

Item 1. Cover Page

BLACKFORD CAPITAL ASSOCIATES II, INC.

Form ADV, Part 2A
(the “*Brochure*”)

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This Brochure provides information about the qualifications and business practices of Blackford Capital Associates II, Inc. (the “Adviser”). If you have any questions about the contents of this brochure, please contact Martin Stein at 616-233-3101 or mstein@blackfordcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

Item 2. Material Changes

There have been no material changes since the Adviser's initial Form ADV filing as a SEC Registered Investment Adviser, which was filed on October 30, 2018. Our current and future investors are encouraged to read this Brochure, as well as all of the governing documents applicable to their current or prospective investment, in their entirety. To receive an additional current copy of this Brochure free of charge, please contact Martin Stein at 616-233-3101 or mstein@blackfordcapital.com.

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Item 4. Advisory Business

Blackford Capital Associates II, Inc., d.b.a, Blackford Capital (the “Adviser” or “Blackford”) is an investment advisory firm with its principal place of business in Grand Rapids, Michigan. Blackford (through predecessor entities) was founded in 2000 by Martin Stein (the “Founder”). Mr. Stein is the sole owner of the Adviser.

The Adviser provides investment advisory services to its advisory clients (each a “Client and collectively, “Clients”) which include pooled investment vehicles for which Blackford serves as the investment adviser. The advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of Clients, managing and monitoring the performance of such investments and disposing of such investments.

Blackford tailors its advisory services to the specified investment mandates of its Clients, consistent with the Client’s governing documents, which may include, among other things, a private placement memorandum, limited liability company agreement, management or investment advisory agreement, and/or subscription agreement (individually and collectively, the “Governing Documents”). Any client or prospective client should closely review the applicable Governing Documents with respect to, among other things, the terms, conditions and risks of investing.

The Adviser invests, either directly or indirectly in, among other things, the equity, debt and assets (including real estate) of private manufacturing companies (“Investments”). The Adviser may also invest in other investment products and assets, including real estate.

As of the date of this Brochure, Blackford managed approximately \$91,071,919 in regulatory assets under management on a discretionary basis, which was last valued on December 31, 2018.

Blackford does not participate in wrap fee programs.

Item 5. Fees and Compensation

Blackford, or one of its affiliates, typically receives compensation for providing investment advisory services from each of its Clients in the form of (1) an annual advisory fee (though no Clients currently pay an advisory fee) of up to 2% per annum based on a percentage of assets managed (“Advisory Fee”) (generally based on capital committed or capital deployed); (2) performance-based compensation of up to 20% of all net income and gains and losses derived from portfolio investments which is typically referred to as carried interest (“Carried Interest”) and (3) Portfolio Company Fees (as defined below). Additionally, consistent with the Governing Documents of a Client, the Client typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Client and the portfolio companies.

The details of how Blackford calculates its Advisory Fee, Carried Interest and Portfolio Company Fees is set forth in each Client’s Governing Documents. Fees for advisory services are negotiable. The Adviser only receives performance-based compensation when distributions occur in

accordance with the relevant Governing Documents for each Client relationship. As a result, the Adviser does not receive performance-based compensation on a regularly-scheduled basis.

If applicable, the Adviser deducts its Advisory Fees directly from Clients' accounts each quarter in advance. Clients who pay Advisory Fees in advance may be refunded a prorated portion of the fee if the advisory relationship is terminated prior to the end of the relevant billing period.

The Adviser performs transaction-related, financial advisor and other services for, and receives fees from, actual or prospective portfolio companies or other investment vehicles of the Clients, including fees in connection with structuring investments in such portfolio companies, as well as mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales or other dispositions and similar transactions with respect to such portfolio companies ("Transaction Fees") pursuant to management services agreements with portfolio companies of the Clients.

The Adviser and its affiliates also receive management consulting fees ("Management Consulting Fees, and together with Transaction Fees, collectively ("Portfolio Company Fees") pursuant to management services agreements with portfolio companies of the Clients governing the advice, consultation and other similar ongoing services provided by the Adviser to such portfolio companies. The terms of a management services agreement may include (among other things) reimbursement of certain fees and expenses, indemnification obligations, automatic renewals and the payment of Management Consulting Fees (which are typically fixed fees that are augmented as a percentage of organic or acquired EBITDA or a similar performance metric). Portfolio Company Fees are in addition to Advisory Fees and Carried Interest. Portfolio Company Fees are often substantial and may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise.

In most cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company. To ensure a market-based approach to fees, the Advisor coordinates with banks, mezzanine lending firms, boards of directors, and management teams. Additionally, investors in each Client have the opportunity to review fees in advance of making a capital commitment to the Client.

A portfolio company will typically reimburse the Adviser for expenses (including without limitation travel expenses, meals and entertainment expenses, indemnification expenses, certain legal and consulting expenses and similar out-of-pocket expenses) incurred by the Adviser in connection with its performance of services for such portfolio company.

In addition, directly or indirectly, Clients may bear any and all fees, costs and expenses attributable to the activities of the Clients or the Adviser incurred for the benefit of the Clients, in accordance with the terms of the investment advisory agreements or other Governing Documents.

Fees costs and expenses attributable to the activities of the Clients or the Adviser and/or its affiliates on behalf of the Clients include, but are not limited to, those related to the evaluation, discovery, investigation, development, acquisition, managing, monitoring, or disposition of

investments (whether or not consummated). These include, but are not limited to, the fees, costs and expenses (including disbursements) related to: loan fees, private placement fees, brokerage and sales fees, commissions, appraisal fees, research fees and dealer spreads; any affiliated or unaffiliated service providers (including fixed fees (such as retainers) and/or performance-based fees), including any agent in respect of any private investment; underlying investment vehicles; interest and clearing and settlement charges, commitment fees, transfer taxes and premiums, and underwriting commissions and discounts; market data; legal, accounting, audit, investment banking, and third party industry and due diligence experts; any finders, senior advisors, originators, consultants and other persons acting in a similar capacity, including fixed fees and/or performance based fees, in each case, whether in the form of cash, options, warrants, stock or otherwise, and including expenses of any of the foregoing persons, including communications, travel, meals, lodging and other similar expenses; oversight servicers and servicers; filings; communications; travel, meals, lodging; organizing, maintaining and operating entities controlled by the Adviser and/or its affiliates that facilitate a Client's investments (including rent, salaries and ancillary costs of such entities, costs and expenses of service providers of such entities, and expenses related to corporate governance of such entities); interest and related expenses and custodial, depositary, trustee, record keeping and other administrative services; operations and reconciliation; hedging and the incurrence of leverage and indebtedness; formation, organization, operation, winding up, dissolution and termination of any direct or indirect subsidiary, special purpose entity, alternative investment vehicle and/or co-investment vehicle; and all other fees, costs and expenses (including amounts payable to affiliates of the Adviser) related to the evaluation, discovery, investigation, development, acquisition, operation, monitoring or disposition of potential or actual investments (whether or not consummated).

Other fees, costs and expense attributable to the activities of the Clients or the Adviser and/or its affiliates on behalf of the Clients include, but are not limited to, any and all fees, costs and expenses relating to: (i) implementing or maintaining third-party or proprietary software tools, programs or other technology for the benefit of the Clients (including, without limitation, any and all costs and expenses of any investment, books and records, portfolio compliance, data management and reporting systems; (ii) attorneys, auditors, accountants, tax professionals and administrators relating to Client matters; (iii) all costs associated with creating, printing and distributing Client financial statements, reports, notices, tax returns and Schedule K-1s (or similar schedules); (iv) taxes and other governmental charges; (v) the maintenance of registered offices, corporate licensing and similar expenses; (vi) insurance services, premiums or expenses, including errors, omissions, fidelity, crime, cybersecurity, general partner liability, directors' and officers' liability and similar coverage; (vii) compliance with any law or regulation (including ongoing compliance, filing, recordkeeping and reporting obligations, related software, and fees, costs and expenses incurred in implementing or maintaining such software) or in connection with any litigation or governmental inquiry, investigation or proceeding, including the amount of any judgments, settlements or fines paid in connection therewith; (viii) distributions to the Clients (or investors therein); (ix) meetings with some or all of the Clients or investors; (x) out-of-pocket expenses incurred by members of any board or advisory committee (including, without limitation, travel, meal, and lodging expenses); (xi) the formation, marketing, maintenance, dissolution, winding up or termination of Client accounts or entities, entities controlled by the Adviser and/or its affiliates (including, without limitation, out-of-pocket legal, accounting, tax, regulatory, filing, capital raising, printing, translation, distribution, travel, lodging and meals); (xii) any amendments,

modifications, revisions or restatements to the investment advisory agreements and/or other Governing Documents, including, without limitation, related entities (including the constituent documents of any direct or indirect subsidiary, special purpose entity, alternative investment vehicle, and/or co-investment vehicle, as applicable); (xiii) the negotiation and preparation of, and compliance with, side letters and most favored nations processes (as applicable); (xiv) valuation (including, without limitation and as applicable, any and all fees, costs and expenses associated with advisors, independent pricing services and third-party valuation consultants); (xv) communications, lodging, travel, phone and meals and other similar costs, fees and expenses (including for the personnel of the Adviser and its affiliates and third parties); (xvi) any postage or shipping costs and expenses related to Client matters; and (xvii) Client indemnification obligations and advisory fee obligations.

Additional information on fees incurred by Clients can be found in each Client's applicable Governing Documents. Neither the Adviser nor any of its Supervised Persons (as defined below) accept compensation in connection with the sale of interests in the Clients.

Any Clients that invest in parallel share joint expenses on a pro rata basis, as applicable (unless tax, regulatory or other reasons dictate otherwise).

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

As discussed in Item 5, the Adviser has entered into performance fee arrangements with each of its Clients. Such fees are set forth in detail in each of its Clients' Governing Documents.

Performance-based compensation may create an incentive for the Adviser to cause a Client to make investments that are riskier and more speculative than it would otherwise make. Performance based fee arrangements may also create an incentive to favor higher performance fee paying Clients over other Clients in the devotion of time, resources and allocation of investment opportunities.

To manage these potential conflicts, the Adviser has adopted an allocation policy to ensure that investment opportunities are allocated fairly.

Item 7. Types of Clients

The Adviser provides investment supervisory services to the Clients. Investment advice is provided directly to the Clients and not individually to investors in any Client. The Adviser's Clients are pooled investment vehicles and may include separately managed accounts. Investors in these vehicles include or may in the future include:

- individuals;
- pension and profit sharing plans (domestic and foreign);
- segregated accounts formed by insurance companies;
- family offices;
- trusts, estates, charitable organizations and endowments; and

- limited liability companies and corporations.

Investors that are U.S. persons must be “Accredited Investors” under Regulation D under the Securities Act and “Qualified Clients” under the Advisers Act so as to be eligible to be charged a performance fee.

Generally, the Clients have a stated minimum investment amounts as described in the relevant Governing Documents. The Adviser typically has the discretion to waive minimum investment requirements for investment in the Clients.

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

The Adviser seeks to identify and acquire private middle market manufacturing companies headquartered primarily in the United States. The Adviser’s team of investment professionals and in-house operating executives partner with portfolio company management to identify and implement organizational and operational improvements to accelerate sustainable revenue and profit growth, both organically and through complementary acquisitions.

Despite the Adviser’s methodologies and strategies, there is always the possibility that the Adviser may not correctly predict or evaluate the future performance of certain investments. Investing in securities involves a substantial degree of risk. A Client may lose all or a substantial portion of its investments, and investors in the Clients must be prepared to bear the risk of a complete loss of their investments.

Below describes some of the risks associated with the Clients’ investments, but the following explanation of certain risks is not exhaustive. For a further discussion of the risks applicable to an investment in the Clients, investors and prospective investors in those Clients must also review each applicable Client’s Governing Documents, including, for example, the private placement memorandum, which may contain additional explanations of strategies and risks that are not discussed in this section.

Highly Competitive Market for Investments. The business of identifying and structuring transactions of the nature contemplated by the Adviser is highly competitive and involves a high degree of uncertainty. The Clients will be competing for investments with other private equity vehicles as well as other institutional investors. The size and number of private equity investment vehicles has grown significantly in recent years, and it is likely that these trends will continue. There can be no assurance that the Adviser will be able to locate suitable investment opportunities, acquire them at an appropriate price, achieve its targeted rate of return, or fully invest its committed capital.

Nature of Investments. The Clients’ investments are expected to include portfolio companies with significant leverage in their capital structures. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Although the Adviser will seek to use leverage in a manner it believes is appropriate under the circumstances, the leveraged capital structure of such portfolio companies will increase the exposure of such

portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio company or its industry, which may impair such portfolio companies' ability to finance their future operations and capital needs and result in restrictive financial and operating covenants. As a result, such portfolio companies' flexibility to respond to changing business and economic conditions may be limited. If for any of these reasons a portfolio company is unable to generate sufficient cash flow to meet principal and/or interest payments on its indebtedness or make regular dividend payments, the value of a Client's investment in such portfolio company could be significantly reduced or even eliminated. Moreover, the Clients may invest in securities that are not protected by financial covenants or limitations on additional indebtedness.

Projections. The Adviser will from time to time rely upon projections, forecasts or estimates developed by the Adviser or a portfolio company concerning the portfolio company's future performance and cash flow. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond the Adviser's control. Actual events may differ from those assumed. Some important factors which could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates and domestic and foreign business, market, financial or legal conditions, among others. Accordingly, there can be no assurance that estimated returns or projections can be realized or that actual returns or results will not be materially lower than those estimated.

Failure to Achieve Investment Objective. There can be no assurance that the Adviser will be able to achieve a Client's targeted returns or investment objectives. Any given investment may prove to be worthless. Investors in Clients should be able to absorb a loss of some or all of the capital invested in the Clients.

Illiquid and Long-Term Investments. First, an investment in a Client is highly illiquid. There will be no market for interests in a Client and investors will not have any withdrawal rights. Second, the Clients' investments will be illiquid; although the Clients' investments may generate current income, the return of capital and realization of gains, if any, from an investment generally will most likely occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, it is generally expected the disposition of most of the Clients' investments will not occur for a significant number of years after such investments are made. It is unlikely that there will ever be a public market for the securities held by the Clients, at the time of their acquisition or otherwise. The Clients will not be able to sell their securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the Clients will be prohibited by law or contract from selling certain securities for a period of time.

Additional Capital Needs. After making an initial investment in a portfolio company, the portfolio company may require additional funding, or the Adviser may have the opportunity to increase a Client's investment in the portfolio company. Any decision not to make a follow-on investment, or the inability to make such investment, may have substantial adverse effects on the portfolio company in need of such investment or may result in a missed opportunity for the Client to increase participation in ventures, or may cause a material decrease in the value of a Client's portfolio.

Portfolio Company Management Risks. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. Although the Adviser expects to monitor the management of each portfolio company, management of each portfolio company will have day to day responsibility with respect to the business of such portfolio company.

Concentration of Investments. The Clients will participate in as few as a single investment and, as a consequence, the aggregate return of the Clients will be materially and adversely affected by the performance of a single portfolio investment. Furthermore, the amount of capital raised at each Client will influence the number of portfolio investments that the Client can make and the overall diversification, if any, of the Client's portfolio. Because a Client has the ability to invest all of its assets in a single portfolio investment and an unlimited amount of its assets in a single industry, the overall adverse impact on a Client of adverse movements in the value of the securities of a single issuer will be considerably greater than if such Client was not permitted to concentrate its investments to such an extent.

Disposition of Private Investments. Substantially all of the Clients' investments will involve private securities. In connection with the disposition of an investment in private securities, the Clients will generally be required to make representations about the business and financial affairs of the portfolio companies typical of those made in connection with the sale of a business. The Clients also will generally be required to indemnify the purchasers of such investments to the extent that any such representations turn out to be inaccurate. These arrangements may result in the incurrence of contingent liabilities that ultimately yield funding obligations that must be satisfied by the investors to the extent required by a Client's Governing Documents.

Control Position. The Clients will generally seek investment opportunities that allow the Clients to acquire control or exercise influence over management and strategic direction of portfolio companies in which they invest. The exercise of control over a portfolio company imposes added risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The exercise of control over a portfolio company could expose the assets of a Client to claims by such portfolio company, its security holders and its creditors.

Reliance on Key Personnel. The success of the Clients depends in substantial part upon the skill and expertise of the Adviser's senior investment professionals, Martin Stein, Jeff Johnson, Carmen Evola and others providing investment advice with respect to the Clients. There can be no assurance that these key individuals will continue to be associated with the Adviser. The loss of key personnel could have a material adverse effect on the Clients.

Board Participation. The Clients will often be represented on the boards of directors of certain of their portfolio companies or will have their representatives serve as observers to such boards of directors. Although such positions in certain circumstances are important to a Client's investment strategy and enhance the Adviser's ability to sell the related securities when, and upon the terms, it otherwise desires, and could subject the Adviser and the Clients to claims they would not otherwise be subject to as investors, including claims of breach of duty of loyalty, securities claims

and other director related claims. In general, the Governing Documents of the Clients provide that the Clients will indemnify the Adviser from such claims.

Regulatory Risks. The industries within which the Adviser intends to invest are subject to additional regulatory risks compared to other industries. More generally, regulatory changes can occur at any time and with respect to any industry and any such changes could adversely affect the Adviser's ability to achieve a Client's investment objective.

Economic Conditions. Changes in economic conditions, including, for example, interest rates, credit availability, inflation rates, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax and other laws and innumerable other factors, can affect the Clients' investments and prospects materially and adversely. None of these conditions is within the Adviser's control, and the Adviser may not anticipate these developments. These factors may affect the value of a Client's investments. Unexpected volatility or illiquidity could impair the Client's profitability or result in losses. Rising interest rates may increase portfolio expenses of the portfolio companies in which a Client invests, which could reduce the returns of a Client.

Valuation of Assets. Because the Clients will be investing in private companies, there generally will not be an actively traded market for the securities owned by the Clients. When estimating fair value, the Adviser will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to review for approval and ensuring that portfolio investments are fairly valued is a priority for the Adviser. However, the process of valuing securities for which market quotations are not available is based on uncertainties and assumptions and the resulting values may differ substantially from the actual price at which such securities are actually sold.

Cyber Security Risks. The Adviser, its service providers, and other market participants increasingly depend on complex information technology and communications systems to conduct business. These systems are subject to threats or risks that could adversely affect Clients and their investors, despite the efforts of the Adviser and its service providers to adopt technologies, processes, and practices intended to mitigate these risks. Unauthorized parties may attempt to improperly access, disrupt or prevent access to these systems either at the Adviser or its counterparties (a "cyber-attack"). Power or communications outages, acts of god, equipment malfunctions, operational errors, and inaccuracies or defects within software or data processing systems may also disrupt business operation or impact critical data to the detriment of the Clients.

Portfolio companies also face similar types of operational and technology risks. A cyber-attack or system problem or failure at a portfolio company may substantially and adversely impact the value of such company which would be harmful to the Clients and their investors.

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 Adviser or the integrity of Adviser's management. The Adviser has no disciplinary events to report.

Item 10. Other Financial Industry Activities and Affiliations

Neither Adviser nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Adviser nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

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

The Adviser has adopted a code of ethics (the “Code”) which requires that all of the Advisers officers and employees and other supervised persons (collectively, “Supervised Persons”) act with integrity, place the interests of Clients above their own, avoid actual and potential conflicts of interest and comply with applicable provisions of relevant securities laws. The Code also requires Supervised Persons to pre-clear certain personal securities transactions, report certain personal securities transactions on at least a quarterly basis and provide the Adviser with a summary of certain holdings annually.

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

In the ordinary course of conducting the Advisers advisory activities, the interests of a Client will from time to time conflict with the Adviser’s interests and those of other Clients. Certain of these conflicts of interest, as well as a description of how we address them, are described below.

We will deal with all conflicts of interest using our best judgment, but in our sole discretion. In doing so, we will consider various factors, including the interests of each Client with respect to the immediate issue and/or with respect to the longer term course of dealing among such Clients. When acting as a fiduciary, we owe Clients a duty of loyalty. This includes the duty to address, or at minimum disclose, conflicts of interest that may exist between different Clients; between us and Clients; or between our employees and Clients. Where potential conflicts arise from our fiduciary activities, we will take steps to mitigate, or at least disclose, them. Conflicts arising from fiduciary activities that we cannot avoid (or chose not to avoid) are mitigated through written policies that we believe protect the interests of our Clients as a whole. In these cases – which include issues such as personal trading and Client entertainment, discussed below– regulators have generally prescribed detailed rules or principles for investment firms to follow.

By complying with these rules, using robust compliance practices, we believe that we handle these conflicts appropriately.

The material conflicts of interest include those discussed below, although the discussion below does not necessarily describe all of the conflicts that a Client potentially faces. Other conflicts are disclosed throughout this Brochure which should be read in its entirety:

A cross transaction involves the buying or selling of securities from one Client account to another. Cross transactions may give rise to conflicts of interest between Clients. For example, one Client could be advantaged to the detriment of another Client in the event that the securities being exchanged are not priced in a manner that reflects their fair value. In addition, the Adviser could use its investment authority to transfer unappealing securities from one Client to another Client. The Adviser may engage in cross trading under limited circumstances. However, the Adviser will only do so when it believes such cross trading is in the best interest of both Clients. In such circumstances, neither the Adviser nor its affiliates will receive transaction-based compensation from the trade. In addition, under certain circumstances a cross transaction may be considered to be a “principal transaction” under the Advisers Act. To the extent that any such cross transaction may be viewed as a principal transaction, the Adviser conduct such transaction in accordance with Section 206(3) of the Advisers Act.

The Adviser and its affiliates have made an investment in each portfolio company of the Clients. The Adviser, its investment professionals and principals and related persons may invest in each Client. The Adviser does not believe that these investments cause a conflict of interest between the Adviser and a Client but rather function to better align the interests of the investors with our own interests since our own capital is being invested alongside the investors’ capital. However, these arrangements also give rise to potential conflicts of interest. For example, our professionals have an incentive to influence the allocation of an attractive investment opportunity to the Client in which they stand to personally earn the greatest return.

By virtue of our capital investment in the portfolio companies and or the Clients, we may be considered to participate, directly or indirectly, in transactions effected for the Clients. The foregoing relationships, fees and any other actual or potential conflicts of interest arising therefrom are disclosed in the Governing Documents. Any such investments are made in conformity with the Code which has procedures regarding the use of confidential information and personal investing.

Certain inherent conflicts of interest arise from the fact that we carry on investment activities for multiple clients. The portfolio strategies of one Client could conflict with the transactions, strategies and instruments in which another Client invests. We may buy for Clients securities of issuers in which another Client has made, or is making, a senior or subordinate investment, which may create conflicts of interest. For example, if one Client is invested in debt securities of an issuer and another Client is invested in equity securities of the same issuer, if the issuer experiences financial or operating challenges which impact the price of its securities, decisions relating to actions to be taken may raise conflicts of interest between these Clients.

We serve as the investment advisor to the Clients and receive management fees for providing investment advisory services to the Clients. One or more of our affiliates serves as the managing member to the Clients and, subject to certain limitations, may receive performance fees based on the unrealized or realized net profits of that Client. These management fees and performance fees may exceed the compensation we receive for providing investment advisory services to other client accounts.

We and/or our principals, employees and affiliates are often investors in the Clients. We may offer advice to qualified existing and prospective clients regarding investing in the Clients. We and/or

our principals and affiliates may receive management and performance fees in connection with management or similar services that we and/or our principals or our affiliates provide to investments of the Clients. These relationships create potential conflicts of interest because we may have a financial incentive to favor the Clients over other client accounts.

Clients may compete with each other for access to our resources. There are minimal restrictions prohibiting us from forming, sponsoring, owning and/or managing additional investment vehicles or accounts that have overlapping investment objectives or investment criteria. We may devote more time, attention or resources to some of these potentially competing funds than to others or present an opportunity to certain funds that we do not or cannot present to all. This could have a material adverse effect on a fund's ability to acquire assets, generate cash flow and income, and make distributions.

Neither we nor any of our related persons is obligated to allocate any specific amount of time to any Client. We and our related persons intend to devote as much time as we deem necessary for the conduct of each Client's operation and portfolio management, and will allocate investment opportunities in accordance with our trade allocation policy described below.

Investment opportunities will arise that fall within the investment objectives or strategies of two or more Clients. We therefore expect to encounter situations in which we must determine how to allocate investment opportunities among various Clients. We may confront conflict concerns when allocating scarce investment opportunities, given the benefit to us of favoring Clients that pay a higher fee or generate more income for us. To address this conflict of interest, we have adopted an allocation policy that is intended to fairly and equitably allocate investment opportunities among competing Clients.

In general, the Managing Directors determine whether an investment opportunity is permissible for a particular Client pursuant to the governing documents of such Client account as well as applicable laws, rules and regulations and will allocate investment opportunities accordingly. Upon determining that an investment opportunity is permissible for a particular Client account, allocations shall generally be made among Clients in accordance with our standard allocation rule. Adviser's standard allocation rule is that investment opportunities will be allocated pro-rata among Clients with the same investment strategy.

Notwithstanding the foregoing, an investment opportunity may, in the discretion of the Managing Directors from time to time, be allocated in a manner other than in accordance with our standard allocation rule based on a variety of considerations, including, but not limited to, the following:

- Investment restrictions in governing documents or financing agreements.
- Liquidity (e.g., allocation size may vary depending on a client account's cash availability).
- Tax considerations.
- Regulatory considerations.
- Current portfolio composition and risk management.
- Investment objectives and policies.

- Investment opportunities other than the prospective investment opportunity may be available to certain Client accounts under their investment objectives and policies. Such other investment opportunities may be more attractive from a risk/reward perspective for such Client account than an allocation of the prospective investment, in which case the allocation of such investment may not be made or may be reduced.
- Disclosures previously made to Client accounts or investors in such Client accounts regarding allocations.
- Any other information determined to be relevant to the fair allocation of securities or other instruments.

While we base our allocation decisions on the information available to us at the time, this information may prove to be incomplete or otherwise flawed. Furthermore, the weight we ascribe certain considerations will evolve over time in response to, among other things, changes in market conditions, the competition we face for investments and the mix of opportunities available to our Funds.

We enter into side letter agreements and other similar arrangements with certain investors in the Clients providing such investors with customized terms, which often results in preferential treatment, with respect to, among other things,

- the fee structure, including reduced management and/or performance fees;
- the offering of co-investment opportunities;
- the ability to opt out of certain types of investments;
- the reporting obligations of the applicable Client;
- consent rights with respect to certain amendments to documents that govern their rights and obligations and those of the applicable Client;
- the right to transfer interests in the applicable Client;
- additional confidentiality protections;
- the right to disclose certain information to underlying investors or to the public;
- structuring rights with respect to certain types of investments; or
- any other terms, whether economic, procedural or otherwise.

We will consider many factors in deciding whether to accord investors customized terms via a side letter and expect to grant preferential treatment to the following types of investors:

- investors that have made or have proposed to make relatively large commitments to the Clients or that are anticipated to be important to future fundraising efforts;
- investors that are subject to specific legal, tax or regulatory status or other requirements or policies applicable to them; and
- other investors meeting other criteria we consider reasonable in our discretion.

We have no obligation to offer any such additional rights, terms or conditions to any other investor, except to the extent required by the Governing Documents of the applicable Client or otherwise agreed to by us or the managing member. Once invested in a Client, investors generally cannot impose additional investment guidelines or restrictions on the Client.

Our Code of Ethics has policies and procedures to address the following additional conflicts of interest. While we do not believe that there are any conflicts that pose material risks to Client interests, we note some additional potential conflicts that are inherent in our structure and activities. We also have included brief descriptions of the procedures we use to mitigate their effects.

We have established policies and procedures reasonably designed to prevent the misuse by us and our Supervised Persons of material information regarding issuers of securities that has not been publicly disseminated ("material non-public information"). In general, under the procedures, when we are in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither we nor any Supervised Person is permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that we have is no longer deemed to be material non-public information.

Our Code sets forth procedures regarding gifts and business entertainment to address the potential conflicts of interest surrounding these practices. A further explanation of our gift and business entertainment policy can be found in our Code.

Due to the potential for conflicts of interest, we have established procedures relating to political contributions which are designed to comply with applicable federal and state law. All Supervised Persons are required to seek preapproval before making any political contribution.

We determine the value of securities held in Client accounts, including illiquid securities, whether or not a public market exists for securities of the same class or type. We value illiquid securities in good faith and in accordance with Generally Accepted Accounting Principles. Our judgments as to the value of investments in each Fund are subject to review and audit by the Client's auditors.

We, our principals and our affiliates may engage in a broad spectrum of finance and investment activities that are independent from, and may from time to time conflict with, Clients. In the future, there might arise instances where our interests conflict with the interests of Clients and/or Fund investors. We, our principals and our affiliates may engage in transactions with, provide services to, invest in, advise, sponsor and/or act as investment manager to portfolio companies, investment vehicles and other persons or entities that may have similar structures and investment objectives and policies to those of our Clients and that may compete with Clients for investment opportunities and that may co-invest with Clients in certain transactions.

Due to these other activities, we may not be able to take action that might benefit our Clients because of confidential information we, our principals or our affiliates acquire or obligations we, our principals or our affiliates incur in connection with these other activities or because our principals, an affiliate or employee or other related person serves as an officer or director of, or consultant to, a company in which a Client has invested or otherwise might invest.

Although we, our principals and our affiliates will invest our own capital in the Clients along with the other investors, our interests and those of affiliates may under some circumstances differ from

those of a Client and/or investors. Such conflicting interests could potentially affect our decisions in purchasing, holding and disposing of the investments of a Client.

Except as may otherwise be provided under the terms of a Client's Governing Documents, we will generally select Clients' service providers and will determine the compensation of such providers without review by or the consent of an advisory board or other independent party. Clients bear the fees, costs and expenses related to such services. This creates an incentive for us to select service providers based on the potential benefit to us, rather than to Clients.

We may engage the same service provider to provide services to a Client that also provides services to us, which creates a potential conflict of interest to the extent the interests of such parties are not aligned. For example, a law firm may at the same time act as legal counsel to a Client and Adviser.

We address these conflicts of interest by using reasonable diligence to ascertain whether each service provider (including law firms) provides its service on a "best execution" basis, taking into account factors such as expertise, operational and regulatory controls, availability and quality of service and the competitiveness of compensation rates in comparison with other service providers.

Item 12. Brokerage Practices

Owing to the nature of our Clients' investments, the Adviser does not generally use the services of FINRA-regulated broker-dealers to effect transactions.

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

If the Adviser sells publicly traded securities for a Client, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In selecting a broker to execute client transactions, the Adviser may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) gross compensation paid to the broker.

The Adviser does not pay or receive research or other soft dollar benefits in connection with securities transactions for the Clients, and Adviser does not engage in directed brokerage arrangements.

Item 13. Review of Accounts

The Adviser's Managing Directors periodically and regularly review the accounts of the Clients to confirm that each Client is maintained in accordance with its stated investment objectives. The Adviser performs additional reviews in the event that an investment needs subsequent financing, in the event of a potential acquisition or liquidity event, or if there were a serious performance issue at an investment.

Each Client may provide to its investors (i) audited financial statements annually within 120 days of year end; (ii) unaudited financial statements for the first three quarters of each fiscal year; (iii) annual tax information necessary for each investor's U.S. tax returns; (iv) descriptive investment information for each portfolio investment quarterly; and (v) reports summarizing material affiliated transactions. All reports are sent to investors either electronically or by mail, as per each investor's subscription documents. Upon request, certain investors may receive additional information and reporting that other investors may not receive.

Item 14. Client Referrals and Other Compensation

The Adviser does not receive any monetary compensation or any other economic benefit from a non-client for the Adviser's provision of investment advisory services to a Client.

The Adviser receives compensation in the form of fees paid by the Clients, as disclosed in the Governing Documents. The Adviser or certain of its affiliates may have the right to receive certain non-investment advisory fees in connection with the Clients' investments, as described in the Clients' Governing Documents.

The Adviser may, from time to time, agree to compensate certain placement agents and solicitors for helping the Adviser raise capital. Such placement agents and solicitors may provide other services to Clients, for which they may be compensated.

Item 15. Custody

Rule 206(4)-2 promulgated under the Investment Advisers Act (the "Custody Rule") (and certain related rules and regulations under the Investment Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

The Adviser is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has custody with a "qualified custodian," as defined under such rule.

Rule 206(4)-2 generally imposes on advisers with custody of clients' funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) and surprise examinations relating to such clients' funds or securities. However, the Adviser need not comply with such requirements with respect to pooled investment vehicles if

the pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the client, or, in certain circumstances, all limited partners, members or other beneficial owners. To the extent that clients or certain investors receive quarterly, or more frequent, account statements directly from a broker-dealer, bank or other qualified custodian, recipients should carefully review such statements.

In order to comply with the Custody Rule, the Clients are audited annually and the Adviser delivers to investors in each Client a copy of the annual audited financial statements within 120 days of the fiscal year end.

Item 16. Investment Discretion

Adviser is retained on a discretionary basis pursuant to the terms of each Client's Governing Documents. Before accepting their subscriptions for interests, the Adviser provides all investors in the Clients with the relevant Governing Documents, including, but not limited to, a private placement memorandum or other disclosure document that sets forth, in detail, the relevant investment strategy and program as well as the Client's limited liability company (or analogous) agreement. By completing the subscription documents to acquire an interest in one of the Clients, investors may give the Adviser complete authority to manage their investments in accordance with the private placement memorandum or other disclosure document they each received. If engaged on a discretionary basis, the Adviser is not required to contact an investor prior to transacting any business once such investor executes these documents. Investment advice is provided directly to the Funds and not to investors in the Clients individually.

Item 17. Voting Client Securities

Although voting client securities is generally not a service provided by the Adviser to its Clients, to the extent Adviser is deemed to have voting authority on behalf of a Client and actually exercises such authority, Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to a Client's securities, such proxies are voted in the best interests of the Client.

If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action.

To the extent Adviser is deemed to have voting authority on behalf of a Client and actually exercises such authority, additional information about Adviser's proxy voting policies and procedures, or information about how Adviser voted proxies, would be available by contacting Martin Stein at 616-233-3101 or mstein@blackfordcapital.com.

Item 18. Financial Information

Adviser does not require nor does it solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

Adviser is not aware of any financial condition that is likely to impair its ability to meet its contractual commitments to its Clients.

Adviser has never been the subject of a bankruptcy petition.