successful Portfolio Investments are realized. Even if any of the Fund's Portfolio Investments prove successful, they are unlikely to produce a realized return to Fund investors for a period of several years. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of a Portfolio Investment by the Fund. While a Portfolio Investment may be sold at any time by the Fund, it is not generally expected this will occur for a number of years after the initial investment. Furthermore, the expenses of operating the Fund (including the Management Fees payable to the Adviser) may exceed its income, thereby requiring that the difference be paid from the Fund's capital or drawdowns from investors.

*Failure to Achieve Adequate Financing.* Although the Fund may obtain a line of credit to provide bridge financing for amounts that the Fund has called or expects to call as capital contributions, there can be no assurances that such financing will be available to the Fund or, if available, on terms acceptable to the Fund. Although the General Partner believes that such financing is not necessary in order for the Fund to achieve its investing objectives, the unavailability of such financing on terms acceptable to the Fund could deprive the Fund of a means to fund its lending obligations and to mitigate the risks associated with the failure of a Fund investor to timely make its capital contributions.

*Restricted Securities.* The Interests being sold in the offering are restricted securities under the Securities Act, for which no public or private market presently exists or is ever intended to exist. Transfers of the Interests are subject to restrictions of U.S. federal and state securities laws and to the restrictions set forth in the Fund partnership agreement. As a result of such restrictions on transfer, it may be difficult or impossible to transfer the Interests to any transferees. Accordingly, an investment in the Interests should be made only if you can assume the risks of an illiquid investment.

*Long-Term Investment; No Right to Withdraw; Illiquidity.* A Fund investor's participation in the Fund requires a long-term commitment, with no certainty of return. Because Fund investors cannot withdraw capital from the Fund and the fact that Interests are not tradable, an investment in the Fund is an illiquid investment and involves a high degree of risk. In addition, Fund investors should be aware that although the term of the Fund is expected to be five (5) years from the date of the Initial Closing Date, the General Partner, in its discretion, may extend the term without the consent of any Fund investor for up to two (2) additional one-year periods. Fund investors may be required to make capital contributions for the duration of the term of the Fund but not in excess of their Capital Commitments. An investment in the Fund therefore should be considered only by persons financially able to maintain their investment (including with respect to maintaining sufficient capital to meet future draw-downs of capital) in the Fund for a substantial period of time.

*Management Fee.* The Fund will pay the Management Fee to the Adviser regardless of the performance of the Portfolio Investments. The Adviser's entitlement to non-performance-based compensation might reduce its incentive to devote the time and effort of its professionals to seeking profitable opportunities for the Fund's investments.

*Fund Expenses; Potential Conflicts in Calculation of Certain Fund Costs and Expenses.* The Fund Expenses may be a higher percentage of net assets than would be found in other investment entities. The Fund's partnership provides that the Fund will be responsible for all costs and expenses in connection with its operation, other than the costs and expenses that will be the responsibility of the General Partner or the Adviser. A potential conflict of interest exists in the Adviser's determination whether certain costs or expenses that are incurred in connection with the operation of the Fund meet the definition of Fund Expenses for which the Fund is responsible, or whether such expenses should be borne by the General Partner or the Adviser. The Fund will be reliant on the determinations of the Adviser in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as between the Fund and the other funds managed by the Adviser and/or affiliates of the Adviser.

*Conflicts Related to the Adviser Valuing Securities.* With certain limited exceptions, valuations of current income and disposition proceeds with respect to financings and Portfolio Investments by the Fund will be determined by the Adviser and will be final and conclusive with respect to all Fund investors. Portfolio Investments are valued at the end of each fiscal quarter. Substantially all of the Portfolio Investments are expected to be in loans that do not have readily ascertainable market prices. Assets that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by the Adviser. In connection with that determination, the Adviser will prepare Portfolio Company valuations using sources and/or proprietary models depending on the availability of information on the Fund's assets and the type of asset being valued, all in accordance with the Fund's valuation policy. Because fair valuations, and particularly fair valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based to a large extent on estimates, comparisons and qualitative evaluations of private information, the Fund's determinations of fair value may differ materially from the values that would have been determined if a ready market for these securities existed. This could make it more difficult for Fund investors to value accurately the Fund's Portfolio Investments and could lead to undervaluation or overvaluation of the Fund's Interests. In addition, the valuation of these types of securities may result in substantial write-downs and earnings volatility.

*Use of Alternative Investment Vehicles.* To the extent necessary to address tax or regulatory considerations, the General Partner has the authority to structure, and to cause Fund investors

to participate in, particular Portfolio Investments through Alternative Investment Vehicles. While the economic and other substantive provisions governing any Alternative Investment Vehicles are intended to be materially the same as those of the Fund in light of the tax, regulatory or similar objectives sought to be achieved, the rights of the Fund investors in, and the obligations and duties of the General Partner as manager of, the Alternative Investment Vehicle may differ from those applicable to the Fund by virtue of the specific terms, or jurisdiction of establishment, of the Alternative Investment Vehicle. In addition, the structural attributes of certain Alternative Investment Vehicles may result in divergent return characteristics for certain Fund investors.

*Possession of Material Non-Public Information, Limiting the Adviser's Discretion.* The investment team of the Adviser, including members of the Investment Committee, may serve as directors of, or in a similar capacity with, portfolio companies in which the Fund invests, the securities of which are purchased or sold on the Fund's behalf. In the event that material nonpublic information is obtained with respect to such companies, or the Fund become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, the Fund could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on the Fund.

*Cybersecurity Risk.* With the increased use of technologies such as the Internet to conduct business, the Fund is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Fund's, the General Partner's or the Adviser's service providers have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Fund's ability to value its Portfolio Investments, impediments to trading, the inability of Fund investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting counterparties with which the Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for Fund Investors) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While the Fund's service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Fund cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect the Fund or its investors. The Fund and its investors could be negatively impacted as a result.

*Nature of Investments.* There can be no assurance that the Adviser will correctly evaluate the nature or magnitude of the various factors that could affect the value of and return on the Fund's Portfolio Investments. Prices of Portfolio Investments may be volatile. A variety of factors that are inherently difficult to predict, such as domestic or international economic and political

developments, may detrimentally impact the Fund's Portfolio Investments. These factors and others may significantly affect the results of the Fund's activities and the value of its Portfolio Investments.

*Economic Recessions or Downturns.* In the event of an economic slowdown or recession the portfolio companies in which the Fund makes loans, may be unable to repay the Fund's loans during such periods. In such event, the number of our non-performing assets is likely to increase and the value of the Fund's portfolio is likely to decrease during such periods. Adverse economic conditions may decrease the value of collateral securing some of the Fund's loans and debt securities and the value of the Fund's Portfolio Investments. Economic slowdowns or recessions could lead to financial losses in the Fund's portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase the Fund's funding costs, limit the Fund's access to the capital markets or result in a decision by lenders not to extend credit to the Fund. These events could prevent the Fund from increasing their investments and harm the Fund's operating results. A Portfolio Company's failure to satisfy financial or operating covenants imposed by the Fund or other lenders could lead to defaults and, potentially, termination of the Portfolio Company's loans and foreclosure on its assets, which could trigger cross-defaults under other agreements and jeopardize the Portfolio Company's ability to meet its obligations under the loans and debt securities that the Fund hold. The Fund will incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting Portfolio Company.

*Senior Secured Loans.* The Adviser intends to invest a portion of the Fund's capital in senior secured loans. There is a risk that the collateral securing the Fund's loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of a Portfolio Company to raise additional capital. In some circumstances, the Fund's lien could be subordinated to claims of other creditors. In addition, deterioration in a Portfolio Company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that the Fund will receive principal and interest payments according to a loan's terms, or at all, or that the Fund will be able to collect on the loan should they be forced to enforce its remedies.

*Second Lien and Subordinated Loans.* The Adviser intends to invest a portion of the Fund's capital in second lien and subordinated loans issued by the Fund's Portfolio Companies. The Portfolio Companies usually have, or may be permitted to incur, other debt that ranks equally with, or senior to, the loans in which the Fund invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which the Fund are entitled to receive payments in respect of the loans in which the Fund invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a Portfolio Company, holders of debt instruments ranking senior to the Fund's investments in a Portfolio Company would typically be entitled to receive payment in full before the Fund receive any distribution in respect of their Portfolio Investments. After repaying senior creditors, a Portfolio Company may not have any remaining assets to use for repaying its obligation to a Fund. In the case of debt ranking equally with loans in which the Fund invest, the Fund would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant Portfolio Company. Additionally, certain loans that the Fund may make to portfolio companies may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on

the collateral will secure the Portfolio Company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the Portfolio Company under the agreements governing the loans. The holders of obligations secured by first priority liens on the collateral will generally control the liquidation of, and be entitled to receive proceeds from, any realization of the collateral to repay their obligations in full before the Fund. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds were not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then the Fund, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the Portfolio Company's remaining assets, if any. The rights the Fund may have with respect to the collateral securing the loans the Fund make to their portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that the Fund may enter into with the holders of such senior debt. Under a typical intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: (i) the ability to cause the commencement of enforcement proceedings against the collateral; (ii) the ability to control the conduct of such proceedings; (iii) the approval of amendments to collateral documents; (iv) releases of liens on the collateral; and (v) waivers of past defaults under collateral documents. The Fund may not have the ability to control or direct such actions, even if the Fund's rights are adversely affected.

*Syndicated Investments.* A Fund may originate certain Portfolio Investments and later syndicate a portion of one or more Portfolio Investments to other Clients, if any. Thus, said Fund's success will depend in part on the ability of the Adviser and the Fund to originate loans on advantageous terms. In originating and purchasing loans, the Fund compete with a broad spectrum of lenders, some of which may have greater financial resources than the Fund. Increased competition for, or a diminishment in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to the Fund's investors. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies, particularly companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing these loans or the prospects for successful repayment or a successful reorganization or similar action.

*Sub-investment Grade and Unrated Debt Obligations.* The Fund may invest in sub-investment grade debt obligations. Investments in the sub-investment grade categories are subject to greater risk of loss of principal and interest than higher-rated securities and may be considered to be predominantly speculative with respect to the obligor's capacity to pay interest and repay principal. They may also be considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with non-investment grade securities, the yields and prices of such securities may fluctuate more than those for higher-rated securities. The market for non-investment grade securities may be smaller and less active than that for higher-rated securities, which may adversely affect the prices at which these securities can be sold and result in losses to the Fund, which, in turn, could have a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, results of operations and the value of the Fund investors' Interests.



*Bank Loans and Participations.* The Fund may invest a portion of its assets in bank loans and participations. The special risks associated with these obligations include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) so-called lender-liability claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations and (iv) limitations on the ability of the Fund to directly enforce its rights with respect to participations. The Adviser will balance the magnitude of these risks against the potential investment gain prior to entering into each such investment. Successful claims by third parties arising from these and other risks, absent bad faith, will be borne by the Fund.

*Collateral Risk.* The collateral and security arrangements in relation to such secured obligations as the Fund may invest in will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements which may restrict the giving of collateral or security by an obligor, such as, for example, thin capitalization, over-indebtedness, financial assistance and corporate benefit requirements. If the Fund's Portfolio Investments do not benefit from the expected collateral or security arrangements, this may adversely affect the value of or, in the event of default, the recovery of principal or interest from such Portfolio Investment. Accordingly, any such failure to properly create or perfect collateral and security interests attaching to the Fund's Portfolio Investments could have a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, results of operations and the value of the Fund investors' Interests.

A component of the Adviser's analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investment in the event of the insolvency of the obligor. This residual or recovery value will be driven primarily by the value of the anticipated future cash flows of the obligor's business and by the value of any underlying assets constituting the collateral for such investment. The anticipated future cash flows of the obligor's business and the value of collateral can, however, be extremely difficult to predict as in certain circumstances market quotations and third-party pricing information may not be available. If the recovery value of the collateral associated with the Fund's Portfolio Investments decreases or is materially worse than expected by the Fund, such a decrease or deficiency may affect the value of the Fund's Portfolio Investments. Accordingly, there may be a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, results of operations and the value of the Fund investors' Interests.

*Fraudulent Conveyance and Legislative Risks.* Various laws enacted for the protection of creditors may apply to certain of the Fund's Portfolio Investments that are debt obligations, although the existence and applicability of such laws will vary between jurisdictions. For example, if a court were to find that an obligor did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by a Portfolio Investment and the grant of any security interest securing such Portfolio Investment, and, after giving effect to such indebtedness, the obligor: (i) was insolvent; (ii) was engaged in a business for which the assets remaining in such obligor constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court may: (a) invalidate such indebtedness and such security interest as a fraudulent conveyance; (b) subordinate such indebtedness to existing or future creditors of the obligor; or (c) recover amounts previously paid by the obligor (including to the Fund) in satisfaction of such indebtedness or proceeds of such security interest previously applied in satisfaction of such indebtedness. In addition, if an obligor in whose debt the Fund have an investment become insolvent, any payment made on such Portfolio Investment may be subject to avoidance,

cancellation and/or clawback as a preference if made within a certain period of time (which for example under some current laws may be as long as two years) before insolvency. In general, if payments on a Portfolio Investment are voidable, whether as fraudulent conveyances, extortionate transactions or preferences, such payments may be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from the Fund, there may be a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, results of operations and the value of the Fund investors' Interests.

*Financial Fraud.* Instances of fraud and other deceptive practices committed by senior management of certain Portfolio Companies in which the Fund invests may undermine the Adviser's due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of the Fund's Portfolio Investments. In addition, when discovered, financial fraud may contribute to overall market volatility which can negatively impact the Fund's investment program.

*Risks Associated with Bankruptcy Cases.* As part of the Fund's lending activities, the Fund may originate loans to portfolio companies that are experiencing significant financial or business difficulties, including portfolio companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financing may result in significant financial returns to the Fund, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Fund will correctly evaluate the value of the assets collateralizing the Fund's loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Fund invests, the Fund may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the loan advanced by the Fund to the borrower. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the Interests of the Fund. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operation of a debtor. In those cases where the Fund, by virtue of such action, is found to exercise "domination and control" of a debtor, the Fund may lose its priority if the debtor can demonstrate that its business was adversely impacted or other creditors and equity holders were harmed by the Fund.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by the creditors and confirmation by a bankruptcy court. This process can involve substantial legal, professional and administrative costs to the debtor company and the Fund; it is subject to unpredictable and lengthy delays; and during the process the Fund's competitive position may erode, key management may depart and the debtor company may not be able to invest adequately. In some cases, the debtor company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value. Such investments can result in a total loss of principal. U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in reorganization for purposes of voting on a plan of reorganization. Because the standard for classification is vague,

there exists a significant risk that the Fund's influence with respect to a class of securities can be lost by the inflation of the number and amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

The Fund may serve on creditors' committees or other groups to ensure preservation or enhancement of the Fund position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Fund concludes that the obligations it owes to other parties as a committee or group member conflict with the duties it owes to the Fund, it will resign from that committee or group, and the Fund will not realize the benefits, if any, of participating on the committee or group. In addition, if the Fund is represented on a committee or group, it may be restricted or prohibited under applicable law from, disposing of or increasing its Portfolio Investments in such debtor company while it continues to be represented on such committee or group. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. For example, the Fund could become subject to a lender's liability claim, if, among other things, the Fund actually renders significant managerial assistance.

*Contingent Liabilities.* Substantially all of the Fund's Portfolio Investments will involve loans and private securities. In connection with the disposition of such a Portfolio Investment, the Fund may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of a business. The Fund may also be required to indemnify the purchasers of such Portfolio Investments to the extent that any such representations turn out to be inaccurate or with respect to potential liabilities. These arrangements may result in contingent liabilities that ultimately result in funding obligations that the Fund must satisfy through the return of distributions previously made to the Fund.

*Credit Risk.* Performance and Fund investor yield on the Interests may be affected by the default or perceived credit impairment of Fund's Portfolio Investments and by general or sector specific credit spread widening. Credit risks associated with the Fund's Portfolio Investments include (among others): (i) the possibility that earnings of the obligor may be insufficient to meet its debt service obligations; (ii) the obligor's assets declining in value; and (iii) the declining creditworthiness, default and potential for insolvency of the obligor during periods of rising interest rates and economic downturn. An economic downturn and/or rising interest rates could severely disrupt the market for the investments and adversely affect the value of the Fund's Portfolio Investments and the ability of the obligors thereof to repay principal and interest. In turn, this could have a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, results of operations and the value of the Interests. In the event of a default by a borrower, the Fund will bear a risk of loss of principal and accrued interest on that Portfolio Investment. Any such Portfolio Investment may become defaulted for a variety of reasons, including non-payment of principal or interest, as well as breaches of contractual covenants. A defaulted Portfolio Investment may become subject to workout negotiations or may be restructured by, for example, reducing the interest rate, a write-down of the principal, and/or changes to its terms and conditions. Any such process may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on the defaulted Portfolio Investments. In addition, significant costs might be imposed on the lender, further affecting the value of the Portfolio Investment. The liquidity in such defaulted Portfolio Investment may also be limited and, where a defaulted Portfolio Investment is sold, it is unlikely that the proceeds from such

sale will be equal to the amount of unpaid principal and interest owed on that Portfolio Investment. This would have a material adverse effect on the value of the Fund's portfolio, and, by extension, the Fund's business, financial condition, results of operations and the value of the Interests. In the case of secured loans, restructuring can be an expensive and lengthy process which could have a material negative effect on the Fund's anticipated return on the restructured loan. By way of example, it would not be unusual for any costs of enforcement to be paid out in full before the repayment of interest and principal. This would substantially reduce the Fund's anticipated return on the restructured loan.

*Spread-Widening Risk.* For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the debt instruments and other securities in which the Fund invests may decline substantially. In particular, purchasing debt instruments or other assets at what may appear to be "undervalued" or "discounted" levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk. Additionally, the perceived discount in pricing from previous environments described herein may still not reflect the true value of the assets underlying debt instruments in which the Fund invests.

*Risks Related to Changes in Interest Rates.* Because the Fund intends to borrow money to make Portfolio Investments, the Fund's net investment income will depend, in part, upon the difference between the rate at which the Fund borrows funds and the rate at which the Fund invest those funds. As a result, the Fund can offer no assurance that a significant change in market interest rates would not have a material adverse effect on its net investment income in the event the Fund uses debt to finance its Portfolio Investments. In periods of rising interest rates, the Fund's cost of funds would increase, which could reduce its net investment income. The Fund may use interest rate risk management techniques in an effort to limit its exposure to interest rate fluctuations. In addition, a rise in the general level of interest rates typically leads to higher interest rates applicable to the Fund's debt investments.

General interest rate fluctuations and changes in credit spreads on floating rate loans may have a substantial negative impact on the Fund's Portfolio Investments and investment opportunities and, accordingly, may have a material adverse effect on its rate of return on invested capital. In addition, an increase in interest rates would make it more expensive to use debt to finance the Fund's Portfolio Investments. Decreases in credit spreads on debt that pays a floating rate of return would have an impact on the income generation of the Fund's floating rate assets. Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed rate securities that have longer maturities. Although the Fund has no policy governing the maturities of its Portfolio Investments, under current market conditions the Adviser expects that it will invest in a portfolio of debt generally having maturities of up to five years. This means that the Fund would be subject to greater risk (other things being equal) than an entity investing solely in shorter-term securities.

*Interest Rate Risk.* Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors).

Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

*Prepayment Risks.* The terms of loans in which the Fund invests may permit the borrowers to voluntarily prepay loans at any time, either with no or a nominal prepayment premium. This prepayment right could result in the borrower repaying the principal on an obligation held by the Fund earlier than expected. This may happen when there is a decline in interest rates, when the borrower's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost debt. The yield of the Fund's Portfolio Investments may be affected by the rate of prepayments differing from the Adviser's expectations. Assuming an improvement in the credit market conditions, early repayments of the debt held by the Fund could increase. To the extent early prepayments increase, they may have a material adverse effect on the Fund's investment objectives and profits. In addition, if the Fund is unable to reinvest the proceeds of such prepayments received in Portfolio Investments expected to be as profitable, the proceeds generated by the Fund will decline as compared to the Adviser's expectations.

*Credit Markets Risk.* Conditions in the credit markets may have a significant impact on the business of the Fund. The credit markets in the United States have experienced a variety of difficulties and changed economic conditions in recent years that have adversely affected the performance and market value of many securities and financial instruments. There can be no assurance that the Fund will not suffer material adverse effects from broad and rapid changes in market conditions in the future. Among other things, the level of investment opportunities may decline from the Adviser's current expectations. As a result, fewer investment opportunities may be available to the Fund, although if credit markets remain constrained, the Fund may have the opportunity to take larger positions in potential transactions. One possible consequence is that the Fund may take a larger than anticipated period to invest capital, as a result of which, at least for some period of time, the Fund may be relatively concentrated in a limited number of investments. Consequently, during this period, the returns realized by the Fund investors may be substantially adversely affected by the unfavorable performance of a small number of these investments.

Furthermore, market conditions may unfavorably impact the Fund's ability to secure leverage on terms as favorable as more established borrowers in the market, or to obtain any leverage on commercially feasible terms. To the extent the Fund is able to secure financing for investments, increases in interest rates or in the risk spread demanded by financing sources would make the partial financing of investments with indebtedness more expensive and could limit the Fund's ability to structure and consummate its investments. Although the Adviser believes that the continued unfolding of the credit cycle will result in attractive investment opportunities, it may not be able to time its investments correctly, which could result in further depreciation in values. Furthermore, market conditions could deteriorate further and the Fund may be limited in its ability to realize investments already made by the Fund due to difficulties in buyers' ability to obtain financing on favorable terms, or to secure financing at all.

*Equity Investments.* When the Fund invests in loans and debt securities, the Fund may acquire warrants or other equity securities of portfolio companies as well. The Fund may also invest in equity securities directly. To the extent the Fund holds equity investments, the Fund will attempt to dispose of them and realize gains upon the disposition of such equity investments. However, the equity interests the Fund receives may not appreciate in value and, may decline in value. As a result, the Fund may not be able to realize gains from its equity interests, and

any gains that the Fund does realize on the disposition of any equity interests may not be sufficient to offset any other losses the Fund experience.

*Investments in Leveraged Companies.* Investment in leveraged companies involves a number of significant risks. Leveraged companies in which the Fund invests may have limited financial resources and may be unable to meet their obligations under their loans and debt securities that the Fund holds. Such developments may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Fund realizing any guarantees that the Fund may have obtained in connection with its Portfolio Investment. Smaller leveraged companies also may have less predictable operating results and may require substantial additional capital to support their operations, finance their expansion or maintain their competitive position. Leveraged companies may also experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. A bankruptcy filing by a Portfolio Company may adversely and permanently affect that company. If the proceeding is converted to a liquidation, the value of the Portfolio Company may not equal the liquidation value that the Adviser believed to exist at the time of the Fund's investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor's return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, the Fund's influence with respect to the class of securities or other obligations the Fund owns may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial. A Portfolio Company's failure to satisfy financial or operating covenants imposed by the Fund or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger cross-defaults under other agreements and jeopardize such Portfolio Company's ability to meet its obligations under the loans or debt or equity securities that the Fund holds. The Fund will incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting Portfolio Company.

*Investments in Middle-Market Companies.* Investment in private and middle-market companies involves a number of significant risks. While middle-market companies may have potential for rapid growth, they often involve higher risks than larger companies. Middle-market companies have more limited financial resources than larger companies and may be unable to meet their obligations under their debt obligations that the Fund holds, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Fund realizing any guarantees it may have obtained in connection with its Portfolio Investment. Middle-market companies also typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Generally, little public information exists about these companies, and the Fund will rely on the ability of the Adviser's investment professionals to obtain adequate information to evaluate the potential returns and risks from investing in these companies. If the Adviser is unable to uncover all material information about these companies, the Adviser may not make a fully informed investment decision, and the Fund may lose money on its

Portfolio Investments. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on one or more of the portfolio companies that the Fund invests in and, in turn, on the Fund. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence.

*Investments in Companies in Regulated Industries.* Certain industries, such as the healthcare, insurance and financial services industries, are heavily regulated. The Fund may make investments in portfolio companies operating in industries that are subject to greater amounts of regulation than other industries generally. Investments in portfolio companies that are subject to greater amounts of governmental regulation pose additional risks relative to investments in other companies generally. Changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in increased compliance costs or the need for additional capital expenditures. If a Portfolio Company fails to comply with these requirements, it could also be subject to civil or criminal liability and the imposition of fines. A Portfolio Company also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such Portfolio Company. Governments have considerable discretion in implementing regulations that could impact a Portfolio Company's business and governments may be influenced by political considerations and may make decisions that adversely affect a Portfolio Company's business. Additionally, certain portfolio companies may have a unionized workforce or employees who are covered by a collective bargaining agreement, which could subject any such Portfolio Company's activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a Portfolio Company's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any such Portfolio Company's collective bargaining agreements, it may be unable to negotiate new collective bargaining agreements on terms favorable to it, and its business operations at one or more of its facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating its collective bargaining agreements. A work stoppage at one or more of any such Portfolio Company's facilities could have a material adverse effect on its business, results of operations and financial condition. Any such problems additionally may bring scrutiny and attention to the Fund itself, which could adversely affect the Fund's ability to implement its investment objectives.

*Investment Modification Risk.* The terms and conditions of loan agreements and related assignments may be amended, modified or waived only by the agreement of the lenders. Generally, any such agreement must include a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligation arising from a Fund investment could be modified, amended or waived in a manner contrary to the preferences of the Fund if a sufficient number of the other lenders concurred with such modification, amendment or waiver. There can be no assurance that any obligations arising from a Fund Portfolio Investment will maintain the terms and conditions to which the Fund originally agreed. The exercise of remedies may also be subject to the vote of a specified percentage of the lenders thereunder. The Fund may consent to certain amendments, waivers or modifications to a Fund Portfolio Investment requested by obligors or the lead agents for loan syndication agreements. The Fund may extend or defer the maturity, adjust the outstanding balance of any investment, reduce or forgive interest or fees, release material collateral or guarantees, or otherwise amend, modify or waive the terms of any related loan agreement,

including the payment terms thereunder. Any amendment, waiver or modification of a Fund Portfolio Investment could adversely impact the Fund's returns.

*PIK Interest.* To the extent that the Fund invest in loans with a PIK interest component and the accretion of PIK interest constitutes a portion of the Fund's income, the Fund will be exposed to risks associated with the requirement to include such non-cash income in taxable and accounting income prior to receipt of cash, including the following: (i) loans with a PIK interest component may have higher interest rates that reflect the payment deferral and increased credit risk associated with these instruments, and PIK instruments generally represent a significantly higher credit risk than coupon loans; (ii) loans with a PIK interest component may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral; (iii) the deferral of PIK interest increases the loan-to-value ratio, which is a fundamental measure of loan risk; and; (iv) even if the accounting conditions for PIK interest accrual are met, the borrower could still default when the borrower's actual payment is due at the maturity of the loan.

*Hedging Transactions.* The Adviser anticipates that the Fund may engage in hedging transactions. The Adviser may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of the Fund's portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of the Fund's portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that the Fund is not able to enter into a hedging transaction at an acceptable price. The success of the Fund's hedging transactions will depend on the Adviser's ability to correctly predict movements in currencies and interest rates. Therefore, while the Fund may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if the Fund had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, the Adviser may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent the Fund from achieving the intended hedge and expose the Fund to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

*Lender Liability Considerations and Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the Fund's Portfolio Investments, the Fund could be subject to allegations



of lender liability. In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination”. Because of the nature of certain of the Fund’s investments, the Fund could be subject to claims from creditors of a borrower that the Fund’s Portfolio Investments issued by such borrower that are held by the Fund should be equitably subordinated. A significant number of the Fund’s Portfolio Investments will involve investments in which the Fund would not be the lead creditor. It, is, accordingly, possible that lender liability or equitable subordination claims affecting the Fund’s Portfolio Investments could arise without the direct involvement of the Fund.

*Illiquidity of Fund Portfolio Investments.* The market value of the Fund’s Portfolio Investments will fluctuate with, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of the Fund’s Portfolio Investments. In addition, the lack of an established, liquid secondary market for some Portfolio Investments may have an adverse effect on the market value of those Portfolio Investments and on the Adviser’s ability to dispose of them. Additionally, the Fund’s Portfolio Investments will be subject to certain other transfer restrictions that may contribute to illiquidity. Therefore, no assurance can be given that, if the Adviser decides to dispose of a particular Portfolio Investment, it will be able to dispose of such Portfolio Investment at the prevailing market price.

*Portfolios of Investments.* The Fund may seek to purchase entire portfolios or substantial portions of portfolios from market participants in need of liquidity. The Fund may be required to bid on such portfolios in a very short time frame and may not be able to perform normal due diligence on the portfolio. Such a portfolio may contain instruments or complex arrangements of multiple instruments that are difficult to understand or evaluate. In addition, the Fund may be obligated to acquire investments in such portfolios that it would not otherwise have determined to acquire if it were acquiring such investments individually. Such a portfolio may suffer further deterioration after purchase by the Fund before it is possible to ameliorate risks associated with the portfolio. As a consequence, there is substantial risk that the Adviser will not be able to adequately evaluate particular risks or that market movements or other adverse developments will cause the Fund to incur substantial losses on such transactions.

*Potential Lack of Diversification.* The Fund’s Portfolio Investments may be concentrated in a limited number of portfolio companies and industries. The Fund does not have fixed guidelines for diversification, and while the Adviser is not targeting any specific industries, the Fund’s Portfolio Investments may be concentrated in relatively few industries. As a result, the aggregate returns the Fund realizes may be significantly adversely affected if a small number of Portfolio Investments perform poorly or if the Fund needs to write down the value of any one Portfolio Investment. Additionally, a downturn in any particular industry in which the Fund is invested could significantly affect the Fund’s aggregate returns. In addition, if only the minimum amount of Interests offered hereby are sold, the Fund’s Portfolio Investments may be even less diversified, and the types Portfolio Investments available to the Fund may be

more limited than if additional proceeds are obtained. This may have an adverse impact on the ability of the Fund to achieve its investment objectives.

*Failure to Make Follow-On Investments.* Following an initial investment in a Portfolio Company, the Fund may make additional investments in that Portfolio Company as “follow-on” investments, including exercising warrants, options or convertible securities that were acquired in the original or subsequent financing; in seeking to: (i) increase or maintain in whole or in part the Fund’s position as a creditor or the Fund’s equity ownership percentage in a Portfolio Company; or (ii) preserve or enhance the value of the Fund’s Portfolio Investment. The Fund has discretion to make follow-on investments, subject to the availability of capital resources. Failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a Portfolio Company and the Fund’s initial Portfolio Investment, or may result in a missed opportunity for the Fund to increase its participation in a successful operation. Even if the Fund has sufficient capital to make a desired follow-on investment, the Adviser may elect not to make a follow-on investment because the Adviser may not want to increase the Fund’s level of risk or because the Adviser prefers other opportunities for the Fund.

*Non-Controlling Interests.* The Fund does not anticipate holding controlling equity positions in any of its portfolio companies. As a result, the Fund will be subject to the risk that a Portfolio Company may make business decisions with which the Adviser disagrees, and that the management and/or stockholders of a Portfolio Company may take risks or otherwise act in ways that are adverse to the Fund’s Interests. Due to the lack of liquidity of the debt and equity investments that the Fund expects to hold in its Portfolio Companies, the Fund may not be able to dispose of its Portfolio Investments in the event the Adviser disagrees with the actions of a Portfolio Company and the Fund may therefore suffer a decrease in the value of its Portfolio Investments.

*Force Majeure.* The Fund’s Portfolio Investments may be affected by force majeure events (*i.e.*, events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, war, terrorism and labor strikes). Some force majeure events may adversely affect the ability of a party (including a Portfolio Company or a counterparty to the Fund or a Portfolio Company) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a Portfolio Company of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more companies or its assets, could result in a loss to the Fund, including if its investment in such Portfolio Company is cancelled, unwound or acquired (which could be without what the Fund considers to be adequate compensation). To the extent the Fund is exposed to investments in Portfolio Companies that as a group are exposed to such force majeure events, the risks and potential losses to the Fund are enhanced.

*Cash and Other Investments.* Pending investment of capital in Portfolio Investments, the Fund will invest in cash, short term money market instruments or other similar investments. The Fund may also hold interests in investment vehicles that hold cash or cash items. While investments in cash items generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses. Investments in cash items may also provide less liquidity than anticipated by the Fund at the time of investment.

*Default Under a Credit Facility.* In the event the Fund defaults under a credit facility, the Fund’s business could be adversely affected as the Fund may be forced to sell a portion of its

Portfolio Investments quickly and prematurely at prices that may be disadvantageous to the Fund in order to meet its outstanding payment obligations and/or support working capital requirements under the credit facility or such future borrowing facility, any of which would have a material adverse effect on the Fund's business, financial condition, results of operations and cash flows. In addition, following any such default, the agent for the lenders under a credit facility could assume control of the disposition of any or all of the Fund's assets, including the selection of such assets to be disposed and the timing of such disposition, which would have a material adverse effect on the Fund's business, financial condition, results of operations and cash flows.

*Drawdowns and Use of Subscription Lines.* The General Partner may, and intends to, fund the making of Portfolio Investments with proceeds from drawdowns under one or more revolving credit facilities (the collateral for which can be, for example, the undrawn capital commitments of investors, i.e., subscription lines) prior to calling Capital Commitments. For administrative convenience, capital calls, including those used to pay interest on subscription lines, are generally expected to be "batched" together into larger, less frequent capital calls or closings (generally on a quarterly basis, although actual timing and amounts may vary), with the Fund's interim capital needs being satisfied by the Fund borrowing money from such credit facilities. There is no limitation on the amount of time any such borrowing may remain outstanding and the interest expense and other costs of any such borrowings will be Fund Expenses and, accordingly, decrease net returns of the Fund. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return (although may also exceed it), which will begin accruing when capital contributions to fund such Portfolio Investments, or repay borrowings used to fund such Portfolio Investments, are actually made to the Fund. The General Partner may, permanently fund the acquisition and ongoing capital needs of Portfolio Investments and the Fund with the proceeds of such borrowings in lieu of drawing down Capital Commitments on a just-in-time basis. Accordingly, Capital Contributions to repay such borrowings may be required only at the time of disposition (or never if principal and interest on such borrowings are repaid out of Portfolio Investment proceeds). As a general matter, use of leverage in lieu of drawing down Capital Commitments amplifies returns (either negative or positive) to Fund investors. To the extent that the Fund is unable to obtain a subscription line, determines that the terms of such facility would not be appropriate for the Fund or otherwise determines not to use such facility or access to such facility otherwise becomes unavailable, the General Partner may determine to draw down Capital Commitments in advance and hold them in reserve in order to make Portfolio Investments, satisfy fees and expenses and other capital needs as such needs arise in the future.

*Investments Longer than Term.* The Fund may make Portfolio Investments which may not be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of the Fund term or otherwise. Although the General Partner expects that the Fund's Portfolio Investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the General Partner has a limited ability to extend the term of the Fund, the Fund may have to sell, distribute or otherwise dispose of Portfolio Investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of the Fund, the General Partner (or the relevant liquidator) will be required to use its best efforts to reduce to cash and cash equivalents such assets of the Fund as the General Partner or such liquidator shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the Fund investors will occur.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT. PROSPECTIVE CLIENTS AND CLIENT INVESTORS SHOULD READ APPLICABLE GOVERNING DOCUMENTS, INCLUDING DETAILED RISK DISCLOSURES CONTAINED IN A FUND'S CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM, CAREFULLY AND CONSULT WITH THEIR OWN ADVISORS BEFORE DECIDING TO INVEST.

C. See Item 8.B. above.

**Item 9 - Disciplinary Information**

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

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

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

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. The Adviser is an affiliate of the General Partner as well as Pathlight Capital LLC, a commercial finance company dedicated to providing creative financing solutions to fund growth, acquisitions, debt refinancings, or restructurings. Other than with respect to the General Partner and Pathlight Capital LLC (which is also a “private fund” Client of the Adviser), the Adviser has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to its Clients.
- D. Though it may have the authority to do so under the terms of a Client’s governing documents, the Adviser does not recommend or select other investment advisers for its Clients.

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

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

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

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

- B. The Adviser and its related persons, in their capacities as principals or affiliates of the General Partner of each Fund, may have indirect beneficial interests in the Portfolio Investments owned by clients and will share in any profits and losses generated by such investments.
- C. In connection with establishing a Fund, the Adviser and certain affiliates may have an economic interest in the Fund, the General Partner, or both. Any parallel vehicle established for Fund investors will invest alongside the Fund on substantially the same terms and conditions as and substantially at the same time as the investments in such investment by the applicable Fund, and any such investment shall be disposed of on substantially the same terms and conditions of and at substantially the same time as the relevant divestments by the Fund.

Additionally, as will be detailed in each Fund’s governing documents, the Adviser and certain of its affiliates may co-invest alongside the Fund in a portfolio investment.

- D. See Item 11.C. above.

IT IS CRITICAL THAT FUND INVESTORS REVIEW THE FUND’S OFFERING AND GOVERNING DOCUMENTS FOR A DETAILED DESCRIPTION OF POTENTIAL CONFLICTS OF INTEREST RELATED TO AN INVESTMENT IN A FUND. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY, DRAFTED IN ACCORDANCE WITH THE GENERAL INSTRUCTIONS FOR PART 2 OF FORM ADV, AND INVESTORS AND PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY REVIEW ALL CONFLICTS OF INTEREST SET FORTH IN THE RELEVANT OFFERING AND GOVERNING DOCUMENTS.

**Item 12 - Brokerage Practices**

The Adviser does not routinely select or recommend broker-dealers for the purchase and sales of securities but has the authority to do so. Furthermore, the Adviser does not maintain any trading accounts and does not use “soft” dollars received from broker-dealers from the purchase and sales of securities for its Clients.



**Item 13 - Review of Accounts**

- A. The Adviser maintains comprehensive review procedures for the ongoing monitoring of the Portfolio Investments of its Clients. In connection therewith, the Adviser conducts periodic reviews of all Portfolio Investments held in each Client portfolio. All Adviser investment and operational staff participates in the ongoing monitoring of Client portfolios, although responsibilities vary by individual.
- B. See Item 13.A. above.
- C. The Adviser will provide Clients and Fund investors, if applicable, with written audited annual financial statements, written periodic reports and other written communications.

**Item 14 - Client Referrals and Other Compensation**

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to its Clients.
- B. The Adviser or an affiliate may enter into an agreement with a third-party placement agent providing for compensation to be paid to the placement agent for referring investors to a Fund. Any such arrangement will be conducted in accordance with applicable laws and regulations, including Rule 206(4)-3 of the Advisers Act.

## **Item 15 - Custody**

The Adviser is deemed to have custody of accounts of any Fund for which it or an affiliate acts as the Fund's general partner, managing member, or equivalent. For Funds, the Adviser will comply with the "Custody Rule" through the provision, on an annual basis, of audited financial statements to Fund Investors in any applicable Funds.

Audits will be performed by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Audited financial statements will be prepared in accordance with U.S. Generally Accepted Accounting Principles.

In addition, the Adviser or an affiliate of the Adviser may act as loan administrative agent (the "Administrative Agent") in certain investments in which one or more Pathlight Clients participate. In such cases, the Administrative Agent uses a non-operating account (the "Admin Account"), for the receipt and disbursement of funds to and from the applicable borrower(s) and lenders. The Admin Account may commingle the assets of clients of the Adviser and those of non-client third parties for whom the Adviser maintains custody. Cash deposits and withdrawals of the proceeds attributable to the applicable loan agreements from the Admin Account may only be made pursuant to the terms and conditions of the applicable loan agreements.

This item, as it related to custodial account statement delivery requirements, is not applicable to the Adviser.

**Item 16 - Investment Discretion**

The Adviser anticipates that it will accept discretionary authority to manage the securities of each Client, subject to the specific objectives, guidelines, and limitations set forth in the applicable offering and governing documents.

## **Item 17 - Voting Client Securities**

- A. The Adviser will have authority to direct the vote of its Clients.

If the Adviser is called upon to vote proxies, it will vote such proxies in accordance with the proxy voting policies and procedures in the Adviser's compliance manual. Pursuant to SEC rule 206(4)-6, the Adviser has established policies and procedures to address voting procedures and any conflicts of interests involved in a proxy vote between the Adviser and Clients. The Adviser's proxy voting procedures are designed to ensure that proxies are voted in a manner that is in the best interest of the Clients. The Adviser will generally vote in favor of matters that follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices. The Adviser addresses conflicts of interest involved in a proxy vote through a three-step process of identifying potential conflicts of interest, determining material conflicts and establishing procedures to address material conflicts. The Adviser may determine not to vote proxies in respect of securities of an issuer if it determines it would be in the Client's overall best interest not to vote. Clients may obtain copies of the Adviser's proxy voting policies by contacting the Chief Compliance Officer.

- B. See Item 17.A above

**Item 18 - Financial Information**

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