

ITEM 1 – COVER PAGE

INVESTMENT ADVISER BROCHURE

MERCHANTS ASSET MANAGEMENT LLC

TOGETHER WITH

**MERCHANTS CAPITAL 2021-FLI GP, LLC
MERCHANTS HEALTHCARE FUND I GP, LLC**

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March 2024

Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Merchants Asset Management LLC and certain of its affiliates. If you have any questions about the contents of this Brochure, please contact us at 317-324-4601. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

Additional information regarding Merchants Asset Management LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

This section of the Brochure addresses “material changes” that have taken place since the last Brochure filing and will be posted to the SEC’s public disclosure website (IAPD). The Adviser’s last filing took place on March 20, 2023. There were no material changes since the last filing.

The information set forth in this Brochure is qualified in its entirety by reference to a Client’s Governing Documents (as defined herein). In the event of a conflict between the information set forth in this Brochure and the information set forth in a Client’s Governing Documents, the Client’s Governing Documents shall take precedence.

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ITEM 4 - ADVISORY BUSINESS

The Manager, a Delaware limited liability company and a registered investment adviser, was established in order to act as sponsor and provide investment advisory services to one or more investment funds (collectively the “**Fund**” or “**Partnership**”) privately offered to qualified investors primarily in the United States (each a “**Limited Partner**” and, collectively, the “**Limited Partners**”). The general partner entities or each Partnership are affiliated with the Manager (collectively the “**General Partner**” and, together with the Manager, the “**Adviser**”). The General Partner is registered under the Advisers Act pursuant to the Manager’s registration in accordance with SEC guidance¹. This Brochure also describes the business practices of the General Partner, which operates as a single advisory business together with the Manager. For purposes of the Advisers Act, the Adviser’s client is the Partnership.

The Adviser, which was founded in 2020, is 100% owned by Merchants Bancorp, a diversified bank holding company headquartered in Carmel, Indiana and registered under the Bank Holding Company Act of 1956, as amended (together with Merchants Bank of Indiana, “**MBI**”).

The Adviser’s investment advisory and management services consist of investing the assets of the Partnership in certain qualifying commercial real estate related loans that were originated by MBI (an affiliate of the Adviser) which satisfy the applicable guidelines (the “**Investment Guidelines**”) set forth within the Partnership’s Memorandum or Partnership Agreement (as such terms are defined below) or satisfy an exception to the Investment Guidelines which has been approved by the Limited Partners and are: (i) first mortgage loans secured by multi-family projects; (ii) first mortgage loans secured by healthcare projects; or (iii) mezzanine loans secured by the equity of multi-family projects which satisfy the Federal Housing Administration (the “**FHA**”) requirements for mezzanine loans (collectively, items (i) - (iii), the “**Investment Assets**”) and (B) to provide investors with attractive, risk-adjusted returns by providing a portion of the investment return as current income and a portion of the investment return as a return of capital.

Merchants Capital Corp., a wholly owned subsidiary of MBI and affiliate of the Adviser, shall be the servicer of any Investment Assets owned by the Partnership (the “**Servicer**”). Each Investment Asset purchased by the Partnership will be purchased in a “true sale” transaction from MBI on a “servicing released” basis, and from and after the purchase the servicing of such Investment Asset shall be performed on behalf of the Partnership by the Servicer.

The Adviser’s advisory services to the Partnership are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), limited partnership or other operating agreements or governing documents (each, a “**Partnership Agreement**”)¹ and are further described below under “METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.” Investors in the Partnership participate in the overall investment program for the applicable Partnership but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement. The Partnership or the General Partner have the ability to enter into side letters or other similar agreements (“**Side**

¹ Registration of an investment adviser does not imply any level of skill or training.

² All capitalized terms not otherwise defined in this Brochure shall have the meanings ascribed to them in the Memorandum, Partnership Agreement, or equivalent.

Letters”) with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Furthermore, the Adviser may make co-investment opportunities available to any Limited Partner and their affiliates, in each case on the same terms as offered to the Partnership to the extent that any potential Investment Asset does not satisfy the Investment Guidelines.

As of December 31, 2023, the Adviser manages approximately \$882,467,171 in client regulatory assets under management.

ITEM 5 – FEES AND COMPENSATION

All fee arrangements are disclosed in the relevant Partnership offering documents. All Limited Partners should read the offering documents thoroughly before participating in an offering.

In general, the Adviser and its affiliates receive a management fee and servicing fees in connection with advisory services. Lower fees for comparable services may be available from other sources. Furthermore, the Partnership and Limited Partners also bear certain expenses as detailed below:

Management Fees. For its services to the Partnership, the Manager receives a management fee (the “**Management Fee**”) which is generally based on a percentage of the aggregate total value of the Investment Assets of the Partnership.

Servicing Fees: The Servicer shall be paid by the Partnership a servicing fee (the “**Servicing Fee**”), payable monthly in an amount equal to a percentage, per annum, of the principal balance of each Investment Asset as of the first day of the month. The Servicer shall service the Investment Assets in accordance with a servicing agreement, and in compliance with all guidelines within the Memorandum and Partnership Agreement.

Organizational Expenses (of the Partnership). The Partnership will bear all legal, accounting, filing and other organizational and offering expenses (including expenses incurred by the Manager, the General Partner and the Sponsor, and out-of-pocket expenses of any third-party consultants other than capital introduction or placement fees) incurred in connection with the formation of the Partnership, the Manager and the General Partner (the “**Organizational Expenses**”) up to a maximum amount equal specified with the Memorandum and Partnership Agreement.

Partnership Expenses. The Partnership will pay all expenses that are incurred by or arise out of the operation of the Partnership (or shall reimburse the General Partner, the Manager and any of their affiliates for having actually incurred any such expenses), including, without limitation: (i) specified Organizational Expenses; (ii) the costs and expenses of identifying, investigating, conducting due diligence on, acquiring, owning, servicing, monitoring, financing and disposing of Investment Assets, including, but not limited to, inspection, appraisal, audit, fund administration and management, finder, legal, modeling, auditing, consulting, financing, accounting, administration and custody fees and expenses

(including compensation for in-house attorneys, accountants and other professionals to the extent such costs are generally consistent with costs customarily charged by third-party professionals); (iii) legal, auditing, accounting and consulting expenses in connection with the preparation of Schedule K-1s, fund statements, financial statements, tax returns and reports to the Partners (including compensation for in-house attorneys, accountants and other professionals to the extent such costs are generally consistent with costs customarily charged by third-party professionals); (iv) other expenses associated with the acquisition, financing, holding and disposition of Investment Assets, including, without limitation, expenses relating to the analysis, formation, arranging and implementation of any Special Purpose Investment Entity or any Partnership Financing, and any extraordinary expenses; (v) taxes, fees or other governmental fees and charges levied against the Partnership or any Special Purpose Investment Entity; (vi) insurance costs, including director and officer insurance for the Manager, the General Partner and each of their directors and officers; (vii) expenses incurred in connection with any litigation, claim or proceeding; (viii) damages in the amount of any judgments or settlements; (ix) all principal and interest in connection with borrowings, financings or derivatives entered into in connection with the Investment Assets, the Partnership or any Special Purpose Investment Entity; (x) administrative expenses; (xi) out-of-pocket expenses incurred in connection with transactions not consummated; (xii) all expenses incurred in connection with meetings among the General Partner and Limited Partners; (xiii) indemnification expenses; (xiv) all expenses incurred in connection with any audit with respect to taxes; (xv) all expenses incurred in connection with the liquidation of Investment Assets and the Partnership; (xvi) all costs and amounts incurred in connection with the negotiating and closing of any Partnership Financing; (xvii) all amounts incurred in connection with compliance-related matters and regulatory filings relating to the Partnership's activities (including, without limitation, expenses related to the preparation of Form PF or reports filed with the U.S. Commodity Futures Trading Commission) or meetings of the Investment and Advisory Committee (as defined below) (including related out-of-pocket costs of the members thereof to attend such meetings); (xviii) reasonable additional due diligence costs and expenses incurred by the Investment and Advisory Committee in connection with its review of proposed Investment Assets; and (xix) all amounts to be contributed or advanced to any Special Purpose Investment Entity or Investment Asset for the purpose of such entity or investment paying any cost of the type described in the foregoing clauses (ii) through (xviii) (collectively, the "**Operating Expenses**").

The Adviser neither deducts fees from the Partnership's assets nor bills the Partnership directly. The Adviser may draw-down capital commitments from the Limited Partners, or may use amounts that would otherwise be available for distribution to such investors, in order to meet the obligation to pay the Management Fees, Servicing Fees, and expense.

The Management Fees described above are payable quarterly in advance. The Management Fee obligation of the Partnership, and its Limited Partners, may only be terminated or modified as provided by the applicable Partnership Agreement. The Management Fee is calculated on an annual basis, and is pro-rated for partial periods.

Other than as described above, neither Adviser nor any of its supervised persons (i.e., the Adviser's managers, officers, or employees) receive any compensation from the sale of securities or other investment products.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under "FEES AND COMPENSATION," does not receive performance-based fees, or carried interest, with respect to the Partnership. Nevertheless, should any performance-based fees be charged to future clients, such fees are subject to Section 205(a)(1) of the Advisers Act and in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

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

ITEM 7 – TYPES OF CLIENTS

The Adviser intends to provide investment advice to the one or more investment funds, which are its "clients" for purposes of the Advisers Act. Such investment funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of the Adviser and its affiliates and members of their families.

The Funds generally have a minimum investment amount of \$500,000 for third-party investors, and interests are offered and sold solely to "qualified purchasers" and "accredited investors" that are also "qualified clients" for purposes of the Advisers Act (or qualified knowledgeable Adviser personnel). Such minimum investment amount may be waived by Adviser.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Method of Analysis and Investment Strategy Used in Formulating Investment Advice and Managing Assets

The Partnership's objectives are (A) to invest in certain qualifying commercial real estate related loans that were originated by MBI which satisfy the applicable Investment Guidelines (as defined below) or satisfy an exception to the Investment Guidelines which has been approved by the Limited Partners (as defined below) and are: (i) first mortgage loans secured by multi-family projects; (ii) first mortgage loans secured by healthcare projects; or (iii) mezzanine loans secured by the equity of multi-family projects which satisfy the Federal Housing Administration (the "FHA") requirements for mezzanine loans (collectively, items (i) – (iii), the "Investment Assets")

and (B) to provide investors with attractive, risk-adjusted returns by providing a portion of the investment return as current income and a portion of the investment return as a return of capital.

The partnership intends to hold the Investment Assets and, to the extent approved by the Limited Partner reinvest, all or a portion of income received from, and proceeds from the sale, payoff or refinancing of, its Investment Assets during the Investment Period. The Partnership intends to finance the Investment Assets through one or more repurchase facilities, the terms of which have been approved by the Limited Partners. The Partnership seeks to deliver a target net internal rate of return (the “IRR”) as outlined in the Partnership’s offering and governing documents.

Strategy and Investment Risks

The Partnership and its respective Limited Partners bear the risk of loss that the Adviser’s investment strategy entails. Limited Partners should carefully consider and review the following risk factors with their financial, tax and legal advisors as well as those risks discussed in each Fund’s Memorandum or equivalent.

There can be no assurance that the important assumptions underlying the target IRR or the target annual distributable cash yield will prove to be accurate or that the actual leverage obtained by the Partnership will be available as modelled and will enhance the return on the Investment Assets to such level. Accordingly, there can be no assurance that the Partnership will meet its objectives, its target IRR, or its target annual distributable cash yield, or avoid significant losses.

The risks involved with the Adviser’s investment strategy and an investment in the Partnership include, but are not limited to:

Risks Associated with Commercial Mortgage Loans. The value of the Partnership’s commercial mortgage loans will be influenced by the rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as result of such defaults. The factors influencing delinquencies, defaults and loss severity include (i) economic and real estate market conditions by industry sectors (e.g., multifamily, retail, office, etc.); (ii) the terms and structure of the mortgage loans; and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.

Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than lending on the security of single-family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (*i.e.*, the ability of tenants to make lease payments, the ability of a property to attract and retain tenants and the ability of the owner to maintain the property, minimize operating expenses and comply with applicable zoning and other laws) rather than upon the existence of independent income or assets of the borrower.

Many commercial mortgage loans provide recourse only to specific assets, such as the property and not against the borrower’s other assets or personal guarantees. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses in addition to potentially declining property values. In certain

circumstances, the creditors may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

Competition. There are no significant barriers to entry in this industry and as a result, the Funds may face competition from larger companies with significantly greater financial resources. Such competitors include banks, real estate investment trusts and private investment funds. Such competitors may have larger origination platforms, greater brand recognition and marketing capability and a lower cost of capital than the Partnership. There can be no assurances that the Partnership will be able to successfully compete with these competitors and originate or acquire loans that meet the Partnership's objectives.

Illiquidity. The investments made by the Partnership may be very illiquid, and consequently the Partnership may not be able to sell such investments at prices that reflect the Adviser's assessment of their value or the amount paid for such investments by the Partnership. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by a Fund and other factors. Furthermore, the nature of the Partnership's investments may require a long holding period prior to profitability.

Concentration of Investments. Any concentration by borrower would subject the Partnership to greater risk of loss should that borrower run into financial distress. Furthermore, the mortgage loans in which the Partnership invests may be concentrated in a specific state or states. Weak economic conditions in these locations or any other location (which may or may not affect real property values) may affect the ability of borrowers to repay their mortgage loans on time. Properties in certain jurisdictions may be more susceptible than properties located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, as well as floods, hurricanes, wildfires, mudslides and other natural disasters. Likewise, any concentration by property type may subject the Partnership to increased risk of loss from an economic downturn or change in tenant demand that adversely impacts that sector.

Leverage. Subject to applicable margin and other limitations, the Partnership may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the investments would be amplified. The Partnership may provide collateral to the entity from which it borrows by pledging the assets of the Partnership in the name of such entities or their nominees. This exposes the Partnership to the risk that, for whatever reason such as the default, insolvency, negligence or fraud of such lenders, the Partnership may not be able to reacquire such assets upon the repayment of such loans.

Valuations. From time to time, certain situations affecting the valuation of the investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the Funds) could have an impact on the net asset value of the Funds, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The Funds are not required to make retroactive adjustments to

prior subscription or withdrawal transactions or Management Fees or Performance Allocations based on subsequent valuation data.

General Economic Conditions. The success of any investment activity is influenced by general economic and financial conditions that may affect the level and volatility of equity prices, interest rates, general levels of economic activity, and the extent and timing of investor participation in the markets for both equity and interest-rate-sensitive securities. Unexpected volatility, illiquidity, governmental action, currency devaluation, or other events in global markets in which Clients directly or indirectly holds positions, or national and international circumstances (such as terrorist acts, wars, or security operations) or acts of God (including tornadoes, hurricanes, epidemics, and earthquakes), could impair the ability of the Adviser to carry out its business and could cause its Clients to incur substantial losses. In recent years, U.S. and non-U.S. securities markets and exchanges experienced high volatility, market disruption and substantial losses and resulted in governmental reform affecting the hedge fund industry. Prospective investors should be aware that similar market conditions in the future may present significant challenges to investors, including managers with past success under other market conditions. Private investment funds are likely to be further impacted by the recent events in financial markets around the world.

Cybersecurity Risks. The General Partner and the Partnership's 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 Partnership and the Limited Partners, despite the efforts of the General Partner and 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 Partnership and the Limited Partners. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the General Partner, the Partnership's 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 the General Partner's systems to disclose sensitive information in order to gain access to their data or that of the Limited Partners. A successful penetration or circumvention of the security of the General Partner's systems could result in the loss or theft of a Limited Partner's 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 Partnership, the General Partner or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

Acts of God and Geopolitical Risks. The performance of our Clients could be impacted by acts of God or other unforeseen and/or uncontrollable events (collectively, "Disruptions"), including, but not limited to, natural disasters, 10 public health emergencies (including any outbreak or threat of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, ebola, or other existing or new pandemic or epidemic diseases), terrorism, social and political discord, geopolitical events, national and international political circumstances, and other unforeseen and/or uncontrollable events with widespread impact. These Disruptions may affect the level and volatility of security prices and liquidity of any investments. There is risk that unexpected volatility or lack of liquidity will impair an investment's profitability or result in its suffering losses. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that

events or conditions in one country or region will adversely impact markets or securities industry participants in other countries or regions. The extent of the impact of any such Disruptions on the Adviser, its Clients, and any underlying portfolio company's operational and financial performance will depend on many factors, including the duration and scope of such Disruptions, the extent of any related travel advisories and restrictions implemented, the impact of such Disruptions on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its interference with important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. A Disruption may materially and adversely impact the value and performance of any investment, the Adviser's ability to source, manage and divest investments, and our ability to achieve its Clients' investment objectives, ultimately resulting in significant losses to Clients and investors. In addition, there is a risk that a Disruption will significantly impact the operations of the Adviser, its Clients, and their underlying portfolio companies, or even temporarily or permanently halt their operations.

Political and Economic Considerations. Changes in political, social and economic conditions could have substantial impact on the investments made in a Client's portfolio. Such potential changes include, but are not limited to, (a) currency exchange rate fluctuations, (b) exchange control regulations, (c) risks associated with different (and lower quality) information being available, (d) higher rates of inflation, (e) greater governmental involvement in the economy, (f) stricter or more expansive governmental regulations in the healthcare services, business services and/ industrial sectors, or (g) contraction of economies, in particular, loss of consumer confidence and an economic slowdown in the markets in which Clients are invested in, which may impact a Client's financial performance and the value of its investments. In addition, laws and regulations of non-U.S. countries may impose restrictions or approvals that would not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S. Foreign countries may also impose taxes on a Fund or its investors.

Future Legal, Tax and Regulatory Risks for Private Funds. Future legal, tax and regulatory changes could occur that may adversely affect the Adviser or its Clients. The regulatory environment for private funds is evolving, and changes in regulations that impact private funds may adversely affect the value of investments held by Clients and the ability of a Client to pursue its investment strategy. The SEC, other regulators and self-regulatory organizations and exchanges have taken various extraordinary actions in connection with recent and past market events and may take additional actions. A Client may also be adversely affected by changes in the enforcement or interpretation of existing laws, rules and regulations, including tax laws, by federal, state and non-U.S. agencies, courts, authorities or regulators. The effect of any future regulatory changes on a Client or the Adviser could be substantial and potentially adverse.

ITEM 9 - DISCIPLINARY INFORMATION

Neither i) the Adviser nor ii) any person with the power to exercise, directly or indirectly, a controlling influence over the Adviser's management or policies, or to determine the general investment advice given to the Partnership have been subject to any material legal or disciplinary events required to be discussed in this Brochure.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Manager and the General Partner are affiliates and operate as a single advisory business.

Furthermore, as discussed in “ADVISORY BUSINESS” above, the Adviser is 100% owned by MBI a diversified bank holding company headquartered in Carmel, Indiana and registered under the Bank Holding Company Act of 1956, as amended. Furthermore, Merchants Capital Corp. and Merchants Capital Servicing, LLC, subsidiaries of MBI and affiliates of the Adviser, are primarily engaged in mortgage banking, specializing in originating and servicing loans for multi-family rental housing and healthcare facility financing.

ITEM 11 - CODE OF ETHICS, PARTICIPATION, OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Adviser has adopted and implemented a Code of Ethics (the “**Code**”), which sets forth standards of conduct that are expected of its “supervised persons” and addresses conflicts, including those that arise from personal trading of supervised persons. The Code requires certain supervised persons to report their personal securities transactions, prohibits or requires pre-clearance for such supervised persons from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits supervised persons from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Adviser’s Chief Compliance Officer. In addition, the Code requires supervised persons to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any Limited Partner or prospective Limited Partner upon request to egibson@merchantscapital.com. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

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

Accordingly, should the Adviser or any of its supervised persons come into possession of material non-public or other confidential information with respect to public and non-public company, the Adviser generally would be prohibited from communicating such information to clients, and the Adviser will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law.

Furthermore, Limited Partners should be aware of the following potential conflicts of interest with respect to the Partnership:

All Loans Originated by MBI (an Affiliate of the Adviser) and All Investment Assets Serviced by Merchants Capital Corp. (an Affiliate of the Adviser). As discussed in “ADVISORY BUSINESS” above and disclosed in the Partnership’s offering and governing documents, the Adviser’s investment advisory and management services consist of investing the assets of the Partnership in certain qualifying commercial real estate related loans that were originated by MBI, an affiliate of the Adviser.

Furthermore, Merchants Capital Corp., a wholly owned subsidiary of MBI and affiliate of the Adviser, shall be the servicer of any Investment Assets owned by the Partnership. Each Investment Asset purchased by the Partnership will be purchased in a “true sale” transaction from MBI on a “servicing released” basis, and from and after the purchase the servicing of such Investment Asset shall be performed on behalf of the Partnership by the Servicer.

Please see “INVESTMENT DISCRETION” below regarding the role of the Investment and Advisory Committee with respect to conflicts of interest.

ITEM 12 - BROKERAGE PRACTICES

The Adviser focuses on securities transactions and generally purchases and sells such investments through privately-negotiated transactions in which the services of a broker-dealer are not utilized.

ITEM 13 - REVIEW OF ACCOUNTS

The Adviser closely monitors investments in which the Partnership invests. Furthermore, the Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to its Limited Partners (i) annual GAAP audited and quarterly unaudited financial statements for the first three quarters of each fiscal year, (ii) annual tax information necessary for each limited partner’s tax return and (iii) annual reports providing a descriptive investment information for each portfolio company investment.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

From time to time, the Adviser may enter into private placement agent arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a Limited Partner. Any fees payable to any such placement agents will generally be borne by the Partnership and its Limited Partners.

ITEM 15 - CUSTODY

The Adviser maintains custody of assets held in the name of the Funds with qualified custodians. As noted in Item 13 above, Fund investors will receive annual financial statements audited by an independent public accounting firm registered with the Public Company Accounting Oversight Board (PCAOB). Fund investors are urged to carefully review these statements.

ITEM 16 - INVESTMENT DISCRETION

Per the terms of the Partnership’s offering and governing documents, the Adviser has limited discretionary authority to manage investments on the Partnership. Limitations on this authority include the Partnership’s stated investment strategy, the Investment Guidelines, and certain approval rights of the Limited Partners and/or the Investment and Advisory Committee.

Furthermore, the Investment and Advisory Committee, if requested by the General Partner, will resolve issues involving conflicts of interest, including the approval of any principal trade between the Manager or any of its affiliates and the Partnership, or a cross trade between the Partnership and any other client of the Manager, as applicable.

ITEM 17 - VOTING CLIENT SECURITIES

Given the nature of the Partnership's investments, the Adviser does not typically vote proxies. Nevertheless, the Adviser has authority to direct the vote of the Partnership on certain issues.

If the Adviser is called upon to vote proxies, it will vote such proxies in accordance with the proxy voting policies and procedures its compliance manual. Pursuant to SEC rule 206(4)-6, the Adviser has established policies and procedures to address voting procedures and any conflicts of interests involved in a proxy vote. The Adviser's proxy voting procedures are designed to ensure that proxies are voted in a manner that is in the best interest of the Partnership. The Adviser addresses conflicts of interest involved in a proxy vote through a three-step process of identifying potential conflicts of interest, determining material conflicts and establishing procedures to address material conflicts. The Adviser may determine not to vote proxies in respect of securities of an issuer if it determines it would be in the Partnership's overall best interest not to vote. Limited Partners may obtain copies of the Adviser's proxy voting policies by contacting the Chief Compliance Officer.

ITEM 18 - FINANCIAL INFORMATION

The Adviser does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure. Registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition. The Adviser has no financial condition that impairs its ability to meet contractual and fiduciary commitments to its Clients, and has not been the subject of any bankruptcy proceedings.