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This brochure provides information about the qualifications and business practices of Candlewood Investment Group, LP (“Candlewood”). If you have any questions about the contents of this brochure, please contact us at (212) 493-4495 and/or compliance@ Candlewoodgroup.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 Candlewood also is available on the SEC’s website at www.adviserinfo.sec.gov.

REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT CANDLEWOOD OR ANY PRINCIPALS OR EMPLOYEES OF CANDLEWOOD POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.

ITEM 2. Material Changes

This brochure contains certain changes from the brochure that we previously filed with the SEC. There have been no material changes to this brochure since the last update of this brochure was filed with the SEC in May 2018.

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ITEM 4. Advisory Business

The founding partners of the Candlewood portfolio management team have worked together since 2004, initially for certain wholly-owned subsidiaries of Credit Suisse Group AG. Candlewood was formed as a Delaware limited partnership in 2010 to succeed to the business of those subsidiaries. The principal owner of Candlewood Investment Group, LP is Michael Lau. Mr. Lau is also a managing partner of Candlewood along with David Koenig and Jon Weiss, and is the managing member of Candlewood Investment Group General, LLC, the general partner of Candlewood.

Candlewood provides investment management services to private pooled investment vehicles (the “Candlewood Funds”) that are offered to investors on a private placement basis. The investment vehicles are generally structured as Delaware limited partnerships, Delaware limited liability companies, Cayman Islands exempted limited partnerships, Cayman Islands exempted companies and Cayman Islands segregated portfolio companies. Candlewood has been appointed as the investment manager with discretionary trading authorization in connection with the investment management services it provides to the Candlewood Funds. However, with respect to certain clients, Candlewood provides discretionary investment management services as a sub-advisor. Other than certain Candlewood Funds for which Candlewood acts as sub-advisor, a related person of Candlewood generally acts as general partner or manager of each Candlewood Fund.

Candlewood may advise other clients in the future, including pooled investment vehicles and separate accounts, and may provide both discretionary and non-discretionary advisory services to clients.

Candlewood employs multiple strategies on behalf of the Candlewood Funds, including, but not limited to, performing stressed and distressed corporate debt, event-driven, value equity, relative value, capital structure arbitrage, credit and current income strategies. Such strategies involve various liquidity profiles, including liquidity only upon realization events or semi-annual, quarterly or daily liquidity. Candlewood has also sponsored co-investment vehicles to make specific investments and may sponsor additional co-investment vehicles in the future.

The Candlewood Funds maintain certain individual position and industry limits, calculated at the time an investment is made, based on aggregate net asset value.

Investors and prospective investors in each Candlewood Fund should refer to the confidential private placement memorandum, limited partnership agreement and/or memorandum and articles of association and other governing documents for each Candlewood Fund (the “Governing Documents”) for more complete information on the investment objectives and investment restrictions with respect to a particular Candlewood Fund. There is no assurance that any of the Candlewood Funds’ investment objectives will be achieved.

As of December 31, 2018, Candlewood managed regulatory assets under management (“RAUM”) of approximately \$394,349,000 on a discretionary basis.

ITEM 5. Fees and Compensation

Compensation and Fee Schedules

The fees applicable to each Candlewood Fund are set forth in detail in each Candlewood Fund’s Governing Documents. A brief summary of those fees is provided below.

Investors in the Candlewood Funds generally pay a management fee to Candlewood (the “Management Fee”) on a quarterly basis, either in arrears or advance, equal to an annual rate of up to 1.5% of net assets, depending on the Candlewood Fund. Generally, at the end of each fiscal year, each investor in any Candlewood Fund that is an open-end vehicle also pays an annual performance allocation to an affiliate of Candlewood, equal to 12.5% to 20% of the amount by which the net value of each account as of the end of each calendar year exceeds the net value of the account as of the beginning of the year, subject to a “high water mark” (the “Incentive Allocation”). In addition, under the Governing Documents of each Candlewood Fund that is a closed-end vehicle, generally an affiliate of Candlewood will receive a performance based allocation calculated and charged based on a percentage of such Candlewood Fund’s realized capital gains (the “Carried Interest”). Generally, the Carried Interest payable to Candlewood is 20% of profits over a specified preferred return.

Candlewood (or its affiliate) may, in its sole discretion, reduce, waive or calculate differently the Management Fee, the Incentive Allocation or the Carried Interest with respect to certain clients or investors, including members, partners, directors, officers, affiliates or employees of Candlewood, its affiliates or the Candlewood Funds, or such person’s family members and trusts or other entities established for the benefit of such person or his or her family.

Candlewood may enter into “side letters” or similar agreements with certain investors in the Candlewood Funds, granting such investors specific rights, benefits, or privileges that are not made available to investors generally. Certain Candlewood Funds have, on a limited basis, entered into side letters related to certain regulatory obligations affecting such investors or providing certain other rights related to such investor’s investment.

Deduction of Fees

Candlewood is authorized under the Governing Documents to charge and deduct advisory fees directly from the assets of the Candlewood Funds, at the times and in the amounts described above. Candlewood also receives advisory fees from certain clients, as specified in the relevant investment management agreement governing such relationship.

Other Fees and Expenses

In addition to the fees payable to Candlewood, the Candlewood Funds (with certain exceptions described in the Governing Documents) pay for all costs and expenses incurred in connection with the investments in their accounts, including (but not limited to) brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, attorneys, brokers or other professionals or advisers who provide research, advice, proxy voting services or due diligence services with regard to investments, research related expenses (including with respect to certain Candlewood Funds, travel expenses), appraisal fees and expenses, investment banking expenses, costs related to transactions that are not completed, portfolio valuation and pricing services, other legal expenses, costs of preparing required regulatory filings directly related to the Candlewood Fund, the offering of the interests (including, without limitation, offering and regulatory expenses related to compliance with the Alternative Investment Fund Managers Directive (“AIFMD”) and other offering and solicitation regulatory regimes and Regulation D under the Securities Act of 1933, as amended (the “Securities Act”)) and/or specific portfolio investments (such as Schedules 13D and 13G and HSR notice), fees and expenses of the advisory committee or board of directors, costs and expenses of forming and operating any holding company or alternative vehicle (including administration costs), any expenses associated with FATCA and CRS registration and compliance, including with any intergovernmental agreements relating to automatic tax information exchange, any expenses associated with Anti-Money Laundering regulations (“AML”) reporting and compliance, accounting, audit, tax preparation and other tax related expenses, entity-level taxes and registration fees, expenses related to obtaining insurance for the directors and officers of the relevant Candlewood Fund or its general partner, organizational and offering expenses, administration fees and related costs (including the fees of any third party provider of middle office functions), and the costs and expenses of any services provided by Candlewood or an affiliate that would otherwise be performed by third parties and are permitted to be charged as expenses under the Governing Documents of such Candlewood Fund, as described in greater detail in the Governing Documents for each Candlewood Fund.

The section below titled “Brokerage Practices” describes the factors Candlewood considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

Transaction-Based Compensation

Neither Candlewood nor its supervised persons will receive any compensation with respect to the purchase or sale of securities or other investment products by any client, including any Candlewood Fund that is not otherwise set off against the Management Fee or otherwise disclosed in the Governing Documents for a particular Candlewood Fund.

ITEM 6. Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

A related person of Candlewood (generally acting as general partner or managing member of certain Candlewood Funds), will generally receive either a carried interest in the form of a percentage of the distributions to investors in excess of their capital contributions and a preferred return or, in some cases, an annual special allocation of profits as of the end of each calendar year calculated and charged based on a share of the net appreciation of the assets of such Candlewood Funds during such year. Please refer to the Governing Documents of each Candlewood Fund for more complete information on the performance-based compensation arrangements of each Candlewood Fund. Different client accounts may be subject to different performance-based compensation arrangements.

The performance-based allocation arrangements discussed above comply with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”).

Performance-based allocation arrangements received may create an incentive for Candlewood to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

Side-by-Side Management

Candlewood may provide concurrent advisory services to clients that are not charged a performance-based fee or allocation, or are charged a lower fee, at the same time as it provides services to clients that are charged a higher performance-based fee or allocation. The potential for Candlewood to receive greater fees or allocations from performance-based accounts, or accounts paying higher fees, may create a potential conflict of interest with respect to the allocation of investment opportunities, as Candlewood may have an incentive to direct the best investment ideas to, or to allocate investments in favor of, the account that pays a higher performance fee or allocation. To alleviate potential conflicts of interest, the allocation of commitments and investment decisions with respect to each Candlewood Fund are made by Candlewood in accordance with Candlewood’s investment allocation policy, considering all factors potentially applicable to each client. Among the factors that may be considered by Candlewood in allocating trades among client accounts are: investment policies, guidelines or restrictions applicable to each specific client; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty exposure; account size; industry and security weightings; and hedging objectives and activity.

In the event investment opportunities are suitable for more than one Candlewood Fund, Candlewood allocates such investment opportunities in accordance with its allocation policy in effect from time to time, which provides that such allocation be fair and equitable to each account over time, taking into account all relevant facts and circumstances. Candlewood’s allocation policy is reviewed periodically and subject to

change. Candlewood allocates expenses among participating accounts in proportion to their respective net asset values, in proportion to their respective exposure to a specific investment, or in such other manner that it determines to be equitable.

Candlewood or its affiliates may manage separate managed accounts or dedicated investment vehicles for institutional investors that pursue strategies similar to, or that overlap with, those of other Candlewood Funds. These clients may have access to detailed information about their accounts, including current portfolio holdings, which Candlewood does not customarily make available to investors in the Candlewood Fund or other pooled investment vehicles. Such clients may be able to take action, including more timely action, with respect to their accounts that investors in pooled vehicles with similar or parallel strategies cannot take.

Candlewood and its affiliates have purchased and may continue to purchase on behalf of clients, different classes of debt and/or equity of the same borrower or issuer. These and other investments may be deemed to create a conflict of interest. Candlewood may be required to take certain actions for some clients with respect to one class of debt or equity that may be adverse to other clients who hold other classes of debt or equity of the same borrower or issuer.

ITEM 7. Types of Clients

Types of Clients

Candlewood provides advice to pooled investment vehicles. The limited partners and shareholders of the Candlewood Funds may include corporations, endowments, foundations, trusts, estates, individuals and pension and profit sharing plans. The Candlewood Funds are offered in the United States to accredited investors as defined under Regulation D under the Securities Act, and to qualified purchasers as defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), and are therefore not required to register as investment companies under the Investment Company Act in reliance upon the exemption under Section 3(c)(7) for funds whose securities are not publicly offered.

Candlewood has provided and may in the future provide investment management and supervisory services to separate account clients from time to time. Certain of Candlewood’s separate account clients may invest in existing or future Candlewood Funds.

Minimum Investment Requirements

As noted above, Candlewood and its related persons generally require that each investor in each of the Candlewood Funds be an “accredited investor” as defined in Regulation D under the Securities Act and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act.

Investors in the Candlewood Funds are generally required to make a minimum initial investment between \$250,000 and \$10 million, depending on the particular Candlewood Fund, although Candlewood may accept lower amounts in its (or the relevant general partner's) discretion. Certain of the Candlewood Funds have a defined term, but investors in the open-ended Candlewood Funds are also generally subject to a lock-up period ranging from six months to one year after investment, which lock-up may be waived or reduced by Candlewood, the relevant board of directors or the relevant general partner in its discretion.

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

Methods of Analysis

Investments and potential investments are typically analyzed by Candlewood using fundamental, cyclical and technical analysis, among other methods. The investment strategies employed by Candlewood include, but are not limited to, investing in distressed corporate debt, equities (including post-reorganization equities), performing corporate debt, as described below:

Distressed Corporate Debt: Candlewood, on behalf of one or more of the Candlewood Funds, invests in a variety of debt instruments that are trading at a substantial discount to par and the issuers of which are expected to restructure, enter bankruptcy or liquidate. Candlewood may take a passive or active role in such processes and, when applicable, serve on the steering committee for certain issuers. Candlewood typically holds at least a portion of these investments through the bankruptcy process and may receive post-reorganization debt and/or equity following the completion of the reorganization process. Concurrent with or following a company's restructuring, Candlewood may pursue secondary liquidity or event-driven catalysts (such as asset sales, mergers, refinancings or public equity offerings) for these investments.

Equities: In addition to post-reorganized equities created through a bankruptcy-facilitated debt-for-equity conversion, Candlewood, on behalf of one or more of the Candlewood Funds, may also invest directly in over-the-counter or listed equities of companies that have recently restructured or where Candlewood believes the equities are fundamentally undervalued or otherwise represent an attractive investment opportunity for the Candlewood Funds.

Performing Corporate Debt: Candlewood, on behalf of one or more of the Candlewood Funds, may invest in debt securities of predominately non-investment grade or unrated corporate issuers, including certain debtor-in-possession and exit financings associated with such Candlewood Fund's distressed corporate investments. Candlewood targets debt securities in which it expects to benefit from a renegotiation in seniority, rate or maturity.

Direct Lending: Some of the Candlewood Funds may engage in direct lending activities, investing in debt and equity investments of middle market companies. These companies typically utilize leverage, and in most cases are not rated by national rating agencies or widely traded on the secondary market. Candlewood believes that the scarcity of

available capital for middle market companies can result in higher total return potential, wider credit spreads, more comprehensive collateral packages, and better covenant protections than are typically available in transactions with larger companies.

These descriptions of specific strategies that are or may be engaged in by Candlewood on behalf of its clients are a summary only. Under the Governing Documents of each Candlewood Fund (and the investment management agreements with respect to other clients), Candlewood has broad discretion to employ investment strategies not described above that Candlewood may, from time to time, consider appropriate.

Candlewood's principal sources of information regarding specific investments include quarterly and annual reports, offering materials, personal interviews with directors and officers of such entities, visits to such entities, SEC filings (if available), general industry knowledge, and research materials prepared by others.

The investment programs of the Candlewood Funds and other clients of Candlewood are speculative and entail substantial risks. There can be no assurance that Candlewood's investment objectives will be achieved. Accordingly, Candlewood's investment strategies could result in substantial losses to its clients under certain circumstances.

Material Risks

Although investments in the Candlewood Funds may result in significant returns to the clients of Candlewood, they also involve a substantial degree of risk. Candlewood generally accepts only clients that are able to bear the financial risk of the investment strategy for an indefinite period of time and are able to sustain the loss of all or a significant part of their investment.

Prospective investors in the Candlewood Funds should carefully review the risks described in the Governing Documents for the relevant Candlewood Fund, and should evaluate the merits and risks of an investment in the context of their overall financial circumstances. The risk factors below are not intended to be exhaustive and should be considered carefully by prospective investors together with the full text of the applicable Governing Document or client agreement.

Illiquid Investments. Candlewood, on behalf of one or more of the Candlewood Funds, may invest in securities and other assets that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and Candlewood, on behalf of such Candlewood Fund, may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid assets often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of assets eligible for trading on national securities exchanges or in the over-the-counter markets. Such Candlewood Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a

specified period of time. Thus, there can be no assurance as to the timing and amount of distributions from certain Candlewood Funds and any distribution that would require either an in kind distribution or a forced sale of illiquid investments at a price deemed unattractive by Candlewood may occur. Restricted assets may sell at a price lower than similar assets that are not subject to restrictions on resale.

Competition and Supply for Investments. Candlewood's success in investing will depend, in part, on its ability to obtain investments on advantageous terms. In purchasing investments, the Candlewood Funds will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, investments which meet a Candlewood Fund's investment objectives could result in lower yields on such investments, which could reduce returns to investors. In addition, there can be no assurance that a Candlewood Fund will be able to fully invest its available capital.

Uncertain Exit Strategies. Due to the illiquid nature of some or all of the positions which the Candlewood Funds may acquire, Candlewood is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized, due to economic, legal, political or other factors.

Global Investments and Investments in Emerging Markets. Candlewood, on behalf of one or more of the Candlewood Funds, may invest in securities and obligations denominated in foreign currencies and/or traded outside the United States. Investing in the securities and obligations in non-U.S. countries involves certain considerations not usually associated with investing in securities and obligations in U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gains or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict Candlewood's investment opportunities. In addition, accounting and financial reporting standards in such countries may not be equivalent to U.S. standards and, consequently, less information may be available to investors in securities and obligations issued in such countries than is available to investors located in the United States.

Leverage and Financing Risk. Candlewood, on behalf of one or more of the Candlewood Funds, has the authority to borrow funds, use leverage in trading currencies, securities and derivative instruments, and use other means of financing as deemed appropriate. Accordingly, it may use leverage in its strategies. Candlewood, on behalf of one or more of the Candlewood Funds, may also leverage the investment return of its clients with options, short sales, swaps, forwards and other derivative instruments. The

amount of borrowings that a client of Candlewood may have outstanding at any time may be substantial in relation to its capital. While leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. The anticipated use of short-term margin borrowings results in certain additional risks, such as the potential for a “margin call,” pursuant to which a Candlewood client must either deposit additional funds or assets with a broker, or suffer mandatory liquidation of the pledged assets to compensate for a decline in value of such assets. In the event of a sudden drop in the value of the client’s assets, such client might not be able to liquidate assets quickly enough to satisfy its margin requirements.

Event-Driven Investing. Event-driven investing requires the investor to make estimations about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company’s financial instruments. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed, or will result in a distribution of cash or a new security, the value of which may be less than the purchase price of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a wide range of factors.

Convertible Arbitrage. Candlewood, on behalf of one or more of the Candlewood Funds, does not at present, but may in the future, engage in convertible arbitrage. Convertible arbitrage strategies generally involve spreads between two or more positions. The strategy consists of the purchase (or short sale) of a convertible security coupled with the short sale (or purchase) of the underlying security for which the convertible security can be exchanged in an effort to exploit price differentials. To the extent the price relationships between such positions remain constant, no gain or loss on the position will occur. Such positions also entail a risk that the price differential could change unfavorably, causing a loss to the spread position. Substantial risks also are involved in borrowing and lending against such investments. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates can be subject to rapid change. Certain corporate securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks.

Relative Value. The success of Candlewood’s relative value trading strategy depends on its ability to identify overvalued and undervalued investment opportunities and exploit perceived inefficiencies in the pricing of financial instruments and capital, financial products or markets. Identification and exploitation of such discrepancies involve uncertainty. No assurance can be given that Candlewood will be able to correctly or successfully locate investment opportunities or to exploit pricing inefficiencies in the capital markets. In the event that the perceived mispricings underlying the positions of Candlewood clients were to fail to converge toward, or were to diverge further from, relationships expected by Candlewood, such clients may incur losses.

Capital Structure Arbitrage. Candlewood, on behalf of one or more of the Candlewood Funds, does not at present, but may in the future, engage in capital structure arbitrage.

The success of this strategy will depend on the ability of Candlewood to identify and exploit the relationships between movements in different securities and financial instruments within an issuer's capital structure (e.g., bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involve uncertainty. In the event that the perceived pricing inefficiencies underlying an issuer's securities were to fail to materialize as expected by Candlewood, Candlewood clients could incur a loss.

Equity Price Risk. The investment portfolios of Candlewood clients may include long and short positions in equity securities of public and private, listed and unlisted companies. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, geographic markets, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by Candlewood, on behalf of one or more of the Candlewood Funds.

When-Issued; When, As and If Issued; and Delayed Delivery Securities and Forward Commitments. Candlewood, on behalf of one or more of the Candlewood Funds, may cause a Candlewood Fund to purchase or sell securities on a when-issued, "when, as and if issued", delayed delivery or forward commitment basis, which securities are subject to market fluctuation, and no interest or dividends accrue to the purchaser prior to the settlement date. At the time of delivery of the securities, the value may be more or less than the purchase or sale price. In the case of "when, as and if issued" securities, a Candlewood Fund could lose an investment opportunity if the securities are not issued. An increase in the percentage of a Candlewood Fund's assets committed to the purchase of securities on a when-issued, "when, as and if issued", delayed delivery or forward commitment basis may increase the volatility of the net asset value of a Candlewood Fund.

Investments in Distressed Securities. Candlewood, on behalf of one or more of the Candlewood Funds, may invest in "below investment grade" securities and obligations (including ABS securities, ABS commercial paper, bank loans and trade claims) of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate

movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to Candlewood clients' investment in any instrument, and a significant portion of the obligations and securities in which Candlewood, on behalf of one or more of the Candlewood Funds, invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high.

Bank Loans and Participations. Candlewood's investment program, on behalf of one or more of the Candlewood Funds, may include investments in significant amounts of bank loans and participations, including in some cases, originations. These obligations are subject to unique risks, including: (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 a Candlewood client to directly enforce the rights of its clients with respect to participations. In analyzing each bank loan or participation, Candlewood compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the client of Candlewood. Investments in loan participations may also subject such client to the risk of counterparty default. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security.

Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying certain of Candlewood clients' investments will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. In general, "premium" financial instruments (financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" financial instruments (financial instruments whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since Candlewood clients' investments may include discount financial instruments when interest rates are high, and may include premium financial instruments when interest rates are low, such investments may be adversely affected by prepayments in any interest rate environment.

Bankruptcy Claims. Candlewood, on behalf of one or more of the Candlewood Funds, may invest in bankruptcy claims, which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the

bankruptcy claim. The markets in bankruptcy claims are not generally regulated by Federal securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances payments and distributions may be reclaimed if any such payments are later determined to have been a fraudulent conveyance or a preferential payment. Candlewood, on behalf of one or more of the Candlewood Funds, may invest in the debt of financially distressed companies domiciled outside the United States, which involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

Investment in Reorganizations. Candlewood, on behalf of one or more of the Candlewood Funds, may make investments in companies that are experiencing or are expected to experience severe financial difficulties, including companies undergoing reorganization. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. In such situations, an investment may be subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a company and that high administrative costs may impair the value of the company. Such investments could subject clients of Candlewood to certain additional potential liabilities that may exceed the value of the original investment. Investments in distressed companies may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. 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, a bankruptcy court may approve actions which may be contrary to the interests of clients of Candlewood. There are instances where creditors and equity holders may lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

Investing in High Yield Securities. Candlewood, on behalf of one or more of the Candlewood Funds, may invest in high-yield securities. Such securities are generally not exchange-traded and, as a result, trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, Candlewood, on behalf of one or more of the Candlewood Funds, will invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such

securities are often highly leveraged and may not have available to them more traditional methods of financing.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security is called for redemption, the holder will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party.

Currencies. Candlewood, on behalf of one or more of the Candlewood Funds, may invest in investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Candlewood, on behalf of one or more of the Candlewood Funds, may try to hedge these risks by investing directly in foreign currencies, buying and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance such strategies will be effective.

Options. Candlewood, on behalf of one or more of the Candlewood Funds, may invest in, or write, options. The purchaser of a put or call option runs the risk of losing his, her or its entire investment in a relatively short period of time if an option expires unexercised. The uncovered writer of a call option is subject to a risk of loss should the price of the underlying security increase, and the uncovered writer of a put option is subject to a risk of loss should the price of the underlying security decrease.

Swaps and Derivatives. Candlewood, on behalf of one or more of the Candlewood Funds, does not at present, but may in the future, invest in swaps, including credit default swaps, "synthetic" or derivative instruments, over-the-counter options and other customized financial instruments issued by banks, brokerage firms or other financial institutions. Risks related to swaps may include leverage and counterparty credit risk.

Short Selling. Candlewood, on behalf of one or more of the Candlewood Funds, does not at present, but may in the future, engage in short sales. Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There also can be no assurance that the

securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Hedging Transactions. While Candlewood, on behalf of one or more of the Candlewood Funds, may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for clients of Candlewood than if it had not engaged in such hedging transactions. For a variety of reasons, Candlewood may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent Candlewood, on behalf of one or more of the Candlewood Funds, from achieving the intended hedge or expose a client of Candlewood to risk of loss. Candlewood, on behalf of one or more of the Candlewood Funds, may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of portfolio holdings.

Control Positions. On occasion, a Candlewood Fund, acting either alone or as part of a group, may acquire a “control” position in an issuer’s securities. This may subject the Candlewood Fund to additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

Municipal Bonds. Candlewood, on behalf of one or more Candlewood Funds, invests in municipal bonds, which generally give rise to interest that is exempt from U.S. federal income taxation. On the date of the initial issuance of municipal bonds, bond counsel or special tax counsel (which is not counsel to the Candlewood Fund or Candlewood) generally renders its opinion that, based on the law in effect at that time, interest on such municipal bonds will be excludable from gross income for U.S. federal income tax purposes. The Code establishes certain requirements that an issuer must meet following the issuance and delivery of its municipal bonds in order for interest on such bonds to remain excluded from gross income for U.S. federal income tax purposes. Among these continuing requirements are restrictions on the issuer’s investment and use of the proceeds of the bonds. Failure to comply with these requirements may cause interest on the bonds to be includable in gross income for U.S. federal income tax purposes, retroactive to the date of issuance, regardless of when the noncompliance occurs. Issuers of municipal bonds typically covenant to comply with certain procedures and guidelines designed to insure satisfaction with the Code’s continuing requirements. None of the Candlewood Funds, Candlewood or their counsel has passed or will pass upon, nor assumes any responsibility for, any of the tax aspects of the municipal bonds in which the Candlewood Fund invests, including, without limitation, bond counsel’s tax opinion or the initial or continuing status of interest on the bonds as excludable from gross income for U.S. federal income tax purposes.

Operational Risks. Candlewood is responsible for developing, implementing and operating appropriate systems and procedures to execute all investment transactions and monitor and control operational risk on behalf of client accounts. Candlewood relies on its execution, financial, accounting and other data processing systems to trade, clear and settle all transactions, to evaluate and monitor potential and existing portfolio investments, and to generate risk management and other reports that are critical to oversight of client accounts. Certain of the Candlewood's operations are dependent upon systems operated by third parties, including prime brokers, counterparties, electronic exchanges, other execution platforms and their various service providers. Candlewood may not be in a position to verify the reliability of such third-party systems or data. Failure of or errors in such systems could result in mistakes or delays in the execution, confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. The increasing reliance on internet-based programs and applications to conduct transactions and store data also creates increased security risks. Targeted cyber-attacks, or accidental events, can lead to a breach in computer and data systems and access by unauthorized persons to sensitive transactional or personal information. Data taken in breaches may be used by criminals to commit identity theft, obtain loans or payments under false identities, and other crimes. Cybersecurity breaches at Candlewood or its service providers or counterparties may directly or indirectly affect clients, and could lead to theft, data corruption, interference with business operations, disruption of operational systems, interference with Candlewood's or a client's ability to execute transactions, direct financial loss or reputational damage, or violations of applicable laws related to data and privacy protection and consumer protection.

ITEM 9. Disciplinary Information

Candlewood and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

ITEM 10. Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

None of Candlewood or its principals or employees are registered as a broker-dealer or a registered representative of a broker-dealer.

Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors

None of Candlewood or any of its principals or employees are registered as or affiliated with a registered futures commission merchant, commodity pool operator or commodity trading advisor.

Relationships with Related Persons

As discussed in the section titled "Participation or Interest in Client Transactions; Personal Trading," Candlewood and its related persons are, directly or indirectly, the

general partner, limited partners and/or managing members of the general partner of each of the Candlewood Funds. Candlewood and its related persons may spend substantially all of their business time on one or more of the Candlewood Funds.

Employees of Candlewood and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which clients of Candlewood may invest. Employees or partners of Candlewood may also from time to time serve on the board of directors or a creditors committee of a portfolio company, or be given access for other reasons to confidential information relating to companies in which clients of Candlewood may invest. As a result, Candlewood and the clients of Candlewood may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on clients of Candlewood.

Effective May 1, 2018, Candlewood no longer provides investment management services to certain private funds and accounts, including the Candlewood Structured Credit Harvest Funds and the Candlewood Structured Credit Opportunity Funds. Commencing May 1, these structured credit focused funds and accounts are being managed by Medalist Partners, LP (“Medalist”), a newly established investment adviser formed by the former members of Candlewood’s structured credit team. The general partner of Candlewood currently holds a minority non-voting equity interest in Medalist, but does not have any role in the management of Medalist or any of its client accounts.

Indra Chandra, a former managing partner of Candlewood, continues to serve as a member of Candlewood’s investment advisory committee, and will also provide consulting services to Candlewood as well as to Medalist and other third parties.

Selection or Recommendation of Other Advisers

Candlewood does not recommend or select other investment advisers for its clients or receive compensation from such advisers in a manner that would create a material conflict of interest. Candlewood does not have other business relationships with other advisers that create a material conflict of interest.

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

Code of Ethics

Candlewood strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, Candlewood has adopted a Code of Ethics (the “Code”), which is reviewed and updated (if necessary) at least annually. The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided; employees

must not take any inappropriate advantage of their positions; and information concerning the identity of securities and financial circumstances of clients and the Candlewood Funds, including investors in the Candlewood Funds, must be kept confidential. The Code also places restrictions on personal trades by employees, including requiring that they disclose their personal securities holdings and transactions to Candlewood on a periodic basis, and in certain circumstances, requires that employees pre-clear certain types of personal securities transactions.

As part of the Code, Candlewood maintains insider trading policies and procedures (the “Insider Trading Policies”) that are designed to prevent the misuse of material, non-public information. Candlewood’s personnel are required to certify to their compliance with the Code, including the Insider Trading Policies, on at least an annual basis.

The Insider Trading Policies prohibit generally Candlewood and its personnel from trading for the Candlewood Funds or themselves, or recommend trading, in public securities of a company while in possession of material, non-public information (“Inside Information”) about the company, and from disclosing such information to any person not entitled to receive it. By reason of its various activities, Candlewood may have access to Inside Information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. Candlewood has designed and implemented policies and procedures reasonably designed to closely monitor the access of its investment professionals to Inside Information. Among other things, such policies seek to control and monitor the flow of Inside Information to and within Candlewood, as well as to prevent trading public securities based on Inside Information.

Notwithstanding such policies and procedures, there may be certain cases where Candlewood either may receive Inside Information due to its various activities on behalf of itself or the Candlewood Funds or may be restricted in acting for the Candlewood Funds. As a result, Candlewood may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on a client or the Candlewood Funds. Candlewood seeks to minimize those cases whenever possible, consistent with applicable law and our Insider Trading Policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

Investors may request the opportunity to review a copy of the Code by contacting Candlewood at the address or telephone number listed on the first page of this document.

Participation or Interest in Client Transactions; Personal Trading

Candlewood may cause one or more of its clients to buy securities from, or sell securities to, other clients of Candlewood at current market prices, including accounts in which Candlewood, its principals or employees are investors or in which such persons may have a financial interest, either directly or indirectly, due to the payment of a performance allocation to Candlewood (or an affiliate) by such client. Candlewood will only engage in “cross trades” if the sale or purchase is consistent with Candlewood’s fiduciary obligations to each client. Cross transactions may include rebalancing transactions that

are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. Candlewood has a potentially conflicting division of loyalties and responsibilities regarding both parties to any cross transactions. Where required by applicable law, any such transaction will be approved in advance by the client in accordance with Section 206(3) of the Advisers Act.

On occasion, Candlewood and its principals and employees may buy and sell securities for themselves that they also recommend to clients. Candlewood and its principals and employees are investors in some of the investment funds managed by Candlewood. The Code of Ethics contains policies and procedures designed to prevent improper practices with respect to such transactions, and compliance with the Code of Ethics by Candlewood, its principals and employees is the primary method employed by Candlewood to address the conflicts of interest that arise with respect to these transactions. For example, the principals and employees of Candlewood are generally not permitted to execute a personal securities transaction if any client of Candlewood has a position in the same security without the prior approval of the CCO and CEO.

From time to time, a Candlewood Fund or other entity controlled by Candlewood may offer to other Candlewood Funds or clients participations in and/or assignments or sales of loans (or interests in loans) that such Candlewood Fund has originated or purchased. In the event of such an offer, the price for such instrument will be established based on third-party quotations or valuations. The decision by a client of Candlewood to accept or reject the offer may be made by a party independent of Candlewood, such as the independent directors of such client.

In certain situations, related persons of Candlewood may purchase interests in portfolio investments held by one or more Candlewood Funds. All such purchases are subject to compliance with Candlewood's Code of Ethics as described above. In addition, Candlewood and/or certain members or employees of Candlewood may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Candlewood Funds, provided that the sale is consistent with Candlewood's fiduciary obligations to the Candlewood Funds. Such transactions will be fully disclosed in writing, and where required by applicable law, the written consent of the appropriate client will be obtained in accordance with Section 206(3) of the Advisers Act.

ITEM 12. Brokerage Practices

Subject to the investment objectives, policies and restrictions of each Candlewood Fund as set forth in such Candlewood Fund's Governing Documents, Candlewood has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of the Candlewood Funds, including the selection of, and commissions paid to, brokers.

In selecting broker-dealers to effect securities transactions, Candlewood seeks to obtain best execution by considering such factors as price, transaction costs, a broker's or

dealer's ability to effect the transactions, its facilities, reliability and financial responsibility, commitment of capital and the provision or payment by the broker of the costs of research and research-related services which are of benefit to Candlewood or the Candlewood Funds, as well such other factors as Candlewood considers relevant and beneficial to the Candlewood Funds. Candlewood may consider referrals of Candlewood Fund investors in determining its selection of brokers. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Candlewood Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services.

Research and Other Soft Dollar Benefits

Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act") provides a safe harbor that permits advisers, when selecting brokers to execute transactions for client accounts, to take into account certain research products and services provided to the adviser by brokers. Clients may pay higher commissions than are obtainable from other brokers as a result of the consideration of research services as a factor in selecting brokers in addition to commission cost and best execution, provided that Candlewood determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research services provided by such broker. Research services provided to Candlewood by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; and discussions with research personnel. Candlewood does not currently engage in any soft dollar arrangements in which Candlewood receives third-party services. However, consistent with obtaining best execution for clients, Candlewood may in the future engage in such soft dollar arrangements, provided that such arrangements are of the type described in Section 28(e) of the Exchange Act and are designed to augment Candlewood's own internal research and investment strategy capabilities.

Receipt of research services from brokers may provide Candlewood with a benefit because it will not have to produce or pay for the research, products or services. Candlewood may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services, rather than on a client's interest in receiving most favorable execution.

Research services obtained with the use of commissions arising from portfolio transactions may be used by Candlewood in its investment activities for all of its clients, and, therefore, any particular client may or may not, in any particular instance, be the direct or indirect beneficiary of the research or services provided.

Subject to the considerations described above, the selection of a broker, including a prime broker, to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of the following: capital introduction, marketing assistance and consulting services with respect to technology, operations, commitment of capital, access

to company management, and access to deal flow. Generally, neither Candlewood nor any client of Candlewood (including the Candlewood Funds) separately compensates any broker for any of these other services. In view of the fact that the investment programs of Candlewood clients include trading as well as investments, short-term market considerations will frequently be involved, and the turnover rate of the portfolios of the Candlewood Funds in certain circumstances may be substantially greater than the turnover rates of other types of investment vehicles.

Directed Brokerage

Candlewood does not have any arrangements with any clients that require Candlewood to execute transactions through a specified broker-dealer.

Trade Aggregation

When it is determined that it would be appropriate for any Candlewood Funds to participate in an investment opportunity, Candlewood will seek to execute orders for all of the participating investment accounts on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends and the investment programs and portfolio positions of the applicable Candlewood Funds for which participation is appropriate. However, Candlewood has no obligation to obtain any particular investment opportunity for any particular Candlewood Fund, and Candlewood may be precluded from offering to certain Candlewood Funds particular securities in certain situations, including where Candlewood or its affiliates have a prior contractual commitment with other accounts or clients. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which Candlewood or its affiliates considers equitable. There is no assurance that the Candlewood Funds will hold the same investments or perform in a substantially similar manner as other Candlewood Funds with similar strategies.

ITEM 13. Review of Accounts

Review of Client Accounts

Candlewood performs various daily, weekly, monthly, quarterly and periodic reviews of the Candlewood Funds' portfolios. Such reviews are conducted by Candlewood's investment professionals. Among other criteria, the portfolios are reviewed in the context of each Candlewood Fund's adherence to the investment objectives and guidelines as set forth in the Governing Documents of each Candlewood Fund.

Each review is conducted by one or more of the following supervised persons:

For the Candlewood Special Situations Funds (and Candlewood Funds with related strategies):	
Supervised Person	Title
Michael Lau	CEO and Managing Partner of Candlewood; Portfolio Manager of Candlewood Special Situations Funds
David Koenig	Managing Partner of Candlewood; Portfolio Manager of Candlewood Special Situations Funds
Jonathan Weiss	Managing Partner of Candlewood
For the Candlewood Constellation SPC – Candlewood Puerto Rico SP:	
Supervised Person	Title
Michael Lau	CEO and Managing Partner of Candlewood; Portfolio Manager of Candlewood Constellation SPC – Puerto Rico SP
Justin Wohler	Partner of Candlewood; Portfolio Manager of Candlewood Constellation SPC – Puerto Rico SP

Reports to Clients

Investors in the Candlewood Funds receive either monthly or quarterly written performance reports, although Candlewood may provide certain investors with information on a more frequent and detailed basis if agreed to by Candlewood. In addition, each Candlewood Fund issues tax reports and audited financial statements to investors within 120 days of its fiscal year-end.

Investors should refer to the Governing Documents of each Candlewood Fund for further information on the reports provided by a particular Candlewood Fund to its investors.

ITEM 14. Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

Candlewood is compensated exclusively by its clients and investors for providing investment advice.

Third Party Compensation for Client Referrals

Candlewood or its affiliates has entered into and may in the future enter into arrangements with unaffiliated placement agents or third parties whereby Candlewood or its affiliates will pay to third parties who introduce clients or investors in the Candlewood Funds to Candlewood or its affiliates a portion of the advisory fee received by Candlewood or its affiliate from such clients or with respect to such investors' investment

in a Candlewood Fund. Any sales charge associated therewith will ultimately be payable by Candlewood or its related persons, either directly or through an offset of the management fee payable by the relevant client or Candlewood Fund to Candlewood. Such arrangements will be disclosed to Candlewood's clients in accordance with, and otherwise comply with, Rule 206(4)-3 under the Advisers Act to the extent applicable. Certain third parties may be affiliates of Candlewood.

ITEM 15. Custody

Candlewood will not have physical custody of any client assets. Candlewood may be deemed to have custody of the assets of the Candlewood Funds as a result of its or an affiliate's authority over the Candlewood Funds.

It is Candlewood's policy to cause each Candlewood Fund with assets over which Candlewood is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles, to investors no later than 120 days after the end of each fiscal year.

All assets in the accounts of Candlewood clients will be held by a qualified custodian, except that certain privately offered, uncertificated securities may be recorded on the books of the issuer or its transfer agent in the name of the relevant Candlewood Fund or client and are not required to be maintained with a qualified custodian.

ITEM 16. Investment Discretion

Subject to the investment objectives, policies and restrictions of each Candlewood Fund as set forth in the Governing Documents of such Candlewood Fund, Candlewood generally has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Candlewood Fund for which it serves as discretionary investment manager, including the selection of, and commissions paid to, broker-dealers. Candlewood generally enters into a written investment management agreement with each client granting such discretionary authority.

ITEM 17. Voting Client Securities

Because Candlewood has, or will accept, authority to vote securities held by a Candlewood Fund, it has adopted policies and procedures that have been designed to ensure that Candlewood complies with the requirements of Rule 206(4)-6 and Rule 204-2(c)(2) under the Advisers Act, and reflect Candlewood's commitment to vote all client securities for which it exercises voting authority in a manner consistent with the best interest of the client.

Candlewood's general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities (collectively, "proxies"), in a manner that serves the best interests of the Candlewood Funds, as determined by Candlewood in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or

increased availability of portfolio information; and (iv) industry and business practices. In limited circumstances, Candlewood may refrain from voting proxies where Candlewood believes that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to the Candlewood Funds.

Prior to exercising its voting authority, if any, Candlewood reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of Candlewood, its owners, its employees or its related persons, with persons having an interest in the outcome of the vote. If a material conflict exists, Candlewood takes steps to ensure that its voting decision is based on the best interests of the client and is not a product of the conflict. Candlewood may, at its discretion, disclose the conflict of interest to the client and defer to the client's voting recommendation, defer to the voting recommendation of an independent third party provider of proxy voting services, or take any other action which would serve the best interest of the client. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar or identical.

Candlewood will deliver to each client upon written request a complete copy of its proxy voting policies and/or information on how it voted proxies for the applicable Candlewood Fund.

ITEM 18. Financial Information

Not Applicable.