

Form ADV Part 2A: FIRM BROCHURE



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March 29, 2019

This Brochure provides information about the qualifications and business practices of Flexpoint Ford, LLC (“Flexpoint”). If you have any questions about the contents of this Brochure, please contact us at (312) 327-4520. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Flexpoint is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

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

Item 2 – Material Changes

There have been no material changes from Flexpoint Ford, LLC's ("Flexpoint") last annual Brochure filing on March 27, 2018. Flexpoint routinely makes changes throughout its Brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry and firm practices. In addition to the types of general updates discussed above, in this year's filing, the following specific Items have been updated:

- Item 4: updated to reflect (i) new investment vehicles and (ii) regulatory assets under management as of December 31, 2018;
- Item 5: updated to clarify various fees and expenses; and
- Item 8: updated to reflect additional risk factors and conflicts of interest in relation to the new investment vehicles and otherwise.

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Item 4 – Advisory Business

In business since 2005, Edwards Capital, LLC d/b/a Flexpoint Ford, LLC (together with its fund general partners and any applicable affiliates (unless otherwise specified), “Flexpoint” or the “Firm”), is a private equity management firm specializing in financial services and healthcare. With its primary place of business in Chicago, Flexpoint also maintains an office in New York.

Flexpoint serves as an investment manager and provides discretionary advisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

Specifically, Flexpoint serves as the investment manager for the following private funds: Flexpoint Fund, L.P. (“Fund I”), Flexpoint Fund II, L.P. (“Fund II”) and Flexpoint Fund III, L.P. (“Fund III”) (together, the “Main Funds”); Flexpoint Fund II (Cayman), L.P., Flexpoint Fund III AIV (Cayman), L.P., Flexpoint Fund III AIV (B), L.P., and Flexpoint Special Assets Fund AIV (Cayman), L.P. (together the “Alternative Investment Vehicles”); Flexpoint Special Assets Fund, L.P. (“Special Assets Fund”); FP DFT Aggregator, LLC and Flexpoint PPH Aggregator, LLC (together the “Co-Investment Vehicles”) (the Main Funds, Alternative Investment Vehicles, Special Assets Fund and Co-Investment Vehicles are collectively referred to as the “Funds,” unless the context otherwise requires).

Each Fund is managed by a general partner (each a “General Partner” and collectively, the “General Partners”), which has the authority to make investment decisions on behalf of such Fund. Each of the General Partners is deemed registered under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), pursuant to Flexpoint’s registration in accordance with SEC guidance. While the General Partners maintain ultimate authority over the respective Funds, Flexpoint or an affiliate has been designated the role of investment adviser. For more information about the Funds and General Partners, please see Flexpoint’s Form ADV Part 1, Schedule D, Sections 7.A. and 7.B.(1).

Each of Flexpoint’s Funds have specific investment mandates as further detailed in each Fund’s Governing Documents (as defined below). The Funds are focused on privately negotiated equity investments in financial services and healthcare companies and make primarily long-term private equity and equity-related investments. Some of the investments in the Main Funds and Alternative Investment Vehicles may be in public companies or in private companies that go public while owned by a particular Fund. The Alternative Investment Vehicles were organized to address specific tax, legal, business, accounting and regulatory-related matters. The Special Assets Fund was formed to invest primarily on a privately negotiated basis in financial assets that Flexpoint believes will provide an attractive risk-adjusted return, either directly by acquisition or indirectly by funding investments backed by such assets. The Co-Investment Vehicles were formed to permit certain existing investors to invest in portfolio companies alongside existing Funds.

Flexpoint's advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. When such investments consist of portfolio companies, the senior principals or other personnel and/or third parties appointed by Flexpoint will generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds. Flexpoint provides investment advisory services to each Fund in accordance with the applicable limited partnership agreement, private placement memorandum, investment advisory agreement, and, if applicable, any side letters as well as any analogous organizational or constituent documents of such Fund (collectively, the "Governing Documents").

Flexpoint does not tailor its advisory services to the individual needs of investors in its Funds; the Firm's investment advice and authority for each Fund is tailored to the investment objectives of that Fund as described in the Governing Documents of the applicable Fund. Investors in Funds participate in the overall investment program for the applicable Fund and generally cannot be excused from a particular investment except pursuant to the terms of the Governing Documents. Flexpoint has entered into side letters or similar agreements with certain investors including those who make substantial commitments of capital or who were early-stage investors in the Funds, or for other reasons in the sole discretion of Flexpoint, in each case that have the effect of establishing rights under, or altering or supplementing a Fund's Governing Documents with respect to the applicable investor. Such rights include but are not be limited to: notification provisions, reporting requirements and "most favored nations" provisions, among others. Side letters are negotiated at the time of an investor's capital commitment, and once invested in a Fund, investors generally cannot impose additional investment guidelines or restrictions on such Fund.

Flexpoint does not participate in wrap fee programs.

As of December 31, 2018, Flexpoint managed approximately \$2,450,527,417 of regulatory assets under management, all of which are managed on a discretionary basis.

Principal Owners

Flexpoint is owned by the Firm's Chief Executive Officer, Donald J. Edwards. For more information about Flexpoint's owners and executive officers, see Flexpoint's Form ADV Part 1, Schedule A and Schedule B.

Item 5 – Fees and Compensation

For services provided to each Fund, the Fund pays a management fee and a performance-based fee (as described in Item 6 below). In addition, on occasion the Funds pay directly, or indirectly through portfolio companies, certain supplemental fees and expenses as more fully discussed below. The following is a summary of how Flexpoint is compensated for its advisory services; investors should

refer to the Governing Documents of the applicable Fund for a complete understanding of how Flexpoint is compensated for its services.

Management Fees

As compensation for investment advisory services rendered to the Funds (and not the Co-Investment Vehicles), each Fund pays the applicable General Partner or its designated management company a management fee (each, a “Management Fee”). Investors in the Co-Investment Vehicles do not pay a Management Fee. The calculation of each Fund’s Management Fee is more specifically detailed in such Fund’s Governing Documents.

Generally, the Main Funds and the Alternative Investment Vehicles pay the applicable General Partner an annual Management Fee of 2% of the Fund’s committed capital. During the investment period, the annual Management Fee is based on the total capital commitments of the Fund’s investors. Thereafter, the Management Fee is computed based on the lesser of the Fund’s committed capital or the respective Fund’s net asset value. The Special Assets Fund pays to its General Partner or the designated management company an annual Management Fee equal to 2% of the excess of: (i) the daily average of (a) the aggregate acquisition cost of investments or the portion thereof not disposed of or completely written off, plus (b) the value of short term investments and the Special Asset Fund’s cash over (ii) the daily average of the aggregate principal amount of the Special Assets Fund’s outstanding indebtedness for borrowed money used to make investments, in each case as determined for the immediately preceding quarterly period, provided that investments in an issuer will be treated as having been disposed of or completely written off only to the extent that, as of the date of any such disposition or write off, the aggregate fair market value of all remaining Special Assets Fund investments in such issuer is less than the Special Assets Fund’s aggregate investment contributions (both existing and former) made with respect to such issuer.

The precise amount of, and the manner and calculation of, the Management Fees for each Fund are established by Flexpoint, as modified by negotiations with investors in the applicable Fund during its fundraising period, and are set forth in each Fund’s Governing Documents, in each case as received by each investor prior to investment in a Fund. Flexpoint, may, however, in its sole discretion, waive or reduce a portion of the Management Fee. To date, with the exception of the Co-Investment Vehicles, which do not pay Management Fees, fees have been the same for all investors in the Funds.

Management Fees will generally be reduced by (i) the amount of fees paid by such Fund to entities or persons acting as a placement agent or finder in connection with the offer and sale of interests in such Fund, as applicable; (ii) costs incurred by Flexpoint in connection with the organization of such Fund that exceed a limit as specified in such Fund’s Governing Documents, as applicable; and (iii) if applicable, certain supplemental fees and compensation with respect to portfolio investments, including closing fees, investment banking fees, placement fees, commitment fees, breakup fees, litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors’ fees and other similar fees (whether in the form of cash, securities or otherwise) the amount of which are paid by the Funds (directly, or indirectly by the portfolio companies) and are determined by

Flexpoint on a transaction-by-transaction basis, subject to the terms set forth in each Fund's Governing Documents. All such supplemental fees received are offset in whole against the Management Fee, net of any expenses incurred in connection with such portfolio investment; however, any such fees paid to non-Flexpoint employees (such as Operations Consultants, as defined below) are not subject to an offset against Management Fees. Further, any such reduction of a Fund's Management Fee is typically limited to the extent of such Fund's proportionate interest in any such portfolio company and only to the extent a Management Fee is payable by a Fund currently or in the future.

To the extent that such an offset credit would reduce a Fund's Management Fee for a given period below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon dissolution, a payment will be made to investors that have not elected to waive such amount for tax or other reasons. The amount and manner of such reduction is set forth in the relevant Governing Documents of the applicable Fund.

Management Fees billed to and received from the Funds vary by Fund and, other than with respect to the Special Assets Fund, are payable on a semi-annual basis for the semi-annual period commencing on January 1 and July 1 of each year, payable on January 15 and July 15 of each year, in arrears with respect to the first fifteen days of the period and in advance for the remainder of the period. Management Fees for the Special Assets Fund are payable quarterly in arrears.

Withdrawals of capital from the Funds are not permitted and the Funds typically invest on a long-term basis. Accordingly, Management Fees are expected to be paid, except as otherwise described in the Governing Documents, over the term of the Funds.

Manager Expenses

To the extent provided in the Governing Documents, Flexpoint will pay out of Management Fees certain operating expenses, including expenses on account of rent, utilities, equipment expenses, compensation of its partners and employees, and other routine administrative expenses relating to the services and facilities provided by Flexpoint to the Funds.

Fund Expenses

With the exception of certain limited expenses which are paid directly from investor capital contributions as well as ordinary overhead and administrative expenses which are payable by Flexpoint, each Fund will bear all other fees, costs, expenses, liabilities and obligations relating to the Fund's or its portfolio companies' activities, investments and business (to the extent not borne or reimbursed by its portfolio companies), including, but not limited to: (i) all fees, costs, expenses, liabilities and obligations attributable to structuring, organizing, acquiring, managing, operating, holding, refinancing, valuing, winding up, liquidating, dissolving and disposing of a Fund's investments, including costs, expenses, liabilities and obligations incurred prior to the Fund's effective date (including, interest and fees on money borrowed by a Fund, Flexpoint or an affiliate thereof on

behalf of such Fund, registration expenses, compensation for services provided by any Operations Consultant and brokerage, finders', custodial and other fees, travel (including, where appropriate, the cost of chartering private aircraft or other private air travel (including from the principals or an affiliate of the General Partner) at a cost above the cost of first class commercial airfare), insurance, litigation and indemnification costs and expenses, judgments and settlements); (ii) legal, accounting, auditing, administration, custodian, depositary, consulting (including consulting and retainer fees paid to any Operations Consultant), insurance (including directors and officers and errors and omissions liability insurance), brokers, finder's, financing, commitment fees, real estate title, survey, appraisal, third party valuation, filing, printing, transfer, registration, and other fees and expenses (including fees, costs and expenses associated with the preparation or distribution of a Fund's financial statements, tax returns, tax estimates or any other administrative, regulatory or other Fund-related reporting or filing), and Schedules K-1s; (iii) expenses of a Fund's advisory board; (iv) all out-of-pocket fees, costs and expenses, liabilities and obligations incurred by a Fund, the General Partner thereof or any other Flexpoint employee relating to investment and disposition opportunities for a Fund not consummated (including, legal, accounting, auditing, insurance, consulting (including consulting and retainer fees paid to any Operations Consultant), brokers, finders', financing, appraisal, filing, printing, real estate title, survey and other fees and expenses); (v) all out-of-pocket fees, costs and expenses incurred by a Fund, the General Partner thereof or any other Flexpoint employee in connection with any conference or meeting of Fund investors or any conference or meeting with portfolio company CEOs; (vi) the Management Fee and all expenses related to the organization and offering of such Funds, including the organization of any General Partners or parallel funds to such Funds; (vii) any taxes, fees and other governmental charges levied against a Fund (except to the extent that a Fund is reimbursed therefor or such tax, fee or charge is treated as having been distributed to the Fund's investors pursuant to the Governing Documents); (viii) any private placement and finders' fees and expenses paid to third parties in connection with the organization and funding of a Fund, (ix) costs and expenses that are classified as extraordinary expenses under generally accepted accounting principles ("GAAP") (including litigation, indemnification, judgments and settlements, if any), (x) all fees, costs and expenses incurred in connection with the organization, management, operation and dissolution, liquidation and final winding up of any Alternative Investment Vehicles and (xi) unreimbursed costs and expenses incurred in connection with any transfer of interests by a Fund investor. For more information about Flexpoint's brokerage practices, please see Item 12, below.

Each Fund is responsible for organizational and startup expenses up to a specified amount and for specific expenses as more fully detailed in each Fund's Governing Documents. Through their investment in the Fund, each investor therein will bear its pro rata share of the applicable Fund's organizational expenses. As mentioned above, any amounts in excess of the organizational amounts specified in a Fund's Governing Documents are borne by Flexpoint and offset dollar for dollar against the applicable Management Fee.

Co-Investment Fees and Expenses

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

Flexpoint typically charges investors in a Co-Investment Vehicle a transaction fee and for their share of the applicable Co-Investment Vehicle's reimbursable expenses. Transaction fees are generally charged to a Co-Investment Vehicle as a one-time agreed-upon fee for organizing and closing such Co-Investment Vehicle payable upon consummation of the closing of the Co-Investment Vehicle. Co-Investment Vehicles do not have an offset for any transaction fees received as co-investors do not pay a Management Fee; similarly, there is no offset to a Fund for any transaction fees received on behalf of a Co-Investment Vehicle.

Portfolio Company Remuneration

Flexpoint is entitled to receive certain supplemental fees and compensation with respect to portfolio investments, including all closing fees, investment banking fees, placement fees, commitment fees, breakup fees, litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors' fees and other similar fees (whether in the form of cash, securities or otherwise) the amount of which are paid by the Funds (directly, or in the case of monitoring fees, indirectly by the portfolio companies) and are determined by Flexpoint on a transaction-by-transaction basis, subject to the terms set forth in each Fund's Governing Documents. While under the Funds' Governing Documents, each Fund is permitted to be charged various transaction fees, to date no transaction fees have been taken by Flexpoint on behalf of the Funds (but for the avoidance of doubt, as mentioned above, such transaction fees have been assessed on the Co-Investment Vehicles). Flexpoint offsets the receipt of monitoring fees from a portfolio company 100% against the Management Fees of such Fund.

In addition, a portfolio company will generally reimburse Flexpoint for expenses (including without limitation travel expenses, which may include expenses for chartered or first-class travel) incurred by Flexpoint, a General Partner or their respective affiliates in connection with its performance of services for a portfolio company, and such reimbursements are not subject to the fee offset provisions.

From time to time, Flexpoint may (in its sole discretion), agree to pay a transaction fee, portion of carried interest or other fee received from an actual or prospective portfolio company to a third party, such as a consultant, adviser, finder, placement agent, broker and/or investment bank. In such event, the third-party fee is not a fee that Flexpoint is entitled to retain and, therefore, Flexpoint is not required under the terms of the applicable organizational documents to share such third-party fees with a Fund.

Operations Consultants

Flexpoint and its affiliates also engage and retain advisers, consultants, operating partners, operations consultants, executive partners and other similar professionals who are not employees or affiliates of Flexpoint (collectively, “Operations Consultants”). Operations Consultants are retained primarily to provide sales, marketing, technology, human resources, acquisition integration/rationalization and/or other operations services, acquisition or other due diligence, or similar services to the Funds or any portfolio company or prospective portfolio company. Flexpoint typically pays Operations Consultants a retainer out of Management Fee proceeds. In addition, Operations Consultants will, from time to time, receive compensation including, but not limited to, fees, payments, co-investment rights, equity allocation and/or allocations with respect to portfolio companies, including incentive equity or other stock awards from a portfolio company or prospective portfolio company (which payments are not included as transaction fees). Operations Consultants typically incur expenses while working with Flexpoint portfolio companies, and such expenses are paid or reimbursed by either Flexpoint, the relevant portfolio company or the relevant Fund. Flexpoint may also appoint such Operations Consultants to serve on the board of a Flexpoint portfolio company, and any fees for board service received by the Operations Consultants will not be deemed paid to or received by Flexpoint and its affiliates and thus will not be offset against Management Fees. Operations Consultants are also reimbursed for the cost of their travel to and from portfolio company board meetings and other portfolio company business and such expenses are generally borne by the relevant portfolio company which the Operations Consultant is advising but may also be paid by the relevant Fund in the event the deal in question is not consummated. If an Operations Consultants provides work for a portfolio company in addition to board service, any such fees are paid by the portfolio company and not offset against Management Fees. There can be no assurance that any of the Operations Consultants will continue to serve in such role and/or continue their arrangement with Flexpoint and/or any portfolio company throughout the terms of the Funds.

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

A portion of the profits of each Fund is distributed to its General Partner as carried interest (the “Carried Interest”). A Carried Interest allocation represents an adviser’s compensation based on a percentage of net profits of the Funds it manages. The Carried Interest allocations are subject to specified minimum valuation tests as well as claw-backs in the event that a Fund’s General Partner is paid in excess of its entitled Carried Interest distribution. The General Partner of each Fund, in its

sole discretion, is permitted to waive or reduce the amount of Carried Interest for certain Fund investors. For example, investors in Co-Investment Vehicles do not pay a Carried Interest allocation.

The Carried Interest amount is generally equal to 20% of all realized profits after reimbursement of all relevant Fund expenses, including Management Fees. Each Fund's Carried Interest fee structure, as well as the clawback provision of each Fund, is described in detail in the relevant Governing Documents received by each investor prior to investment in such Fund.

These performance fee arrangements have been structured to comply with Section 205(a)(1) the Advisers Act and the rules and regulations thereunder, including the exemption set forth in Rule 205-3 of the Advisers Act.

The payment by the Funds of Carried Interest has the potential to create an incentive for Flexpoint to (i) disproportionately allocate time, services, or functions to Funds paying Carried Interest, (ii) to allocate investment opportunities to such Funds, or (iii) to make investments that are more speculative. Generally, and except as otherwise set forth in the Governing Documents of the Funds, Flexpoint believes that this conflict is sufficiently mitigated by the fact that (i) the General Partner makes a pro rata monied investment commitment to each Fund, (ii) losses on speculative investments would negatively impact overall Fund performance, thus reducing the Carried Interest payable to the General Partner, and (iii) Carried Interest is generally calculated only after investors have first received as distribution 100% of their capital contributions related to any such realized investment.

Item 7 – Types of Clients

Flexpoint provides investment advisory services directly to the Funds (subject to the direction and control of the General Partner of each such Fund, if applicable). Interests in the Funds are offered pursuant to applicable exemptions from registration under the Investment Company Act. Investors in the Funds must meet certain suitability and net worth qualifications prior to making an investment in the Funds. Investors in the Funds are generally “accredited investors” as defined in the Securities Act, and “qualified purchasers” or “knowledgeable employees,” each as defined in the Investment Company Act. Investors include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities. In addition, employees and other persons associated with Flexpoint and/or its affiliates are investors in the Funds.

Funds I and II had a \$1.0 million minimum commitment requirement for investment in the Funds; Fund III had a minimum contribution amount of \$3.75 million; and the Special Assets Fund had a minimum contribution amount of \$1.25 million. There is no minimum contribution amount for the Alternative Investment Vehicles, as these vehicles are organized primarily for tax purposes. Similarly, there is no minimum contribution amount for Co-Investment Vehicles, as these vehicles are established based on the funding needs of the portfolio company in which such investment is made. The General Partner of each Fund has, in its sole discretion, permitted investments below the minimum amount set forth in a Fund's offering documents.

For co-investment opportunities, in its sole direction, Flexpoint permits certain investors (generally Fund investors) to invest in a single portfolio company alongside a Fund or Funds through an aggregator or special purpose vehicle. The Firm will usually only consider a co-investment opportunity in the event a Fund investment is too large for a Fund or Funds; such determinations are based on the provisions of the applicable Governing Documents and such other factors as Flexpoint considers in its sole discretion, including those specified from time to time in its policies on investment allocation and co-investments. Subject to any restrictions contained in the Governing Documents of the relevant Fund or any side letter or other terms negotiated with respect to such Fund, in general no investor has a right to participate in any co-investment opportunity. Factors Flexpoint considers when determining who to include in a Co-Investment Vehicle include: (i) any expressed interest of the prospective co-investor as memorialized in a side letter; (ii) whether the prospective co-investor brought the investment opportunity to Flexpoint; (iii) the ability and expected interest of the prospective co-investor to participate in the applicable investment and meet the desired due diligence, approval and funding timetable; (iv) Flexpoint's prior experience with the prospective co-investor; (v) Flexpoint's anticipated alignment of interest with the prospective co-investor; (vi) any expertise or experience of the prospective co-investor that is relevant to or otherwise of strategic value to Flexpoint, the Fund(s) or the particular investment; (vii) any anticipated legal or regulatory complications involving the prospective co-investor; (viii) Flexpoint's expectations regarding the portfolio companies or investments and any other expected co-investor's view of the prospective co-investor's participation in the co-investment opportunity; (ix) the size of the investment allocation available to Flexpoint (and not being allocated to the Funds), and the practicality of splitting the allocation into smaller tranches; (x) any requirements of any third-party lenders as to the identity of any individual participating as co-investors, or as to the creditworthiness of any potential co-investors, or as to the number of potential co-investors, or as to other matters with respect to the co-investors in the transaction; (xi) the ability of the potential co-investor to invest an amount of capital that is consistent with the needs of the investment; (xii) the knowledge and sophistication, as determined by Flexpoint in good faith, of the proposed co-investor; (xiii) whether the proposed co-investor has expressed an interest in evaluating co-investment opportunities; (xiv) whether the proposed co-investor has any interests in any competitor of the underlying investment; and (xv) other factors that Flexpoint considers important in connection with the specific transaction or investment.

Some co-investors may be provided the opportunity to sit, or have a representative sit, on the board of directors or board of advisers of a Flexpoint portfolio company. Positions on boards of directors or advisers of such portfolio companies provide such persons with voting rights, access to information and potentially the ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other investors. Any board fees received by such co-investors are paid by the relevant portfolio company and are not subject to the offset against Management Fees.

Participation in a co-investment opportunity with the applicable Funds generally will be allocated among electing eligible investors based on their respective allocation percentages, which are determined by Flexpoint in good faith, taking into consideration: (i) certain allocation factors included in Flexpoint's investment allocation policy; (ii) the amount requested by such eligible investor in

respect of a particular co-investment opportunity; (iii) the total amount requested by all eligible investors in respect of a particular co-investment opportunity; and (iv) the total capital commitments of such eligible investor in the applicable Fund.

Co-investment Vehicles typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as are offered to the corresponding Fund(s) making the investment. However, from time to time, for strategic and other reasons, an individual co-investor or Co-Investment Vehicle may purchase a portion of an investment from one or more Funds after such Fund(s) have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by an individual co-investor or Co-Investment Vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment, and the co-investor or Co-Investment Vehicle may be charged interest on the purchase to compensate the relevant Fund for the holding period, and as mentioned in Item 5 above, generally will be required to reimburse the relevant Fund for related costs.

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

Methods of Analysis

Deal Sourcing and Idea Generation. Flexpoint believes, across both the financial services and healthcare sectors, that the most readily available investment opportunities (*i.e.*, companies for sale by intermediaries) create a level of interest among potential investors that can drive entry valuations to levels where the risk-return profiles become unappealing. As such, Flexpoint has worked hard in a number of ways to source opportunities where the strict price competition is more muted. Only a small number of Flexpoint's investments to date have been made as the result of offering the highest price in a traditional auction process.

In addition to these efforts to help Flexpoint be “early movers” with investment theses in attractive niche sectors, the Firm believes that its flexible approach to investment structure provides it with another powerful tool to mitigate the dominance of entry price as the determinant of closing investment opportunities. In contrast to many private equity firms, a significant number of Flexpoint's investments have been in structures other than majority-control buyouts. Leading with industry expertise, Flexpoint has been flexible in tailoring investment structures to invest in what the Firm believes are the best risk-return opportunities available.

Analysis and Due Diligence. As in deal sourcing and idea generation, the application of Flexpoint's industry strategy drives its due diligence process, and diligence focus and capability serves to differentiate the Flexpoint approach to investing. The Firm has often developed the preliminary framework of an investment thesis in a sector even before the opportunity to diligence a particular investment opportunity. As such, Flexpoint is generally well-prepared to move quickly in its analysis and diligence on a specific company when the opportunity arises.

Following the industry specific diligence, which Flexpoint believes is critical to the development of its thesis, the Firm performs rigorous accounting and financial, legal, operational and customer and supplier diligence. Flexpoint often uses outside firms and works closely with them to assist in elements of accounting and legal diligence. While financial and legal diligence are critical components of the investment process, Flexpoint places equal emphasis on using the diligence process to delve into the assumptions behind its investment thesis. Flexpoint believes that industry knowledge and experience are preconditions to developing a fully-formed judgment taking these factors into account.

Deal Execution. Flexpoint has successfully completed investments across a broad spectrum of structures, including minority investments in private companies, and has raised a full range of debt capital to facilitate deals (including bank debt, institutional senior and subordinated debt).

Portfolio Company Guidance. Flexpoint leans heavily on the industry expertise its team has developed over many years in building its portfolio companies. The Firm's experience across a wide range of businesses over many years allows Flexpoint to be a trusted partner for management teams as they assess the many regulatory changes they inevitably face over time in their sub-sectors of the financial services and healthcare industries.

Exits. While portfolio company financial performance over time is certainly the key factor in achieving attractive equity returns, Flexpoint believes that well-timed and well-executed liquidity actions can enhance returns. The Firm has a demonstrated record of optimizing exit timing and value through a variety of vehicles including sales, recapitalizations, public offerings, and liquidation of public positions. Flexpoint believes that its industry-focused approach provides enhanced insight into optimal exit opportunities and, as applicable, into the dynamics affecting specific potential strategic acquirors that allow the Firm to oversee a more successful sale process.

The Firm believes its industry expertise and experience contributes substantially to the sale of its investments. Flexpoint has seldom relied on third-party advisers or intermediaries to source and negotiate exit opportunities. Most importantly, the Firm believes that direct involvement with its extensive industry contacts has served to optimize exit opportunities.

Investment Strategy

Financial Services Investment Strategy

Flexpoint's financial services investments include commercial finance companies, specialized consumer lenders, insurance companies (including property/casualty, life and reinsurance), asset managers, transaction processors and other service providers to the financial services industry. The Firm expects that the majority of the investments will be in private companies or public companies where the Funds have a significant ownership interest and at least one board seat.

The Firm believes there are opportunities during various stages of development within financial services companies, including during: the growth and rollout of an existing strategy, a mature phase

when maximizing cash flow, a period of industry consolidation and a required turn-around. Each of these stages can offer different risks and rewards, and Flexpoint has experience investing and operating across this spectrum.

Special Assets Fund Investment Strategy

Flexpoint believes that through its focus and expertise in financial services private equity, it has developed the opportunity to invest in what it calls “financial assets” in addition to private equity. Financial assets include, but are not limited to, loans, leases, books of insurance, advance lines to commercial and consumer lenders, life settlements and other assets of different financial services companies. Flexpoint believes that one of the defining characteristics of the Firm is that, in connection with making and managing various private equity investments in the financial services sector, it has developed in-house expertise to evaluate many types of financial assets. The Firm has drawn heavily on this expertise in establishing its record of identifying, analyzing and investing in companies that originate and service financial assets.

Life Settlements

Certain Funds are expected to participate in a more directed investment strategy related to life settlements, and such assets may be acquired by a Fund individually or in coordination with other Funds. Specifically, within the life settlements market, these Funds will acquire life settlements in (i) the secondary market from one or more licensed life settlement providers (which are the regulated entities that are authorized by state governmental authorities to purchase life insurance policies from consumers) as well as in (ii) the tertiary market directly from various sellers. The Firm’s management team has studied the life settlements market and believes it has developed proprietary techniques, technology and datasets to transform market challenges into competitive advantages. The capabilities of the Firm’s management team derive from their collective experience in key areas of the asset class: investment through the secondary market and tertiary market, portfolio management, underwriting, origination, premium finance and servicing spanning multiple decades. Investments in the life settlements market are expected to be relatively uncorrelated to traditional asset classes such as the U.S. stock market and U.S. credit market.

Healthcare Investment Strategy

Flexpoint’s healthcare strategy attempts to strike a balance between enthusiasm for the prospects of non-cyclical demand growth for all types of healthcare services and products, and healthy respect for the risks presented by significant government influence over pricing and extensive regulatory oversight of the sector. The Firm’s collective experience investing in healthcare businesses has taught it that the best investment opportunities arise in sub-segments where the Firm’s view of the appropriate balance point differs from that of the market.

As a result of the third-party reimbursement system in the U.S., with a substantial portion of that reimbursement coming from government sources, Flexpoint believes that healthcare businesses as a

whole tend to be uncorrelated with the economic cycle. Instead, Flexpoint believes that growth in individual healthcare businesses tends to be driven by consumer demand trends, innovation, and political changes that may change overall reimbursement or may favor one particular type of healthcare service or product over another. In addition, due to the disconnect between any purchase decision and the ultimate payment for that decision, there are substantial regulatory protections in place to prevent self-dealing or fraudulent behavior, often placing significant operational burdens even on honest providers of healthcare. Successful investors in healthcare businesses must be adept at anticipating the prospects for reimbursement change over both the short and long term, and projecting likely increases in regulation that could impact the way a business acquires customers or manages its operations.

Flexpoint divides the universe of healthcare investing opportunities into four categories: providers (*e.g.*, hospitals, long term care facilities, clinical laboratories, home health, pharmacy); payors (*i.e.*, managed care organizations focused either on a particular population or on a particular type of healthcare benefit); product companies (*i.e.*, manufacturers and marketers of pharmaceuticals and medical devices); and outsourced services to the product companies, providers and payors (*e.g.*, distribution, marketing services, outsourced clinical research).

Risks (for all Funds)

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors must be prepared to bear the risk of a complete loss of their investments. Investors should also refer to a Fund's Governing Documents for a description of the risk factors specific to their Fund. In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include but are not limited to the following:

Business Risks. The Funds' investment portfolios consist primarily of securities issued by privately held companies and other financial assets, and operating and/or other financial results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses. In addition, all investments risk the loss of capital. Flexpoint believes that each Fund's investment program and research techniques moderate this risk through a careful selection of securities and other financial instruments. No guarantee or representation is made that a Fund's investment program will be successful.

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

Concentration of Investments. Each Fund will participate in a limited number of investments and intends to make most of its investments in one or two industries or one or two industry segments or within a short period of time. As a result, each Fund's investment portfolio could become highly concentrated, and the performance of a few holdings, or of a particular industry, may substantially affect its aggregate

return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds are likely to invest in fewer portfolio companies and, thus, be less diversified. Investments in the Co-Investment Vehicles are made in one portfolio company and thus are concentrated solely on that one investment.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity and financial asset transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. Also, regardless of a Fund's investment activity, investors will be required to bear (a) Management Fees during a Fund's investment period based on the entire amount of the respective Fund's investors' capital commitments and (b) other expenses as set forth in the relevant Governing Documents.

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

Leveraged Investments. The Funds expect, in certain circumstances, to make use of leverage by incurring, or having a portfolio company incur, debt to finance a portion of its investment in a given portfolio company or other investment, including in respect of portfolio companies or investments not rated by credit agencies. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by a Fund will also result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies and other investments will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies or other investments in a down market. In the event any portfolio company or other investment cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in such portfolio company or investment, which could adversely affect the returns of the Funds. Furthermore, should

the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company or other investment, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Funds plan to invest generally will not be rated by a credit rating agency. A Fund is permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). Similarly, a Fund can incur leverage on a joint and several basis with one or more other investment funds and entities managed by its General Partner or any of its affiliates and, in such cases, will generally have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts are typically secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund. Moreover, tax-exempt investors should note that the use of borrowings by the Fund has the potential to cause the realization of UBTI.

To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions, or a portfolio company borrows funds directly through the Fund facility, the Fund's investors generally make later capital contributions, but the Fund will bear the expense of interest on such borrowed funds. In addition, a Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and has the potential to make net IRR calculations higher than they otherwise would be without Fund-level borrowing, as these calculations generally depend on the amount and timing of capital contributions. Flexpoint therefore has a conflict of interest in deciding whether to borrow funds because Flexpoint has the potential to receive disproportionate benefits from such borrowings.

Additionally, the Governing Documents of certain Funds permit each such Fund's General Partner, or its affiliates, to lend money to the applicable Fund. Such lending arrangements create conflicts of interest between the applicable General Partner or affiliate and the Fund acting as borrower.

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

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of the Funds' investments, and hence, most of the Funds' investments will be difficult to value. Certain investments may be distributed in kind to the investors and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to the investors, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities are eventually sold by such investors may be lower than the value of such securities determined pursuant to the applicable Governing Documents, including the value used to determine the amount of Carried Interest available to the applicable General Partner with respect to such investment.

Reliance on the General Partners and Portfolio Company Management; Dependence on the Investment Professionals. Control over the operation of a Fund is vested with its General Partner, and a Fund's future profitability will depend largely upon the business and investment acumen of the investment professionals. The loss or reduction of service of one or more of the investment professionals could have an adverse effect on a Fund's ability to realize its investment objectives.

While the investment professionals have previous experience making and managing investments similar to those contemplated by each Fund, there can be no assurance that the Fund's investments will achieve results similar to those attained by previous investments made by the investment professionals. A Fund's investments may differ from previous investments made by the investment professionals in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure and holding period. Also, the Special Assets Fund's primary investment focus differs from that of the Main Funds and therefore returns may differ, possibly materially.

In addition, the investment professionals manage several Flexpoint Funds and the investment professionals are expected to devote substantial amounts of their time to the investment activities of such other funds, which will pose conflicts of interest in the allocation of the time of the investment professionals. Many investment professionals will devote time to multiple Funds. Investors generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of such Fund will depend on the actions of Flexpoint personnel. In addition, certain changes in personnel or circumstances relating to Flexpoint may have an adverse effect on the applicable Fund or one or more of its portfolio companies or other investments, including potential acceleration of debt facilities. Although Flexpoint will monitor the performance of its Funds' investments, it will primarily be the responsibility of each portfolio company's or other issuer's management team to operate such portfolio company or other issuer on a day-to-day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Funds' objectives.

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

Need for Follow-On Investments. Following its initial investment in a given portfolio company or other issuer, a Fund may decide to provide additional funds to such portfolio company or other issuer or may have the opportunity to increase its investment in a successful portfolio company or other issuer

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

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

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

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

In addition, a Fund will be permitted co-invest with third parties alongside financial, strategic or other third-party co-investors through joint ventures or other entities (especially with respect to certain investments (for example, in larger companies) that can only be made by the Fund with other third-party co-investors), which may have larger or controlling ownership interests in such portfolio companies. In such cases, a Fund will rely significantly on the existing management and board of directors and other shareholders of such companies, which may include representatives of other financial investors with whom such Fund is not affiliated and whose interests may at times conflict with the interests of the Fund, including the possibility that co-investor(s) may have interests or objectives that are inconsistent with those of a Fund, be in a position to take actions contrary to a Fund's investment objectives or become bankrupt or otherwise default on their obligations. Investments made with third parties in joint ventures or other entities also may involve carried interests and/or other fees payable to such third-party partners or co-venturers. Although Flexpoint generally expects that appropriate minority shareholder rights will be obtained to protect a Fund's interests to the extent possible, there can be no assurance that such minority shareholder rights will be available or that such rights will provide sufficient protection of a Fund's interests.

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

Distressed Investments. Certain Funds may make a portion of their investments in securities and obligations, including debt instruments, of U.S. and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems or that are involved in bankruptcy or reorganization proceedings. Investments of this type generally involve substantial financial and business risks that can result in substantial or at times even total losses. Among the risks inherent in investments in troubled entities is the fact that it frequently is difficult to obtain information as to the true condition of such issuers. Such investments also could be adversely affected by U.S. state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability, and the U.S. Bankruptcy Court's power to disallow, reduce, subordinate or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (*e.g.*, due to failure to obtain requisite approvals), will be delayed (*e.g.*, until various liabilities, actual or contingent, have been satisfied), or

will result in a distribution of cash or a new security the value of which is less than the purchase price to a Fund of the security in respect to which such distribution was made.

Risks Relating to Due Diligence of and Conduct at Portfolio Companies. Before making investments, Flexpoint conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence often entails evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisers, accountants, investment banks and other third parties are involved in the due diligence process to varying degrees depending on the type of investment. Such involvement presents a number of risks primarily relating to Flexpoint's reduced control of the functions that are outsourced. When conducting due diligence and making an assessment regarding an investment, Flexpoint will rely on the resources available to it, including information provided by the target of an investment and, in some circumstances, third-party investigations. Flexpoint's due diligence investigation with respect to any investment opportunity may not reveal or highlight all relevant facts that could be necessary or helpful in evaluating such investment opportunity. Moreover, a due diligence investigation will not necessarily result in any particular investment being successful. There can be no assurance that attempts to provide downside protection with respect to investments will achieve their desired effect and potential investors should regard an investment in each Fund as being speculative and having a high degree of risk.

Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, Flexpoint will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The Firm has established a valuation policy which it will follow when performing portfolio company valuations. The exercise of discretion in valuation by the Firm could give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of Carried Interest and the calculation of Management Fees.

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

Fund Expenses. Each Fund will pay and bear all expenses related to its investment activities, which will be substantial and will reduce the actual returns realized by investors on their investment in such Fund (and may, in certain circumstances, reduce the amount of capital available to be deployed by such Fund in investments). Fund expenses encompass a broad category of expenses, including recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. Accordingly, the amount of Fund expenses ultimately called or called at any one time could exceed amounts expected or budgeted by the General Partner and/or investors. Such expenses are generally expected to be borne directly by a Fund or indirectly through reimbursement by portfolio companies and will reduce returns to investors.

In addition, the Funds, through portfolio companies or directly, bear the cost, including compensation, of directors, executives or consultants to portfolio companies, which often include former senior principals or employees of Flexpoint, in connection with management or consulting services provided by such persons. Any such cost will generally not offset Management Fees paid to Flexpoint. Because such persons are former senior principals or employees of Flexpoint, Flexpoint could have a potential conflict of interest in approving such arrangement, although it seeks to do so generally at market rates for the services provided. There can be no assurance, however, that such rates are the lowest cost available.

Limited Access to Information. Investors' rights to information regarding each Fund will be specified in and limited to the information set forth in each Fund's Governing Documents. In particular, it is anticipated that Flexpoint will obtain certain types of material information from investments that will not be disclosed to investors because such disclosure is prohibited for contractual, legal or similar obligations outside of such Flexpoint's control. Decisions by Flexpoint to withhold information may have adverse consequences for investors in a variety of circumstances. Decisions to withhold information will also make it difficult for investors to monitor Flexpoint and its performance. Additionally, it is expected that investors who designate representatives to participate on the advisory board will, by virtue of such participation, have more information about a Fund and investments in certain circumstances than other investors generally and will be disseminated information in advance of communication to other investors generally.

Recycling; Reinvestment. Each Fund's General Partner has the ability to recall (or retain and reinvest) distributions to the extent of capital contributions for investments realized within one year and as otherwise set forth in the relevant Fund Governing Documents. During the Special Assets Fund's investment period, its General Partner has the right to generally recall (or retain and reinvest) distributions from an investment during the investment period. Any amount drawn down to pay such Fund's expenses will, to the extent investors receive subsequent distributions, be subject to recall by such Fund's General Partner. Accordingly, in such circumstances, an investor will be required to make capital contributions to a Fund in excess of its capital commitment to such Fund, and to the extent such recalled or retained amounts are reinvested in investments, an investor will remain subject to investment and other risks associated with such investments.

Cybersecurity Risk. The Funds, their portfolio companies, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their portfolio companies, despite the efforts of service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and their portfolio companies. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of the Funds, their portfolio companies, their service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of such systems to disclose sensitive information to gain access to the confidential data. A successful penetration or circumvention of the security of such systems could result in the loss or theft of data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds or their portfolio companies to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

The Following Additional Risks are Applicable to an Investment in the Special Assets Fund Only

Credit Risks of Investments in Debt Securities. The Special Assets Fund invests primarily in “financial assets”, which include but are not limited to: loans, leases, bonds of insurance, advance lines to commercial and consumer lenders, life settlements, litigation receivables and other assets of many other kinds of financial services companies. Debt portfolios are subject to credit risk, which is the likelihood that an issuer will default in the payment of principal and/or interest on an instrument, and interest rate risk, which is the risk associated with market changes in interest rates. Financial strength and solvency of an issuer are the primary factors influencing credit risk. Borrowers often face intense competition, changing business and economic conditions or other developments that may adversely affect their performance and increase credit risk. In addition, subordination or lack or inadequacy of collateral or credit enhancement for a debt instrument will affect its credit risk. Credit risk may change over the life of an investment. In addition, borrowers are permitted to contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce debt obligations. If any of the above occurred, the Special Assets Fund’s investment in such financial assets could be adversely affected.

Non-Payment of Principal and Interest; Adequacy of Collateral. Debt investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments, for example, if the borrower cannot generate adequate cash flow to meet its debt service. Such non-payment would likely result in a reduction of income to the Special Assets Fund and a reduction in the value of the loans experiencing non-payment. The Special Assets Fund could suffer a partial or total loss of capital invested in the borrower, which could adversely affect the returns of the Special

Assets Fund. Although the Special Assets Fund will generally make investments that its General Partner believes are secured by specific collateral, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of a borrower's bankruptcy, the Special Assets Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an investment in a portfolio company.

Under certain circumstances, collateral securing an investment in a portfolio company may be released without the consent of the Special Assets Fund. Moreover, in certain situations, the Special Assets Fund's security interests could be unperfected for a variety of reasons, including the failure to make required filings by lenders and, as a result, the Special Assets Fund would not have priority over other creditors as anticipated. When making a debt investment generally, the Special Assets Fund intends to obtain security interests in assets of its portfolio companies, but the protection obtained through such interests may be inadequate to return all capital invested by the Special Assets Fund, especially in cases in which the loan is primarily based on the portfolio company's cash flow. The companies and securities in which the Special Assets Fund will invest generally will not be rated by a credit rating agency.

Prepayment of Investments. While a debt investment generally has a stated maturity, borrowers may prepay their loans prior to such maturity. Early prepayment, particularly by good credits, reduces the Special Assets Fund's opportunity to earn long-term compounded returns. Later prepayment, particularly by weaker credits, can tie up the Special Assets Fund's capital in investments which, by their nature, are likely to have a greater risk of default. Either way, the shortening or lengthening of the holding period could prevent the Special Assets Fund from realizing its projected returns.

Uncertain Exit Strategies. Although the Special Assets Fund will often invest with the intention of holding a loan to maturity, in some cases its General Partner will determine it is advisable to exit a position earlier. However, due to the illiquid nature of some of the positions which the Special Assets Fund is expected to acquire, its General Partner is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available at an attractive price, or at all. Exit strategies which appear to be viable or profitable when an investment is initiated may be precluded or unprofitable by the time the investment is ready to be realized due to market, economic, legal, political or other factors.

Non-Performing Nature of Debt. It is anticipated that certain debt instruments purchased by the Special Assets Fund will be non-performing and possibly in default at the time of such purchase. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans in which the Special Assets Fund invests.

Zero-Coupon and Deferred Interest Bonds. The Special Assets Fund is authorized to invest in zero-coupon bonds and deferred interest bonds, which are debt obligations issued at a significant discount from

face value. The original issue discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

Covenant-Lite Loans. Although the managing directors generally expect the loan documentation of most of the Special Assets Fund's debt investments in portfolio companies to include both incurrence and maintenance-based covenants, there may be instances in which the Special Assets Fund invests in "Covenant-Lite Loans." An investment by the Special Assets Fund in a Covenant-Lite Loan may potentially hinder the ability to re-price credit risk associated with the portfolio company and reduce the ability to restructure a problematic loan and mitigate potential loss. As a result, the Special Assets Fund's exposure to losses would be increased, which could result in an adverse impact on the Special Assets Fund's return to the investors.

Lower Ratings; Non-Rated Securities. The Special Assets Fund will, on occasion, invest in "high-yield" debt, preferred stock, convertible debt or debt securities which are rated in the lower rating categories by the various credit rating agencies or, more commonly, in non-rated securities, including those rated lower than investment grade and considered to be "junk bonds" or distressed securities. Securities in the lower rating categories and non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and non-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings and non-rated securities in the case of deterioration of general economic conditions. The market for lower-rated and non-rated securities is thinner, often less liquid, and less active than that for higher-rated and non-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it impracticable to sell such securities. There is no minimum credit standard that is a prerequisite to the Special Assets Fund's investment in any security, and most debt securities and preferred stock that offer potential for capital appreciation are likely to be non-investment grade.

Interest Rate Risk. Credit risk could change over the life of an instrument. Interest rate changes often affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Nature of Investment in Senior Loans. The assets of the Special Assets Fund's investment portfolio are likely to include first-lien senior-secured debt, as well as selected second-lien senior-secured debt, which involves a higher degree of risk of a loss of capital. The factors affecting an issuer's first- and second-lien leveraged loans, and its overall capital structure, are complex. Some first-lien loans may not necessarily have priority over all other unsecured debt of an issuer. For example, some first-lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company) or involve first liens only on specified assets of an issuer (e.g., excluding real estate). Issuers of first-lien loans may have two tranches of first-lien debt outstanding, each with first liens on separate collateral. Furthermore, any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity and interest rate rises. Although the amount and characteristics of the underlying assets selected as collateral may allow the Special Assets Fund to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to the Special Assets Fund in respect of its investment. The Special Assets Fund's investments may be subject to early redemption features, refinancing options, prepayment options, or similar provisions which in each case could result in the issuer repaying the principal on an obligation held by the Special Assets Fund earlier than expected. As a consequence, the Special Assets Fund's ability to achieve its investment objective may be adversely affected.

Nature of Investment in Subordinated Loans. Subordinated investments involve a high degree of risk with no certainty of any return of capital. Although subordinated securities are typically senior to common stock and other equity securities in the capital structure, they may be subordinated to large amounts of senior debt and may be unsecured. Many of the remedies available to subordinated holders are available only after satisfaction of claims of senior creditors. Therefore, in the event that a portfolio company does not generate adequate cash flow to service its debt obligations, the Special Assets Fund is likely to suffer a partial or total loss of invested capital. The ability of the Special Assets Fund to influence a portfolio company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. For example, under the terms of subordination agreements, senior creditors are typically able to block the acceleration of the subordinated debt or other exercises by the Special Assets Fund of its rights as a creditor. Accordingly, the Special Assets Fund may not be able to take the steps necessary to protect its investments in a timely manner or at all. In addition, the debt securities in which the Special Assets Fund invests may not be protected by financial covenants or limitations upon additional indebtedness, have limited liquidity and not be rated by a credit rating agency.

Loan Participations and Assignments. The Special Assets Fund invests in fixed- and floating-rate loans, which investments generally will be in the form of loan participations and assignments of portions of such loans. Participations and assignments involve special types of risk, including credit risk, interest rate risk, liquidity risk, and the risks of being a lender. Participations in commercial loans may be secured or unsecured. Loan participations typically represent direct participation in a loan to a

corporate borrower, and generally are offered by banks or other financial institutions or lending syndicates. When purchasing loan participations, the Special Assets Fund assumes the credit risk associated with the corporate borrower and may assume the credit risk associated with an interposed bank or other financial intermediary, and may only be able to enforce its rights through the lender, and may assume the credit risk of the lender in addition to the borrower. The participation interests in which the Special Assets Fund invests will generally not be rated by any nationally recognized rating service. Investments in loans through a direct assignment of a financial institution's interests with respect to the loan may involve additional risks. For example, if a loan is foreclosed, the Special Assets Fund could become part owner of any collateral and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, it is conceivable that, under emerging legal theories of lender liability, the Special Assets Fund could be held liable as a co-lender. It is unclear whether loans and other forms of direct indebtedness offer securities laws protections against fraud and misrepresentation. In the absence of definitive regulatory guidance, the Special Assets Fund relies on its General Partner's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the Special Assets Fund.

Warrants. The Special Assets Fund expects, in certain situations, to receive warrants, and in certain circumstances prior to exit, will be required to exercise such warrants in order to hold the underlying securities. The Special Assets Fund would seek to negotiate "cashless" exercise for all warrants that it receives, whereby no investment will be required to convert, however, on occasions it may not be possible to negotiate such "cashless" exercise, and the Special Assets Fund will be required to invest cash to convert warrants and hold underlying securities, which may subsequently lose some or all of their value.

Future Funding Obligations. The Special Assets Fund will from time to time incur funding obligations that may arise in the future in connection with an investment. For example, the Special Assets Fund may purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Special Assets Fund would be obligated to fund the amount of the drawdown.

Investments in Undervalued Assets. The Special Assets Fund invests in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. The Special Assets Fund may be forced to sell, at a substantial loss, assets which it believes are undervalued, if they are not in fact undervalued. In addition, the Special Assets Fund may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of the Special Assets Fund's funds would be committed to the assets purchased, thus possibly preventing the Special Assets Fund from investing in other opportunities.

Risks Associated with Bankruptcy Cases. The Special Assets Fund's investments will involve portfolio companies that are experiencing or are expected to experience severe financial difficulties, which may never be overcome and may cause a portfolio company to become subject to bankruptcy or insolvency proceedings. Many of the events within bankruptcy or insolvency proceedings are adversarial and are often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that bankruptcy courts would decide favorably toward, or consistent with the interests of, the Special Assets Fund. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and/or functional operating control of a debtor. As the duration of bankruptcy cases can be only roughly estimated, the reorganization process can involve substantial legal, professional and administrative costs to a company and/or the Special Assets Fund, and is subject to unpredictable and lengthy delays. In addition, during the process a company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, a company may not be able to reorganize and may be required to liquidate assets. Decisions by the Special Assets Fund to invest primarily in the debt of such companies may not be protective of the Special Assets Fund's economic interests, as the debt of companies in the process of financial reorganization generally will not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

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

The Special Assets Fund will, in certain situations, purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction or forfeiture by the Special Assets Fund.

Investment in the debt of financially distressed companies domiciled outside the United States 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.

Participation on Creditors' Committees. The Special Assets Fund expects to serve on committees formed by creditors ("Creditors' Committees") to negotiate with the management of financially troubled companies that may or may not be in bankruptcy. The Special Assets Fund will also seek to negotiate directly with debtors with respect to restructuring issues. Even if the Special Assets Fund chooses to

join a Creditors' Committee, there can be no assurance that the Special Assets Fund would be successful in obtaining results favorable to it in such proceedings, and the Special Assets Fund may incur significant legal fees and/or other expenses in attempting to do so, as Creditors' Committees generally consist of many participants, each of which attempts to obtain an outcome that is in its individual best interests. As a result of the Special Assets Fund's service on such Creditors' Committees, the Special Assets Fund would likely be deemed to have duties to other creditors represented by the Creditors' Committees, which might thereby expose the Special Assets Fund to liability to such other creditors who disagree with the Special Assets Fund's actions. The Special Assets Fund's General Partner, on behalf of the Special Assets Fund, will elect to serve on Creditors' Committees, equity holders' committees, or other groups to ensure preservation or enhancement of the Special Assets Fund's position as a creditor or equity holder. A member of any such Creditors' Committee or group typically owes certain obligations generally to all parties similarly situated that the Creditors' Committee represents. If the Special Assets Fund's General Partner concludes that its obligations owed to the other parties as a Creditors' Committee or group member conflict with its duties owed to the Special Assets Fund, it may resign from that Creditors' Committee or group, and the Special Assets Fund may not realize the benefits, if any, of its General Partner's service on the Creditors' Committee or group. Additionally, if the Special Assets Fund is represented on a Creditors' Committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in the subject company while it continues to be represented on such Creditors' Committee or group.

Structured Finance Securities. "Structured Finance Securities" are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from or sale proceeds of a specified pool of assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to ensure the servicing or timely distribution of proceeds to holders of such securities. Structured Finance Securities in which the Special Assets Fund may invest include limited recourse collateralized debt obligation securities ("CDO Securities"). Holders of Structured Finance Securities bear various risks: credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Structured Finance Securities are subject to the significant credit risks inherent in the underlying collateral and to the risk that the servicer or trustee fails to perform.

Risks Associated with CDO Securities. In case of a default, CDO Securities generally are limited recourse obligations of the issuer thereof payable solely from the underlying assets of the issuer ("CDO Collateral") or proceeds thereof. Consequently, holders of CDO Securities must rely solely on distributions on the underlying CDO Collateral or proceeds thereof for payment. If distributions on the underlying CDO Collateral are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency will be extinguished. Many subordinate classes of CDO Securities provide that a deferral of interest thereon or a write-down does not constitute an event of default and the holders of such securities will not have available to them any associated default remedies. During such periods of nonpayment or partial nonpayment, such non-paid interest will

generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the amount of current payments made on such CDO Securities. CDO Securities are subject to operational, credit, liquidity and interest rate risks. Issuers of CDO Securities may acquire interests in loans and other debt obligations by way of assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; provided, however, its rights can be more restricted than those of the assigning institution. In purchasing participations, an issuer of CDO Securities will usually have a contractual relationship only with the selling institution, and not the borrower. The issuer generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The issuer may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under U.S. federal and state laws, the issuer may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the issuer may be subject to the credit risk of the selling institution as well as of the borrower. CDO Securities are also subject to interest rate risk and day count basis risk. The CDO Collateral of an issuer of CDO Securities may bear interest at a fixed or floating rate while the CDO Securities issued by such issuer may bear interest at the opposite kind of rate. As a result, there could be an interest rate mismatch between such CDO Securities and CDO Collateral, where the CDO Collateral bears interest that is, at certain times, insufficient to adequately collateralize the CDO Securities. There may be a timing mismatch between the CDO Securities and CDO Collateral assets that bear interest at a floating rate as the interest rate on such assets bearing interest at a floating rate may adjust more frequently or less frequently and/or on different dates and/or based on different indices than the interest rates on the CDO Securities. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability to make payments on the CDO Securities. In addition, hedges may have been acquired to manage the interest rate risk of such CDO Securities, making such CDO Securities also subject to the credit risk of the applicable hedge counterparty.

Credit Default Swaps. The Special Assets Fund is allowed to invest in credit default swaps ("CDS"). Generally, CDS are contracts where termination may occur prior to the contract's scheduled maturity date if a credit event occurs. Credit events may include a ratings downgrade of the reference obligation below certain specified ratings levels, a write-down (including an implied write-down) of the reference obligation, a failure by the reference company to pay principal or interest with respect to the reference obligation, a restructuring of the final maturity date of the reference obligation, or an acceleration of the reference obligation so that it is due prior to its stated maturity date, among others. CDS can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. In addition, CDS can be used to implement the view of the Special Assets Fund's General Partner that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Special Assets Fund may "write" credit default protection in which it receives

spread income. The Special Assets Fund may also “purchase” credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of its General Partner, there is a high likelihood of credit deterioration. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock and debt of the company, and potential loss realized on the debt upon default, among other factors. As such, there are many factors upon which market participants may have divergent views. If the Special Assets Fund’s General Partner has a positive view of a company’s credit outlook, it may enter into CDS transactions in which it assumes the risk of default of the company. It may also enter into an opposite transaction, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components determining the value of a swap. Upon the occurrence of a credit event, CDS may be physically settled or cash settled depending upon the terms of the particular CDS. In the event of physical settlement of a CDS, if the Special Assets Fund is long the credit risk, the CDS counterparty may satisfy its obligations under the CDS by delivering to the Special Assets Fund one or more deliverable obligations (which frequently are the reference obligation, although may instead be an obligation which is ranked *pari passu* with the reference obligation). Because the obligation is delivered after a credit event, it is likely that the delivered obligation is a defaulted or credit impaired security and will not be worth the same value as the reference obligation related to the CDS prior to the occurrence of any credit event. In the event of cash settlement, the CDS counterparty would, if the Special Assets Fund is long the credit risk, obtain prices in the general credit market for the final principal value of the reference obligation subject to a credit event and the Special Assets Fund would be obligated to pay the difference of the initial principal amount referenced in the CDS over the final principal value of the reference obligation as obtained by the CDS counterparty in the general credit market. It is likely that because the reference obligation may at the time of such settlement be a defaulted or credit impaired security, the final value of the reference obligation may be less than the initial principal balance referenced in the CDS.

Derivatives. The Special Assets Fund will, in certain situations, invest in complex derivative instruments that seek to modify or replace the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. These instruments generally have counterparty risk and may not perform in the manner expected by the counterparties, thereby resulting in greater loss or gain to the investor. These investments are all subject to additional risks that can result in a loss of all or part of an investment, in particular, interest rate and credit risk volatility, world and local market price and demand and general economic factors and activity. Derivatives may have very high leverage embedded in them that can substantially magnify market movements and result in losses greater than the amount of the investment. Some of the markets in which the Special Assets Fund may enter into derivative transactions are over-the-counter (“OTC”) or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the Special Assets Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit or liquidity problem with the counterparty.

Counterparty Risk. Some of the markets in which the Special Assets Fund effects transactions will include the OTC or “interdealer” markets. The participants in such markets typically are not subject to the same credit evaluation and regulatory oversight as are members of “exchange-based” markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such OTC transactions. This exposes the Special Assets Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Special Assets Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Special Assets Fund has concentrated its transactions with a single or small group of counterparties. The Special Assets Fund’s General Partner is not restricted from dealing with any particular counterparty or from concentrating any or all of the Special Assets Fund’s transactions with one counterparty. Moreover, the Special Assets Fund’s General Partner has no formal credit function which evaluates the creditworthiness of the Special Assets Fund’s counterparties. The ability of the Special Assets Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Special Assets Fund. In addition, the counterparties with which the Special Assets Fund effects transactions may, from time to time, cease making markets or quoting prices in certain of the instruments. In such instances, the Special Assets Fund may be unable to enter into a desired transaction, or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange-traded instruments, certain forward, spot and option contracts and swaps may not provide a trader with the right to offset its obligations through an equal and opposite transaction. For this reason, in entering into forward, spot or options contracts or swaps, the Special Assets Fund may be required, and must be able, to perform its obligations under the contract.

Derivative Clearinghouses and Exchanges; Required Central Clearing for Derivatives. Currently, OTC derivatives (including, without limitation, CDS and other swaps, forward contracts, certain options and other instruments) are typically settled on an individual basis by the counterparties to the derivative instrument. As a result, each party to an OTC derivative is subject to the risk that the other party will default on its obligations under the terms of the derivative instrument. In the case of CDS, a number of market participants have announced their intention to establish CDS clearinghouses and exchanges, which may have the effect of minimizing the risk of counterparty default with respect to CDS traded on or cleared through such clearinghouses or exchanges. Other market participants may also propose other clearinghouses or exchanges for other types of derivatives instruments in the future. However, there can be no assurance that any such clearinghouses or exchanges will in fact be established, or that they will provide clearing facilities or a market of sufficient size or scope to benefit the Special Assets Fund. In particular, in the case of CDS, any such clearinghouses or exchanges are expected to be limited to CDS with standardized terms, which are yet to be formulated; the same may also be true of any other clearinghouses or exchanges proposed in the future with respect to other types of derivatives instruments. There can be no assurance that the Special Assets Fund’s General Partner would deem

any such standardized terms to be suitable for implementing the Special Assets Fund's investment program in all cases or in any particular case. Accordingly, the Special Assets Fund may not trade or clear some or all of its derivative instruments on or through any such clearinghouse or exchange even if one were to become available. In such cases, the Special Assets Fund would remain subject to counterparty risk with respect to such instruments. In addition, due to legislative and regulatory developments in the United States, it is expected that most derivatives that currently are entered into on an OTC basis will be required to be cleared through a central clearinghouse, subject to certain limited exceptions. Other similar measures may also be proposed in other jurisdictions. It is expected that such requirements will lead to the standardization of the terms of any derivative instruments cleared in such manner. Any such standardized terms are yet to be formulated and, thus, it is not possible to assess the degree to which any such standardized terms might permit the Special Assets Fund's General Partner to implement, or prevent the Special Assets Fund's General Partner from implementing, the Special Assets Fund's investment program. Accordingly, to the extent that the Special Assets Fund's General Partner relies on the use of OTC derivatives incorporating specific terms in seeking to implement certain aspects of the Special Assets Fund's investment program, and to the extent that such terms become unavailable as a result of any such standardization of terms, there can be no assurance that the Special Assets Fund's General Partner would be able to utilize alternate methods to seek to implement such aspects of the Special Assets Fund's investment program. In such cases, if the Special Assets Fund's General Partner were unable to utilize such alternate methods, the impact on the Special Assets Fund could be substantial and adverse.

Cross Collateralization. The Special Assets Fund is permitted to engage in financings where several investments are cross-collateralized, thereby subjecting multiple investments to the risk of loss. As a result, the Special Assets Fund could lose its interests in performing investments in the event such investments are cross-collateralized with poorly performing or non-performing investments.

Currency Exchange Exposure. The Special Assets Fund makes investments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The Special Assets Fund, however, values its investments in U.S. dollars. The Special Assets Fund has the option to seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that investments suitable for hedging currency or market shifts will be available at the time when the Special Assets Fund wishes to use them, or that hedging techniques employed by the Special Assets Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all.

To the extent unhedged, the value of the Special Assets Fund's positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Special Assets Fund makes investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Special Assets Fund's investments in their local markets and may result in a loss to the Special Assets Fund.

Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Special Assets Fund's non-U.S. dollar investments.

Options. The Special Assets Fund is permitted to buy or sell (write) both call options and put options (whether exchange-traded, OTC or issued in private transactions), and when it writes options it is permitted to do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the class and amount of those as to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Special Assets Fund's options transactions may be part of a hedging tactic (*i.e.*, offsetting the risk involved in another securities position) or a form of leverage, in which the Special Assets Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be large, depending on the circumstances. In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions the Special Assets Fund may enter into. When the Special Assets Fund buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the security in the case of a put, would result in a total loss of the Special Assets Fund's investment in the option (including commissions). The Special Assets Fund could mitigate those losses by selling short the securities as to which it holds call options or taking a long position (*i.e.*, by buying the securities or buying options on them) on securities underlying put options. When the Special Assets Fund sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. Theoretically, the risk is unlimited unless the option is "covered." If it is covered, an increase in the market price of the security above the exercise price would cause the Special Assets Fund to lose the opportunity for gain on the underlying security — assuming it bought the security for less than the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Special Assets Fund might suffer as a result of owning the security.

Futures. Investments in commodities, futures and options contracts involve risks including, without limitation, leverage (*e.g.*, margin is usually only 5% to 15% of the face value of the contract and exposure can be nearly unlimited) and credit risk vis-a-vis the contract counterparty. The Special Assets Fund's futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Special Assets Fund from promptly liquidating unfavorable positions and subject it to substantial losses.

Forward Trading. The Special Assets Fund is permitted to engage in forward trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The managing directors who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have been unable to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Special Assets Fund due to unusually high trading volume, political intervention or other factors. Market illiquidity or disruption could result in major losses to the Special Assets Fund.

Certain Risks Related to Life Settlements/Policies and Mortality-Linked Investment Products

Illiquid Market for Policies. The market for investment in underlying life insurance policies and other investments where cash flow is based upon a mortality event (each a “Policy”) is relatively illiquid when compared to other asset classes, including the tertiary markets for life insurance. It could prove difficult to sell Policies at attractive prices, if at all, at any given time. The ability to sell any Policies may be made even more difficult if the characteristics of the Policies marketed (including facts about the manner in which such Policies were originated) are disfavored by active investors at the time when they are offered for sale. In addition, although a number of institutions may be actively trading a Policy, the resale of these investments may be difficult or impossible, and it may require substantial time for the Funds to enter into or exit a position. Therefore, a Fund that has participated in such a Policy will bear the risks of (i) selling such Policy at a substantial discount or (ii) not being able to sell the Policy either (A) in a timely manner or (B) at all. This lack of liquidity could result in reduced or delayed cash flow to the participating Fund. Investors may experience a loss if a Policy must be disposed under less than optimal market conditions.

Life Expectancy of the Insureds. The Funds will be required to pay future premiums on Policies, and the right of the Funds to receive payment of the death benefit under a Policy will be delayed the longer that the related insured lives. Accordingly, the amount and timing of payments to the Funds and ultimately to investors could be materially and adversely affected if one or more of the insureds live longer than anticipated. Moreover, in certain cases, the Policy may provide that if the related insured reaches a certain pre-defined age (generally 95 or 100 years), the owner will be entitled to receive an amount less than the specified death benefit, whether only the remaining cash surrender value of such Policy (which could be zero) or no amount.

The Estimation of Life Expectancies is Inherently Inexact and Imprecise. The medical underwriting process is subjective and mortality estimates are uncertain. Future mortality does not always follow past

mortality experience, and it is possible for insureds to experience lower mortality rates in the future than those historically experienced by other persons having similar traits. The process of developing an estimate of life expectancy may include, but is not necessarily limited to, subjective interpretation of lifestyle, medical history, ancestry, educational background, improvements in mortality rates, wealth and access to and impact of changes in medical techniques. In addition, advances in medical science and disease treatment may lengthen the expected mortality estimate of some or all of the insureds under the Policies. Other factors, including, but not limited to, better access to health care, better adherence to treatment plans, improved nutritional habits, improved lifestyle, an improved economic environment and a higher standard of living could also lead to increases in the longevity of the insureds under the Policies.

In connection with each investment opportunity, as well as for purposes of ongoing valuation of a Fund's investments, the Funds expect to receive one or more life expectancy reports regarding each insured that are prepared by one or more third-party medical underwriting firms. There can be no assurance that the medical underwriting firm received accurate or complete information regarding the health of an insured under a Policy, or that such insured's health has not changed since the information was received. Accordingly, the life expectancy of an insured determined by a medical underwriting firm may be inaccurate if such firm was provided with incorrect or incomplete information regarding the insured or if the insured's medical condition changed from that reflected in the medical records furnished to such firm. If one or more life expectancy providers underestimate or overestimate the life expectancy of an insured under a Policy with respect to which a Fund invests, the Fund may be required to: (a) (if underestimated) pay premiums on the Policy for a longer period of time than expected or lapse or sell the Policy in order to properly manage the overall targeted returns of a Fund's investment portfolio, or (b) (if overestimated) receive death benefit proceeds more quickly than expected. Therefore, the amount and timing of payments to the Funds and ultimately to investors could be materially and adversely affected by inaccurate life expectancies. Different medical underwriting firms use different methods and may arrive at materially different mortality estimates for the same individual based on the same information.

No information will be available to investors to enable them to make mortality estimates or to evaluate the procedures or methodologies used by any medical underwriting firm, and investors will not have any recourse to any person or entity in the event that the mortality estimates for one or more insureds are incorrect.

Policy Origination Risks. A Policy owner, insured, insurance agent, or other party may have committed fraud, or misstated or failed to provide material information to the purchaser of a Policy, including a Policy seller or its affiliates, in connection with the life settlement transaction. In particular, there may be information directly relevant to the value of the related Policy, including, but not limited to, information relating to the insured's medical or financial condition, to which the relevant seller, the Firm and/or the Funds will not have access. It is not possible to verify the accuracy or completeness of each piece of information or the completeness of the overall information supplied by such parties. Any such misstatement or omission could cause the participating Fund to rely on assumptions which

turn out to be inaccurate. Additionally, there can be no assurance that the Policy seller (or any additional or intermediate seller) properly acquired the Policy from the former owner, or that a former owner, former beneficiary or other interested party will not attempt to challenge the validity of the transfer. The occurrence of any one or more of these factors could adversely affect the amount and timing of distributable proceeds to investors.

Privacy Laws and Other Factors May Limit Information Received About an Insured. U.S. and non-U.S. privacy laws and confidentiality considerations may limit the information the participating Fund or the Firm receives about an insured under a Policy, such as the insured's medical condition. In addition, other factors, such as the unwillingness of an insured or his/her physician to cooperate with the periodic release of medical records, may limit the information that the Funds or the Firm receives.

Premium Payments. Premium payments are set by life insurance companies and are a material consideration when computing the value of Policies. It is possible that one or more carriers may raise the cost of insurance for its Policies. Any increase in the level of premium payments for one or more Policies could result in the Funds needing to draw additional capital or borrow funds on a credit facility, if possible, to pay such premiums at times and in amounts previously unanticipated. Such funds may not be readily available and could result in a lapse of one or more Policies, following which the Funds would not be entitled to any death benefits under the subject Policy. An increase in the amount of premiums required to maintain a Policy in force, when evaluated with the life expectancy of the insured under the Policy, could also lead the Funds to conclude that it would be better to surrender or lapse such Policy than to continue paying premiums thereon, in which case the Funds would not be entitled to receive the death benefit under such Policy following the insured's death and would suffer a loss on its investment in such Policy. In addition, any such premium payment increase may result in reduced or delayed cash flow and/or profits to the Funds and ultimately to investors.

Adverse Scrutiny or Publicity Related to the Funds or the Life Settlement Market. Many regulators, lawmakers and other governmental authorities, as well as many insurance companies and insurance industry organizations, are hostile to, or otherwise concerned about certain aspects of, the life settlement and premium finance markets. The life settlement industry and some of its participants have also been, and may continue to be, portrayed negatively in a number of widely read publications and other forms of media.

Delays in Payment of Death Benefits. Upon the death of an insured, the issuing insurance company is obligated to pay the death benefit under the Policy, subject to compliance with certain conditions (e.g., timely filing of acceptable Policy claim forms with due proof of death, etc.). However, there could otherwise be delays in payment of death benefits, including delays in obtaining due proof of death as well as delays caused by the issuing insurance company investigating facts surrounding one or more death claims, which could materially and adversely affect the timing of payments to the Funds and ultimately to investors.

Insurable Interest. Insurance laws generally require the person procuring a Policy to have an insurable interest in the life of the underlying insured at the time the Policy is issued. Certain U.S. states not

only require an insurable interest at the time the Policy is procured, but also may require an insurable interest in connection with certain types of assignments or following a Policy's issuance, such as at the time of the insured's death. A person is presumed to have an insurable interest in his/her own life. People with an insurable interest in an underlying insured also generally include immediate family members (by blood or law) or other persons with substantial economic interest in the continued life of the underlying insured (*e.g.*, a creditor with respect to the debtor up to the amount of the loan, an employer with respect to certain key employees, etc.). An issuing insurance company may seek to rescind a Policy on the grounds that the Policy was void ab initio, or is voidable, for lack of insurable interest. In such circumstances, the insurance company is generally, but not always, required to return the premiums paid to date. Furthermore, in some states an insured's estate, spouse or children (*i.e.*, presumptive beneficiaries) have the right to the death benefit rather than the person who, or entity that, is named as the beneficiary under the Policy if such Policy is found or determined not to have been procured or assigned with the requisite insurable interest in the life of the insured. Any delay or failure of an issuing insurance company to pay death benefits under a Policy to the participating Fund resulting from any claim, challenge or proceeding (whether of an insurance company, a presumptive beneficiary or another party) asserting a lack of the requisite insurable interest could materially and adversely affect the amount and timing of payments to the Funds and ultimately to investors.

Issuing Insurance Company Credit Risk. The Funds will be subject to the credit risk associated with viability of life insurance companies that issue the Policies. The bankruptcy of any such life insurance company or a downgrade in the ratings of such life insurance company could have a material adverse impact on the ability to monetize the related Policies or the proceeds that would be received from monetizing the related Policies, the collectability of the related death benefits or access to cash surrender value or other amounts agreed to be paid by the life insurance company.

Contestability of Policies. Issuing insurance companies occasionally seek to rescind Policies, most often based on allegations of (i) fraud in the Policy application, (ii) lack of insurable interest at the date of issuance or (iii) violations of other laws limiting conveyance of interests in the Policy at the time of or soon after the issuance of such Policy. After such period, a Policy will generally provide that it is not contestable. However, in some U.S. states, existing case law or regulations may allow an insurer to maintain a challenge to payment under the Policy for fraud or misrepresentation beyond the contestability period or individual insurance contracts may provide for such a defense even though it is not permitted under the laws of the relevant state. In most U.S. states, the expiration of the contestability period will not bar an insurable interest defense by an issuing insurance company. If an issuing insurance company successfully contests a Policy, whether within the specified contestability period or otherwise, then upon the death of the underlying insured, such issuing insurance company will not be obligated to pay the death benefit under such Policy, but instead will generally only be obligated to return the premiums previously paid for such Policy (with or without interest on such premiums and potentially subject to offset against fees of the insurer in challenging the enforceability of the Policy). As a result, if one or more of the issuing insurance companies contests a Policy, such action may result in a negative impact on the market value or liquidity of such Policy and/or may materially and adversely affect the amount and timing of payments to the Funds and ultimately to

investors. No assurance can be given that an issuing insurance company will not seek to rescind a Policy or deny payment thereof on any basis.

Litigation Risk - Life Insurance Policy Assignment. The assignment of Policies can be a contentious matter in the event that an insured or a family member of an insured disputes the transfer of the Policy. Even though the Fund will be acquiring interests in Policies primarily pursuant to tertiary market transactions, the Fund may also engage in primary settlement transactions, and may be named as a defendant in a lawsuit or regulatory action stemming from the origination of one or more Policies. In the event any litigation were to occur, the Funds would bear the costs of defending against the litigation, and would be unable to predict its outcome.

It is possible that the Funds may become subject to, or may otherwise become affected by, litigation involving one or more life insurance companies (either as a plaintiff or a defendant), including claims by an insurance company seeking to rescind a Policy prior to or after the death of the related insured. Moreover, such risk may be enhanced with respect to an insurance company that is experiencing financial difficulty, since a successful claim by the insurance company could reduce its financial liabilities. In the event any litigation were to occur, the Funds would bear the costs of defending against the litigation, and would be unable to predict its outcome, which could include a Fund losing its right to receive (or retain) the proceeds otherwise payable under one or more Policies.

Investments Acquired Subject to Retained Rights to Death Benefits. A Fund may acquire Policies subject to an agreement to maintain the Policies in force and pay a portion of the death benefit proceeds to a third party such as the original owner of the Policy or its designee. If any such Policy lapses, the participating Fund will not only not receive the related death benefits but may also be contractually obligated to pay the third party the portion of the death benefits that would have been payable to such party in respect of its beneficial interest in the Policy at the death of the related insured.

Conflicts of Interest

The Governing Documents for each Fund include a description of what Flexpoint believes to be the most significant conflicts of interest associated with an investment in such vehicle. Investors should carefully consider the conflicts of interest herein as well as those outlined in each applicable Fund's Governing Documents prior to investing in a Fund.

Allocation of Investment Opportunities Among Funds. In connection with its investment activities, Flexpoint may encounter situations in which it must determine how to allocate investment opportunities among various Funds.

No Fund will be given investment priority over any other Fund. Flexpoint seeks to allocate investment opportunities on a fair and equitable basis. However, each Fund may have separate investment objectives and investment restrictions which the Firm will be required to follow; as a result, certain investment opportunities may be appropriate for certain Funds and not appropriate for other Funds.

If a Fund qualifies for participation in the purchase of a specific security or investment opportunity, the Firm will, in general, allocate the securities among such Fund as well as the Firm's other Funds for which the security or investment opportunity has also been deemed to be appropriate. Prior to making any allocation to a Fund of an investment opportunity, the Firm will determine what additional factors may restrict or limit the offering of an investment opportunity to the Fund(s). Possible restrictions include, but are not limited to:

- **Obligation to Offer:** Flexpoint may be required to offer an investment opportunity to one or more Funds. This obligation to offer investment opportunities may be set forth in a Fund's Governing Documents.
- **Related Investments:** Flexpoint may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) to the exclusion of, or resulting in a limited offering to, other Funds.
- **Legal and Regulatory Exclusions:** Flexpoint may determine that certain Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Flexpoint will generally not raise a successor Fund with similar investment mandates until its current Fund is substantially invested, subject to the terms and conditions of the relevant Fund's Governing Documents. Where the Firm is presented with the opportunity to allocate an investment opportunity across multiple Funds (other than parallel Fund vehicles that are expressly formed to invest pro rata), it will do so on a fair and equitable basis, consistent with its fiduciary obligations the relevant Governing Documents and, if applicable, any other underlying documents. If Flexpoint is managing more than one active Fund with similar investment mandates, the Firm will ensure that any new investment opportunity is allocated according to the terms of the relevant Governing Documents, if applicable. In the event the relevant Fund Governing Documents are silent as to allocation amongst Funds, Flexpoint may either allocate the investment opportunity to the prior Fund, allocate to the newer Fund or make a pro rata allocation, subject to the criteria as laid out below.

Once the participating Fund(s) have been identified and if more than one Fund will participate in an investment opportunity, the Firm will allocate the investment opportunity among the Funds based on relevant factors, determined in the Firm's sole discretion, related to each Fund, which may include but are not limited to the amount of available capital commitments of the applicable Fund(s), anticipated future capital requirements of an investment opportunity, expected time to obtain liquidity, limitations in the Governing Documents of the applicable Fund(s), investment guidelines, diversification guidelines, investment strategies and objectives, legal, tax and regulatory considerations, and any other factors deemed relevant by Flexpoint.

The Firm's Investment Committee will review and approve all investment allocations. Flexpoint will not allocate investment opportunities based in whole or in part, on: (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund.

Decisions regarding whether and to whom to offer co-investment opportunities may be made by Flexpoint or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Flexpoint investors. Please see Item 7 for a further discussion of the factors involved in offering and allocating co-investment opportunities.

In addition, Flexpoint executive officers and other personnel invest indirectly and may be permitted to invest directly in the Funds. Therefore, such executive officers and other personnel may participate indirectly in investments made by the Funds in which they invest. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

Conflicts Related to Purchases and Sales. Conflicts may arise when a Fund makes investments in conjunction with an investment being made by other Funds or in a transaction where another Fund has already made an investment. Investment opportunities may be appropriate for Funds at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly where a Fund may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by Flexpoint. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. Investments by more than one Fund in a portfolio company may also raise the risk of using assets of one Fund to support positions taken by other Flexpoint Funds. Employees and related persons of Flexpoint and its affiliates have made capital investments in or alongside certain Funds, and therefore have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Flexpoint reserves the right to make independent decisions regarding recommendations of when a Fund should purchase and sell investments. As a result, it is possible that a Fund will be purchasing an investment at a time when another Fund is selling the same or a similar investment, or vice versa.

Alternatively, a Fund may invest in opportunities that other Funds have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds have invested. There can be no assurance that the return on a Fund's investments will not be less than the returns obtained by other Funds participating in the investment.

Management of the Funds. Flexpoint manages a number of Funds that may have investment objectives similar to each other and may in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. In addition, it is expected that Flexpoint employees responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by Flexpoint, including Funds that may be raised in the future. Conflicts of interest may arise in allocating time, services, or functions of these officers and employees.

Advisory Board. Each Fund's General Partner will appoint one or more investor representatives to an advisory board, which has the ability to review and waive compliance with certain provisions of the relevant Governing Documents, including resolving potential conflicts of interest situations, and whose approval is required or can be requested in certain circumstances, including certain approvals or consents required by the Advisers Act. All investors are bound by the determinations of the relevant advisory board, regardless of whether an investor is represented by a member of such advisory board. The Governing Documents will provide that to the fullest extent permitted by applicable law, none of the advisory board members shall owe any fiduciary duties to the Funds or any other investor. Members of the advisory board can have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the advisory board for consideration or review. Members of a Fund's advisory board may have various business and other relationships with Flexpoint and its members, partners, managers, directors, officers, employees and affiliates. These relationships have the potential to influence their decisions as members of the advisory board. To the extent that an investor is not represented by a member of the advisory board, such investor will have no influence over matters submitted to the advisory board for review or approval.

Additionally, as a result of a Fund's expected controlling interests in portfolio companies, Flexpoint typically will have the right to appoint portfolio company board members to such Fund's portfolio companies, or to influence their appointment, and to determine or influence a determination of their compensation. Portfolio company board members have the authority to approve compensation and/or other amounts payable to Flexpoint. Such amounts will be in addition to any Management Fees or Carried Interest paid by the applicable Fund.

Conflicts Relating to the General Partner and Flexpoint. Flexpoint will, in its discretion, recommend to a Fund or to a portfolio company (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) Flexpoint or a related person (including, but not limited to, a portfolio company of a Fund) or (ii) an entity with which Flexpoint or its affiliates or a member of their personnel has a relationship or from which Flexpoint or its affiliates or their personnel otherwise

derives financial or other benefit. When making such a recommendation, Flexpoint would, because of its financial or other business interest, have an incentive to recommend the related or other person, even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Additionally, a portfolio company typically will pay or reimburse Flexpoint, Operations Consultants or service providers retained at Flexpoint's discretion for services or expenses (including, without limitation, travel expenses) incurred by Flexpoint or such service providers in connection with its performance of services for such portfolio company. When engaging a third party to provide such services, Flexpoint will select the third party it believes is the most appropriate for the situation and such selection may not be based on cost alone. This subjects Flexpoint and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these payments or reimbursements, and the amount of such payments or reimbursements may be substantial. Flexpoint determines the amount of these payments and/or reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices.

Flexpoint engages service providers, including, for example, investment bankers, outside legal counsel, and pension consultants, who are investors in the Funds and/or who provide services to businesses that are competitors of Flexpoint. Flexpoint would have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, was motivated by a belief that the service provider would: (i) continue to invest in the Funds, (ii) provide the Firm information about markets and industries in which Flexpoint operates or is interested, or (iii) provide other services that are beneficial to Flexpoint. There is a possibility that Flexpoint, because of such belief or for other reasons, could favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Certain members of a Main Fund's advisory board are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in a Fund. The General Partner of a Fund has, from time to time, utilized the services of investors and their affiliates on an arm's-length basis, as it deemed appropriate.

On at least one occasion, Flexpoint purchased a defaulting investor's interest.

Diverse Membership. The investors in the Funds are expected to include U.S. taxable and tax-exempt entities and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax, and other interests with respect to their investments in a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments, and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by Flexpoint or its affiliates, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, especially with respect to investor's individual tax situations. In selecting and structuring investments appropriate for

a Fund, Flexpoint and its affiliates will consider the investment and tax objectives of the applicable Fund and the investors as a whole, not the investment, tax, or other objectives of any investor individually.

Expense Allocations. Subject to any relevant restrictions or other limitations contained in the Governing Documents, Flexpoint will allocate fees and expenses in its sole discretion in a manner that it believes in good faith is fair and equitable to the applicable Fund(s) under the circumstances and considering such factors as it deems relevant. In exercising such discretion, Flexpoint can be faced with a variety of potential conflicts of interest. As a general matter, expenses incurred on behalf of multiple Funds will be allocated among such Fund(s). In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Flexpoint or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. Investors are typically allocated (or otherwise bear) their pro rata share of such fees and expenses, which may be calculated based on capital commitments, invested capital, available capital, or other metrics as determined by the General Partner in its sole discretion. The allocations of such expenses are not always proportional.

Flexpoint and its affiliates will from time to time incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of the Funds. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment will be charged to the applicable portfolio company. To the extent such fees, costs and expenses are not charged to a portfolio company, they will be paid by each Fund that participated or was expected to participate in such investment. The Funds will typically bear a portion of any such fees, costs, and expenses in proportion to the size of its actual or proposed investment, or in such other manner as Flexpoint considers, in good faith, to be fair and equitable. There are occasions when one Fund (the “Payor Fund”) pays an expense common to multiple Funds (the “Allocated Funds”). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. There are also occasions where the Firm or a Payor Fund pays an expense on behalf of a portfolio company. On such occasions, the portfolio company will reimburse the Firm or Payor Fund for the expense, without interest, and such reimbursement will not be subject to the fee offset provision.

A conflict of interest could arise in Flexpoint’s determination of whether certain costs or expenses that are incurred in connection with the operation of the Funds meet the definition of Fund operational expenses for which the Funds are responsible, or whether such expenses should be borne by Flexpoint or the manner in which Flexpoint allocates expenses among the Funds. The Funds will be reliant on the determinations of Flexpoint in this regard. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would be undertaken to correct such circumstance, which might include a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by Flexpoint to be the most appropriate corrective measure.

Side Letter Agreements. Flexpoint, without any further act, approval, or vote of any Fund or investor, may enter into certain side letter arrangements with certain investors in a Fund, providing such investors with different or preferential rights or terms, including, but not limited to, information rights, and liquidity or transfer rights. Flexpoint's right to enter into such arrangements is disclosed to investors in a respective Fund's Governing Documents.

Intangible Benefits. Flexpoint and its employees receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses often result in "miles" or "points" or credit in loyalty/status programs to Flexpoint and/or its employees, and such rewards and/or amounts will exclusively benefit Flexpoint and/or such employees and will not be subject to the offset arrangements described above or otherwise shared with such Fund, its investors, and/or the portfolio companies.

Other Potential Conflicts. The limited partnership agreements (or analogous Governing Documents) of certain Funds permit the General Partner of each such Fund to cause such Fund to distribute such General Partner's share of securities resulting from an investment disposition by such Fund to such General Partner or its affiliates in kind, while disposing of investors' share of such securities and distributing the net cash proceeds of such sale of securities to the investor. This ability creates conflicts of interest between the General Partners and the investors of the applicable Fund because the General Partner could have an incentive to cause the Fund to exit an investment at a time that results in investors receiving a lesser return on such investment than would be the case if the General Partner were prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as investors).

Due in part to the fact that potential investors in a Fund (including a purchaser of an investor's interests in a secondary transaction) may ask different questions and request different information, Flexpoint expects to provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or investors.

Item 9 – Disciplinary Information

Like other registered investment advisers, Flexpoint is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of Flexpoint or the integrity of Flexpoint's management. No events have occurred at Flexpoint that are applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Neither Flexpoint nor any of its management persons is registered or has an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser, or a registered representative or associated person of the foregoing, and Flexpoint does not anticipate such affiliations in the future.

Except as discussed below, Flexpoint has no arrangements with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to Flexpoint's advisory business, the Funds, or their investors. Flexpoint has and will continue to maintain and develop relationships with professionals that provide services it does not provide, including legal, accounting, banking, investment banking, tax preparation, insurance brokerage and other services. Some of these professionals provide services to the Funds or their portfolio companies. Additionally, some of these professionals are investors in certain Flexpoint Funds, either personally or through their company.

As described in Item 4, each of the General Partners are deemed registered with the SEC under the Advisers Act pursuant to Flexpoint's registration. These General Partner entities operate as a single advisory business together with Flexpoint and serve as General Partners of private investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants, Operations Consultants or persons occupying similar positions. The General Partners do not have employees of their own.

Flexpoint does not recommend or select other investment advisers for the Funds.

From time to time, Flexpoint receives training, information, promotional material, meals, gifts, entertainment or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will Flexpoint accept any benefits, gifts, entertainment or other arrangements that are conditioned on directing individual Fund transactions to a specific security, product, or provider. Similarly, Flexpoint employees have in the past, and expect to in the future, speak at conferences and programs for potential investors interested in investing in private funds that are sponsored by the Firm's service providers. Through such capital introduction events, prospective investors have the opportunity to meet with Flexpoint. Neither Flexpoint nor any Fund compensates any third parties for organizing such events or for investments ultimately made by prospective investors attending such events.

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

Code of Ethics

Flexpoint has adopted a written Code of Ethics which is designed to comply with Rule 204A-1 under Advisers Act, and establishes guidelines for professional conduct and employee personal trading procedures, including certain pre-clearance and reporting obligations. The Code of Ethics requires all supervised persons to place client interests ahead of the Firm's interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws. Flexpoint employees are required to certify to their compliance with the Code of Ethics upon hire and on an annual basis. Flexpoint employees who violate the Code of Ethics may be subject to remedial actions,

including, but not limited to, profit disgorgement, fines, censure, demotion, suspension, or dismissal. Employees are also required to promptly report any violation of the Code of Ethics of which they become aware.

A copy of the Code of Ethics is available to existing investors upon written request to: Flexpoint Ford, LLC; Attention: Chief Compliance Officer; 676 N. Michigan Avenue, Suite 3300; Chicago, IL 60611.

Participation or Interest in Client Transactions

Certain employees and affiliates of Flexpoint have invested in and alongside the Funds through the General Partners and/or as direct investors.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, knowingly buys from or sells a security to a Fund. This also applies to any affiliates or controlling persons of the adviser (*i.e.*, an owner, employee or affiliate of the adviser). The SEC also views cross trades between funds to be principal transactions if the adviser (and/or its affiliates, owners, or controlling persons) own, in the aggregate, 25% or more of either fund. Agency cross transactions occur when an adviser or an affiliate arranges a transaction (*i.e.*, acts as broker) between two or more different funds or accounts that are managed by that same adviser or an affiliate. Agency cross transactions can also arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. An adviser is not “acting as a broker” if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the assets) for effecting the transaction and therefore is not considered to be conducting an agency cross transaction under Section 206(3) of the Advisers Act.

In the event Flexpoint were to recommend a principal transaction or agency cross transaction, it would only be after: (i) the Firm has determined the transaction to be in the best interest of participating Funds; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the investors or advisory board, as appropriate; (iv) if necessary, consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction.

Conflicts of Interest

Flexpoint’s Code of Ethics requires Firm employees to place the interests of the Funds first, and on an annual basis each employee must certify that he or she has read and understands the Code of Ethics and has complied with its provisions. If any matter arises that Flexpoint determines in its good faith constitutes an actual conflict of interest, Flexpoint may take such actions as may be necessary or appropriate, within the context of any applicable Fund’s Governing Documents, to address the conflict.

In the case of all conflicts of interest, Flexpoint’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using Flexpoint’s best judgment, and also in its sole

discretion. In resolving conflicts, Flexpoint may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- A Fund will not make an investment unless Flexpoint believes that such investment is an appropriate investment, considered solely from the viewpoint of such Fund;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions, or other provisions contained in the relevant Governing Documents for the Funds;
- Generally, the Funds, with the exception of the Alternative Investment Vehicles and Co-Investment Vehicles, have established an advisory board consisting of representatives of investors not affiliated with Flexpoint. Such advisory boards meet, as required, to consult with Flexpoint as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, Flexpoint will be guided by its good faith discretion; and
- Where Flexpoint deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price.

Personal Trading

The Code of Ethics, which is acknowledged as received and understood by each Flexpoint employee, establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. Flexpoint supervised persons may purchase investments for their own accounts, subject to the terms of the Code of Ethics.

Flexpoint supervised persons will occasionally carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds and in connection therewith, can potentially give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for or outside the investment mandate of, the Funds, even though their investment objectives may be the same or similar. Supervised persons are permitted to buy securities in transactions offered to, but rejected by the Funds or that are outside the investment mandate of the Funds.

Flexpoint supervised persons are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information or communicating material non-public information to others. The Firm maintains a restricted list regarding issuers about whom it has material non-public information. Pre-clearance is required by Flexpoint supervised persons for certain personal securities transactions, including trading in restricted list securities, initial public offerings and certain limited offerings. In addition, supervised persons are required to file certain reports and submit their brokerage account statements to the Chief Compliance Officer for review.

Item 12 – Brokerage Practices

Selection of Brokers and Dealers

While Flexpoint focuses primarily on securities of private companies, the Funds periodically engage broker-dealers or investment bankers to perform various services for its Funds and portfolio companies, such as assisting in the purchase or sale of a private portfolio company, assisting in the purchase or sale of shares of securities of a public portfolio company, or purchasing or selling publicly traded securities. For each of the Funds, Flexpoint has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, Flexpoint will seek “best execution” of the transaction. “Best execution” is a qualitative assessment that takes into account the full range and quality of a broker-dealer’s services and is satisfied by obtaining the most advantageous overall terms for the Fund(s) when weighing all the factors relevant to the transaction. Best execution is therefore not necessarily determined by lowest possible commission rates.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, Flexpoint’s investment team takes into account all factors that it deems relevant to the broker or dealer’s execution capability, including, by way of illustration: (i) Flexpoint’s prior experience with the broker-dealer or investment banker; (ii) the broker-dealer or investment banker’s execution capability, financial responsibility, reputation and expertise within the industry; (iii) the broker-dealer or investment banker’s responsiveness to the Firm; (iv) the broker-dealer or investment banker’s expertise in dealing with investments that may be restrictive or illiquid in nature; (v) the value of any research services provided; and (vi) commission rates, among other factors the Firm deems relevant to the specific transaction. When purchasing or selling over-the-counter securities with market makers, Flexpoint generally seeks to select brokers it believes to be actively and effectively trading the security being purchased or sold regardless of the most favorable commission rate.

Although Flexpoint generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent, especially in private securities transactions that rely heavily on the specialty services or experience of a broker-dealer or investment banker that operate outside of a competitive bidding environment. Transactions that involve such specialized services on the part of the broker-dealer or investment banker can thereby entail higher commissions, or their equivalents, than would be the case with other transactions requiring more routine services.

Flexpoint does not receive “soft dollars” in connection with securities transactions for the Funds, does not receive referrals in connection with selecting or recommending broker-dealers for the Funds and does not engage in directed brokerage.

Aggregation of Trades

In pursuing the Funds’ investment objectives, Flexpoint may cause one or more of the Funds to purchase and sell publicly traded securities through broker-dealers. If Flexpoint has determined to

sell or purchase a publicly traded security for more than one Fund at the same time, the Firm will generally place combined orders for all such vehicles while assigning pre-order allocations. If an order for more than one Fund for a publicly traded security cannot be fully executed, Flexpoint will generally aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction on a pro rata basis.

Item 13 – Review of Accounts

Oversight and Monitoring

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly, Flexpoint's review of them is not directed toward a short-term decision to dispose of securities. A team of Flexpoint investment professionals closely monitors Fund portfolios as well as individual portfolio companies of the Funds and maintains an ongoing oversight position in such portfolio companies. The team generally includes managing directors and other Flexpoint investment professionals.

Reporting

Investors in the Funds typically receive, among other items, a copy of audited financial statements of the relevant Fund within 90 days after the end of each fiscal year, as well as a semi-annual performance report within 60 days after the first semi-annual period of each fiscal year. Flexpoint and the applicable General Partner also semi-annually distribute to underlying Fund investors an investment memorandum of each portfolio investment and a capital account statement. All reports are sent to investors in writing and are delivered electronically.

In the course of conducting due diligence or otherwise, investors periodically request information pertaining to their investments. Flexpoint responds to these requests, and in answering such requests provides information that is not generally made available to other investors who have not requested such information. While Flexpoint does not have an obligation to update any such information provided, the Firm endeavors to provide the information requested in the most current form available. Additionally, upon request, certain investors may receive additional information and reporting that other investors may not receive.

Item 14 – Client Referrals and Other Compensation

As described in Item 5 above, in connection with investments made by the Funds, Flexpoint may receive certain supplemental fees from portfolio companies in which one or more of the Funds invest or propose to invest. Subject to the terms of the Governing Documents and as described above, any such fees received by Flexpoint are generally rebated 100% against the Management Fees of the relevant Fund. To date, no transaction fees have been taken by Flexpoint on behalf of the Funds (but for the avoidance of doubt, as mentioned above, such transaction fees have been assessed on the Co-Investment Vehicles).

These types of arrangements present potential conflicts of interest, as discussed in Item 11 above, and provide Flexpoint with an incentive to recommend investments based on compensation received rather than the best interests of a Fund. To help mitigate this potential conflict, an allocable portion of such benefits received by Flexpoint or its employees in connection with services rendered to portfolio companies or transactions of a Fund are offset 100% against Management Fees payable by the relevant Fund, to the extent provided in and subject to certain exceptions described in each Fund's Governing Documents.

To date, Flexpoint has not retained the services of a placement agent for investor referrals

Item 15 – Custody

Flexpoint is deemed to have custody over its Funds' assets because of its affiliation with each Fund's General Partner and each General Partner's ability to deduct fees from Fund accounts. In order to comply with Advisers Act Rule 206(4)-2 (the "Custody Rule"), Flexpoint has elected to undergo a GAAP financial statement audit by an independent public accountant registered with, and subject to inspection by, the Public Company Accounting Oversight Board ("PCAOB") for each of the Funds over which it is deemed to have custody, copies of which are delivered to the Funds and their investors within 90 days of the fiscal year end. Investors in the Funds should carefully review such financial statements.

Flexpoint, however, does not accept physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly sent or wired into the relevant Fund's qualified custodial accounts and certain privately offered securities are maintained with a qualified custodian, if necessary. Flexpoint receives monthly statements from each of its qualified custodians on behalf of its Funds. For more information about Flexpoint's qualified custodians, please see Form ADV Part 1, Schedule D, Section 7.B.(1).

Item 16 – Investment Discretion

Flexpoint generally receives and exercises complete discretionary authority to manage investments on behalf of the Funds as per the Governing Documents of each Fund. Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner, and not individually to the investors in the Funds. The terms upon which Flexpoint serves as an investment manager are established at the time each vehicle is established and services are provided in accordance with the Governing Documents of the applicable vehicle.

To become an investor in a Fund, an investor must execute a subscription agreement which includes a power of attorney applicable to the execution of a limited partnership agreement with such Fund. Once an investor executes these documents, with limited exceptions such as certain conflicts of interest as discussed elsewhere in this Brochure, Flexpoint is not required to contact such investor prior to transacting business in a Fund. Fund investors can seek to impose limitations on Flexpoint's authority through a side letter agreement, and Flexpoint can choose to accept reasonable limitations

or restrictions at its discretion. All limitations and restrictions placed upon an investor's account must be presented to Flexpoint in writing and agreed to by Flexpoint and such investor. Other investors are often provided with notification of such side letter agreements but are not provided with consent rights.

Item 17 – Voting Client Securities

By virtue of each Fund's Governing Documents, Flexpoint has the authority to vote client proxy statements on behalf of its Funds. The majority of "proxies" received by Flexpoint, however, will be written shareholder consents or similar instruments for private companies. Flexpoint has established written policies and procedures pursuant to Advisers Act Rule 206(4)-6 setting forth the principles and procedures by which it votes or gives consent with respect to securities owned by the Funds. The guiding principle by which Flexpoint votes is to do so in the best interests of each Fund by maximizing the economic value of the relevant Fund's holdings, taking into account the relevant vehicle's investment horizon, the contractual obligations under the relevant Governing Documents, and all other relevant facts and circumstances at the time of the vote. Flexpoint does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is Flexpoint's general policy to vote or give consent on all matters presented to security holders in any vote. However, the Firm reserves the right to abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of its Chief Compliance Officer or the relevant investment professional, the costs associated with voting such vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and is in the best interests of the relevant Funds.

Flexpoint will generally vote in accordance with management's recommendations, unless the Firm determines that voting in such a manner is in conflict with the best interests of its investors. In these cases, Flexpoint will evaluate and vote the proxies on a case-by-case basis. The Firm may decide to take a proxy voting conflict to its advisory board for assistance with the resolution. In general, investors cannot request that Flexpoint vote in a particular way on any specific proposal. Flexpoint does not consider service on portfolio company boards by Flexpoint personnel or its receipt of nominal board fees to create a conflict of interest in voting proxies with respect to such companies.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to existing investors upon written request to: Flexpoint Ford, LLC; Attention: Chief Compliance Officer; 676 N. Michigan Avenue, Suite 3300; Chicago, IL 60611.

Item 18 – Financial Information

Registered investment advisers may be required in this Item to provide certain financial information or disclosures about an adviser's financial condition. Flexpoint does not require or solicit prepayment of more than \$1,200 in fees per Fund six months or more in advance, and thus is not required to

provide a copy of a balance sheet for the most recent fiscal year. Additionally, Flexpoint has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy petition.