

# Fundamental Advisors LP

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This Brochure provides information about the qualifications and business practices of Fundamental Advisors LP (“Fundamental Advisors” or “Fundamental”). If you have any questions about the contents of this Brochure, please contact us at (212) 205-5000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Fundamental Advisors is registered as an investment adviser with the SEC.

Registration with the SEC does not imply a certain level of skill or training.

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

## Item 2 – Material Changes

Since Fundamental Advisors' last Form ADV Part 2A ("Brochure"), filed March 31, 2023, the following material changes have been made to this Brochure:

- Item 6 was updated to incorporate additional allocation factors as it relates to investment opportunities for Fundamental's fund clients and additional context related to Fundamental's solar platform.
- Item 8 was updated to incorporate new risk factors associated with strategies employed by new fund clients (defined below).

Certain non-material changes have also been made to this Brochure. Consequently, we encourage you to read the Brochure in its entirety.

## Item 3 – Table of Contents

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#### Item 4 – Advisory Business

Fundamental Advisors LP (“Fundamental Advisors,” “Fundamental,” “we” or “us”) acts as the discretionary investment adviser to U.S. private investment vehicles that we or a related entity sponsors (“fund clients”).

Fundamental Advisors’ core investment strategy is primarily to pursue a diverse array of special situation opportunities within and related to the municipal market or assets otherwise having significance to the functioning or development of a community or some other connection to a municipality or other governmental agency or entity, which assets we refer to as “public purpose assets,” to achieve long-term capital appreciation and current income. Fundamental Advisors seeks to achieve its objective by targeting control-oriented investments in stressed and distressed assets or securities, financing the development or revitalization of public purpose assets, or acquiring undervalued securities in the secondary market. Fundamental Advisors’ strategy also uses over-the-counter derivatives, such as total return swaps, interest rate swaps, interest rate locks, credit default swaps and tender option bond structures, where we believe these instruments provide a desired exposure or hedge exposure and risk. The investment objectives, strategies, fees and risks of each fund client and other material information, are set forth more fully in the fund clients’ confidential offering documents, which are available to investors and qualified prospective investors with whom Fundamental Advisors or its agents have a pre-existing substantive relationship. Fundamental Advisors believes its strategy positions the core strategy fund clients to benefit from evolving market dynamics in the municipal market and the market for public purpose assets. Fundamental Advisors also employs a specialty finance strategy focused on investing primarily in development and construction loans (including equipment loans) for solar energy generation facilities and solar energy plus battery storage and standalone battery storage systems across the U.S.

Fundamental Advisors is a limited partnership formed in Delaware in 2007. Fundamental Advisors Group LLC, also formed in Delaware in 2007, is Fundamental Advisors’ general partner as well as the general partner of Fundamental Advisors Holdings L.P., a Delaware limited partnership which is Fundamental Advisors’ principal owner. Laurence Gottlieb acts as Fundamental Advisors’ Chairman and Chief Executive Officer and is also the managing member of the general partner. Mr. Gottlieb is also indirectly Fundamental Advisors’ principal owner as the sole limited partner in Fundamental Advisors Holdings L.P. Mr. Gottlieb is assisted by a senior management team and senior investment team.

As of December 31, 2023, Fundamental Advisors managed approximately \$3,959,000,000 of regulatory assets under management, as calculated for and reported in Item 5F of Part 1A of Form ADV, on a discretionary basis. Fundamental does not manage assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

All of our fund clients currently are investment vehicles exempted from the definition of investment company by Section 3(c)(7) of the Investment Company Act of 1940 and we would expect any new fund clients to be “qualified purchasers” or private funds with “qualified purchaser” investors. Our fees and other compensation are set forth in the agreements between Fundamental and our fund clients and are disclosed to investors through the offering documents for the vehicles. Fees payable to Fundamental Advisors or a related person generally consist of a management fee that is a flat percentage of capital commitments or invested capital (depending on the nature and/or lifecycle of the relevant fund client) and a carried interest in the profits of the fund client. Management Fees are generally paid quarterly in advance or monthly in arrears depending on the fund client. Management fees generally are not refundable unless the general partner of a fund client is removed as described in the fund client’s offering documents. In addition, investors in Fundamental Advisors’ fund clients are generally entitled to a return of their contributed capital plus a preferred return before Fundamental Advisors or its related persons are entitled to any carried interest. The governing documents generally permit Fundamental to negotiate different fees with investors and to waive the fees for certain affiliates, principals and employees.

Fundamental Advisors typically applies directors’ fees, transaction fees, break-up fees, investment banking fees, monitoring fees, advisory fees, consulting fees or other similar fees (in each case, net of any related expenses) that it or its related persons receive from third parties that are attributable to a portfolio investment made by a fund client (excluding fees to Fundamental Asset Management LLC (“FAM”) and Fundamental Renewables LLC (“FR”) to cover their operating costs as described below) to offset the management fees. To the extent the amount of such transaction fees exceeds the amount of management fees expected from the relevant fund client over the following twelve-month period, Fundamental Advisors typically pays such excess to the applicable fund client to reimburse previously paid management fees.

Each Fundamental Advisors fund client typically pays its own organizational and offering expenses incurred in connection with fund formation and the offering of interests (which may include placement agent fees), up to an agreed upon cap with any excess used as an offset to the management fee. In general, except for compensation of Fundamental’s officers and employees, office overhead (such as rent, utilities, office supplies and equipment and insurance related to its business) and regulatory expenses relating to Fundamental and its related persons advising fund clients, each fund client typically pays for all fees, costs and expenses relating to the operating and activities of such fund client, including, without limitation, the following: (i) regulatory and compliance expenses, including for legal and regulatory advice and submissions costs related to filings with the SEC (e.g., Form PF or regulatory “sweep” examinations) or other regulatory bodies (e.g., Commodity Futures Trading Commission and National Futures Association) relating to activities of the fund client (but not for the avoidance of doubt any costs or expenses associated with Fundamental’s Form ADV), (ii) all costs and expenses incurred in connection with the evaluation, acquisition, holding, monitoring, refinancing, recapitalization, disposition or proposed disposition of any actual or potential investments, whether or not consummated, including without limitation private placement and finder’s fees, due diligence costs and expenses (including for industry consultants and experts), fees and other compensation payable to joint venture and operating partners, investment-related travel expenses (including transportation, lodging and meals in accordance with

Fundamental's firm policy), taxes, brokerage fees, sales commissions, underwriting commissions and discounts, appraisal and valuation fees, dealer spreads and investment banking fees, research expenses, exchange, clearing and settlement charges, fees and expenses of any third party providers of "back office" and "middle office" services relating to trade settlement, fees, costs and expenses related to any short sales or hedging transactions, asset management fees (including those payable to FAM), custodial, depositary, trustee, safekeeping recordkeeping and other related administrative expenses, insurance costs and expenses associated with investments, post-closing obligations relating to the disposition of investments and legal, accounting, administrator and consultant fees, and all unreimbursed out-of-pocket expenses of the fund client relating to unconsummated transactions (including legal, accounting and consulting fees, and expenses that would have been borne by co-investors if the transaction were consummated), (iii) costs and expenses associated with forming, operating and maintaining any joint venture platforms and special purpose vehicles to hold investments, (iv) any fees, costs and expenses associated with financing investments or operations (including through a subscription line facility), including interest, commitment fees, banking fees, fees and expenses associated with guarantees or amounts payable to or by any actual or prospective lenders, investment banks or other financing sources related to investments and prospective investments (whether or not consummated) and other bank charges and cash management expenses, (v) administrative costs and expenses, including custodial and safekeeping, incurred in the ordinary course and costs and fees for preparing annual audits, financial statements, tax returns, tax reports and portfolio valuations (including costs and expenses of any portfolio accounting, compliance or reporting systems or other software or other technology used in connection therewith), (vi) indemnification expenses of the fund client, (vii) investor communication and advisory committee expenses and expenses incurred in connection with any amendments, modifications or restatements of the governing documents of the fund client or in connection with implementing or complying with side letters and/or other similar written agreements (including "most favored nations" processes), (viii) the costs of any litigation, (ix) fees, costs and expenses related to insurance obtained in connection with the affairs of the fund client (including mortgage bond insurance, cybersecurity insurance and insurance, including errors and omissions, fidelity, general partner liability, fiduciary, directors' and officers' liability and similar coverage, covering the persons indemnified by the fund client, (x) liquidating expenses, (xi) any taxes, fees or other governmental charges levied against the fund client and all expenses incurred in connection with any tax audit, investigation, settlement or review of the fund client and (xii) all other costs and expenses incurred in connection with the operation and maintenance of the fund client or otherwise authorized by the governing documents of the fund client. Each fund client is obligated to reimburse Fundamental and its affiliates for any such costs advanced by it on behalf of the fund client. Fees and compensation paid to joint venture partners, operating partners, finders and other consultants may be structured in any manner that Fundamental determines appropriate and may include fixed fees, expense reimbursement, performance-based fees and/or options or other profit sharing arrangements.

Fundamental Advisors' fund clients also pay certain investment and other expenses of FAM, a Delaware limited liability company formed by Fundamental Advisors in 2009, including, in the form of a fee for providing monitoring and supervisory services for various fund client holdings. FAM's responsibilities mainly include analyzing an asset's physical condition and operating performance, supervising property managers, and reviewing and overseeing the execution of capital improvement plans. Fund clients also pay to FR, a Delaware limited liability company formed by Fundamental Advisors in 2021 as a subsidiary of FAM, investment expenses and a fee for providing certain asset

management, loan servicing and loan origination services to entities in Fundamental's renewable energy platform. Notwithstanding Fundamental Advisors' belief that the rendering of such services by each of FAM and FR to the fund client provides an important benefit to the fund client, this arrangement creates a potential conflict of interest for Fundamental Advisors as it, in its capacity as a member of FAM, has an interest in the fees received by FAM and FR. To minimize the potential conflict of interest created by these arrangements, (i) with respect to Fundamental Solar Finance LP and other fund clients that invest solely in Fundamental's solar platform, any fees paid to FR attributable to such fund client are treated as part of the management fees paid by such fund client and (ii) for other fund clients, to the extent FAM's or FR's fees exceed its operating costs, a pro rata share of such excess fees will be used to reduce Fundamental Advisors' management fee from the applicable client.

Fees and expenses are allocated to fund clients in accordance with the expense allocation policies and procedures and are subject at all times to any specific allocation provisions set forth in a fund client's offering documents or separate account client's account documents. For private equity fund clients managed by Fundamental Advisors, deal related expenses are generally allocated based upon the percentage of capital deployed by the respective client(s) into the deal. Deal expenses relating to potential investments that were never consummated are typically allocated in the same manner as deal expenses, with the exception that capital was never deployed by the funds and must be allocated based upon expected deployment. Where a co-investment was contemplated, the allocation typically will take into account the expected investment by co-investor(s) only when the respective adviser receives a formal commitment to participate. Notwithstanding the foregoing, Fundamental Advisors may use other methods to allocate fees and expenses among clients in any manner that they deem appropriate in their sole discretion.

Current and prospective investors in fund clients of Fundamental Advisors should refer to the private placement memorandum or other offering documents of the respective fund client for detailed information with respect to the fees and expenses they may pay in connection with an investment in such fund client. The information contained herein is a summary only and is qualified in its entirety by such documents.

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

Fundamental Advisors or its related persons have a carried interest in each fund client that is a private equity fund and may also participate in parallel vehicles in which investors may co-invest with the fund clients. Further, although Fundamental Advisors generally agrees with each fund client not to sponsor any additional fund with substantially similar investment strategies until the earlier of (i) the end of such fund client's investment period and (ii) the date on which at least 75% of capital commitments to such fund client have been drawn down and used to fund investments or expenses, committed to be invested or reserved for Fund expenses and/or follow-on investments, there are times when Fundamental Advisors manages multiple fund clients that are in their investment periods. To the extent the carried interest in one fund client is greater or the overall performance of one fund client is better than another, Fundamental Advisors may have an incentive to allocate promising investments to the fund client that would result in a greater carried interest to Fundamental Advisors and its related persons. The level of anticipated carried interest is not a consideration in such allocation decisions.

Fundamental, which is responsible for the investment decisions made on behalf of its fund clients, is responsible directly or indirectly for investment decisions made on behalf of other fund clients. Fundamental may take action with respect to its fund clients that differs from that taken with respect to other fund clients advised by Fundamental or its affiliates. Situations may occur where a fund client could be disadvantaged because of the investment activities conducted by Fundamental Advisors for other clients.

Allocation of Investment Opportunities. Where an investment is appropriate for multiple fund clients, Fundamental Advisors will allocate investment opportunities in accordance with its written investment allocation policies and procedures, taking into account the applicable provisions of the fund client's offering documents. In general, in making such allocations among clients Fundamental Advisors will consider such factors including but not limited to the size, nature and type of investment opportunity, relative capital availability; investment time horizon; investment objectives and restrictions; liquidity requirements; risk-management requirements; adherence to any limits as defined in applicable investment guidelines or fund documentation; and portfolio management considerations. Fundamental's investment allocation policy is designed to facilitate the fair and equitable allocation of investment opportunities over time. Fund clients typically are not entitled to investment priority as against other clients and may not necessarily participate in every investment opportunity.

Fundamental often establishes vehicles for the purpose of holding multiple assets related to a particular sector or strategy through which multiple fund clients participate in the underlying investments. Where such assets have readily ascertainable values (supported by third party appraisals or market valuations), the governing documents of these vehicles may (and do in the case of Fundamental's solar platform) allow for periodic contributions of additional capital and periodic withdrawals by fund clients and simultaneous adjustment of ownership percentages, in each case based on the valuation of the underlying assets at the time of such contribution or withdrawal.

Side Letters. The general partner of a fund client, on its own behalf or on behalf of the fund client, may enter into side letters or other written agreements with any limited partner without the consent



of any person, including any other limited partner, that has the effect of establishing rights under, or altering or supplementing the terms of the fund client's limited partnership agreement and of any fund client subscription agreement. Subject to any limitations or requirements under applicable law, the terms of any such side letter or other agreement to or with a limited partner shall govern solely with respect to such limited partner notwithstanding the provisions of the fund client's limited partnership agreement or any fund client subscription agreement. Such rights or terms in any such side letter may include, without limitation and in the sole discretion of the fund client general partner, (i) fee and other economic arrangements with respect to such investor; (ii) excuse or exclusion rights applicable to particular investments or terms relating to withdrawal from the investment vehicle, including without limitation, as a result of an investor's specific policies or certain violations of federal, state or non-U.S. laws, rules or regulations, such as so-called "pay-to-play" rules with respect to public pension plan investors, (which may materially increase the percentage interest of other investors in, and their contribution obligations, for future investments and expenses, and reduce the overall size of the applicable fund client); (iii) additional or modified reporting obligations; (iv) waiver of certain confidentiality obligations; (v) prior consent of the general partner to certain transfers by such investor; (vi) special rights with respect to co-investment allocation and participation; (vii) rights or terms necessary in light of particular legal, regulatory or policy characteristics of an investor; (viii) potential mandatory waivers of compensation as a result of certain violations of law with regard to public pension plan investors; (ix) confidential treatment of the identity of investors; (x) agreements to assist with the taking or defending of tax positions; (xi) certain obligations and restrictions on the applicable general partner with respect to the exercise of its discretion on certain matters, including amendments, exercising default remedies and waiving confidentiality or terms; (xii) indemnification agreements and (xiii) any other matters described therein, which may be more favorable to those provisions offered to other investors. Further, Fundamental from time to time provides investors with confirmations as to its practices as they relate to the operation of investment funds, vehicles and accounts managed by Fundamental and/or the manner in which Fundamental expects to interpret and apply provisions of the governing documents for a fund client. Such confirmations, even if in written format, do not constitute side letters since they do not establish rights under or alter or supplement the terms of the governing documents of a fund client.

## **Item 7 – Types of Clients**

Fundamental currently manages the assets of U.S. privately offered pooled investment vehicles for which its related persons act as general partner or sponsor, as well as certain parallel and alternative investment vehicles. The fund clients' structures most resemble those of "private equity funds" and would be considered "private funds" for purposes of the Investment Advisers Act of 1940, as amended ("Advisers Act").

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

Set forth below are summaries of the investment strategies primarily employed by Fundamental Advisors.

Fundamental Advisors' investment objective is to seek capital appreciation by investing its clients' assets in distressed and special situation opportunities within the municipal markets. Fundamental Advisors pursues a diverse array of special situation opportunities within and related to the municipal market or assets otherwise having significance to the functioning or development of a community or some other connection to a municipality or other governmental agency or entity, which assets we refer to as "public purpose assets," to achieve long-term capital appreciation and current income.

Fundamental Advisors seeks to achieve its objective by targeting control-oriented investments in stressed and distressed assets or securities, financing the development or revitalization of public purpose assets, or acquiring undervalued securities in the secondary market. Fundamental Advisors' strategy also uses over-the-counter derivatives, such as total return swaps, interest rate swaps, interest rate locks, credit default swaps and tender option bond structures where we believe these instruments provide a desired exposure and/or hedge exposure and risk, and we may in the future access the futures markets for these purposes.

Fundamental Advisors uses a multi-step approach in implementing its investment strategy that consists of: (i) sourcing investment opportunities, (ii) performing extensive due diligence on prospective investments (mindful of viable exit strategies), (iii) assessing value, (iv) actively managing the investment, and (v) evaluating appropriate exit alternatives.

Fundamental Advisors targets industries in which the investment professionals of Fundamental Advisors have prior experience and relies on their strong network of relationships. Fundamental Advisors' underwriting and investment procedures attempt to identify investments that typically have floor values equal to the hard assets securing such securities, which we believe minimizes investment risk and provides favorable risk/reward characteristics. Fundamental Advisors seeks to minimize concentration risk by diversifying fund clients' portfolios among sectors and geographies on the basis of absolute capital committed.

**FUNDAMENTAL ADVISORS' INVESTMENT STRATEGY INVOLVES A HIGH DEGREE OF BUSINESS AND FINANCIAL RISK THAT CAN RESULT IN SUBSTANTIAL LOSSES AND IS SUITABLE ONLY FOR INVESTORS PREPARED TO BEAR SUCH RISK. THE RISKS FACTORS BELOW ARE NOT INTENDED TO BE EXHAUSTIVE. PROSPECTIVE INVESTORS SHOULD ALSO CAREFULLY REVIEW THE RISKS DESCRIBED IN THE APPLICABLE FUND CLIENT'S GOVERNING DOCUMENTS.**

### **Certain Material Risks**

Investing in debt and the municipal market involves risk of loss that the investors in fund clients should be prepared to bear. An investment in a fund client involves a high degree of risk, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in such fund client. There can be no assurance that the investment

objective of any fund client will be achieved, that any fund client will otherwise be able to successfully carry out its investment program, or that an investor will receive a return of its capital contributed to any fund client. A brief explanation of the material risks associated with Fundamental Advisors' principal investment strategy and methods of analysis follows. Please note that the following is not meant to be an exhaustive listing of all potential risks associated with investing in a fund client. Additional risk factors are set forth in the offering documents for each fund client provided to investors and potential investors. Not every risk disclosed below will be relevant to or equally applicable to every fund client. The following summary of risks is qualified in its entirety by the respective fund client's offering documents.

No Assurance of Investment Return. All securities and other investments risk the loss of capital. No guarantee or representation is made that the fund client will achieve its investment objective or that a fund client will not lose all or substantially all of its investment. Fundamental Advisors cannot provide assurance that it will be able to choose, make and realize investments in any particular portfolio investment. There can be no assurance that the fund client will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of investments and transactions described herein. There can be no assurance that any limited partner will receive any distribution from the fund client. Accordingly, an investment in the fund client should only be considered by persons who can afford a loss of their entire investment. Past performance is not necessarily indicative of future results, and there can be no assurance that the fund client will achieve comparable results or that targeted returns will be achieved.

Distressed Municipal Debt Investing Risks. Investments in distressed municipal debt are subject to various risks that are not generally found in investments in other types of securities. The assets underlying such municipal debt will typically have significant risks as a result of business, economic or legal uncertainties. They likely will be experiencing financial or operational difficulties or be otherwise out of favor. Such securities are typically illiquid and may be considered speculative. The ability of Fundamental Advisors to manage and rehabilitate the assets underlying such securities could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments related to such underlying assets. Any such underlying assets that are operating in workout or bankruptcy modes present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks. Prices of the portfolio investments may be volatile or difficult to gain third party validation of, and a variety of other factors that are inherently difficult to predict or evaluate, such as domestic or international economic and political developments, may significantly affect the results of the fund clients activities and the value of its portfolio investments. As part of Fundamental Advisors' strategy to restructure and rehabilitate the assets underlying the municipal bonds in which the fund clients invest, the fund clients may hold various types of other securities, including secured and unsecured notes. There can be no assurance that Fundamental will correctly evaluate the nature and magnitude of the various factors that could affect the value of, and return on, such portfolio investments.

Municipal Bond Risks. There are two common types of municipal bonds, general obligation bonds and revenue bonds. Both general obligation bonds and revenue bonds are typically issued by or on behalf of the political subdivisions, agencies or instrumentalities of states, territories and possessions of the United States and the District of Columbia to obtain funds for a wide range of public facilities

including housing projects, industrial projects, hospitals, schools, mass transportation, stadiums, waterworks and sewer systems and highways. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to obtain funds for many types of local, privately operated facilities (such debt instruments are considered municipal obligations if the interest paid on them is exempt from federal income tax). General obligation bonds are backed by the “full faith and credit” of the governmental entity issuing the bonds. The creditworthiness of general obligation bonds is primarily based upon the “ability to pay”, generally defined by the overall financial health of the issuer and its “willingness to pay” generally determined by the history of fiscal responsibility, necessity of market access and current political climate. Revenue bonds are municipal bonds that finance income-producing projects and are payable only from the revenue derived from a particular project, facility or specific revenue source. Unlike general obligation bonds, revenue bonds are not payable from the general taxing power of the municipality and holders of revenue bonds typically have no claims on the issuer’s other resources. The primary source of repayment and collateral for revenue bonds generally consists of revenue from the underlying project (fees, rent, tolls, concessions, etc.), generally, a senior lien on the underlying asset and an obligation for repayment by the sponsor. Municipal revenue bonds may carry a higher default risk than general obligation bonds. Not only are they not backed by the full faith and credit of a municipality, but the income from the projects funded by revenue bonds cannot be predicted with certainty. If the projects do not produce enough revenue, the bonds may default. The success of revenue bonds ultimately depends on the projects’ ability to produce revenue. Projects backing distressed municipal revenue bonds in which Fundamental Advisors expects to invest will typically be experiencing financial or operational difficulties, which heightens the risk that sufficient revenue will not be generated. If Fundamental is unable to manage and rehabilitate the assets underlying such bonds and improve the prospect for revenue generation, the value of the fund client’s investment in such bonds will likely decline.

Each type of municipal obligation may be more or less susceptible to downgrades or defaults during recessions or similar periods of economic stress. The value of the fund client’s investments in municipal revenue bonds will be affected by local, state, regional and national factors. These may include economic or policy changes, erosion of the tax base, legislative changes (especially those regarding taxes) and the possibility of credit problems. Any such changes or events may adversely affect the value of the fund client’s investments.

For example, the fund clients may invest in municipal revenue bonds issued to fund housing projects. Successful operation of a commercial or multi-family real estate project is dependent upon, among other things, economic conditions generally and in the area of the project, fluctuations in interest rates, the degree to which the project competes with other projects in the area, construction and operating costs and the performance of the management agent. In some cases, that operation may be affected by circumstances outside the control of the borrower or lender, such as the deterioration of the surrounding neighborhood, the imposition of rent control or changes in tax laws. The ability of Fundamental to rehabilitate the housing projects underlying such bonds will be affected by such factors, which could have a negative impact on the value of the fund client’s investment in such bonds.

In addition to being downgraded, an insolvent municipality may file for bankruptcy. The reorganization process of a municipality’s debts has little precedent and may significantly affect the rights of creditors. Moreover, there is political risk that state legislatures or municipal authorities

will seek to interfere with or rescind the revenue streams required for the issuer to satisfy its obligations, leaving the creditor with no recourse. This risk exists for both performing and non-performing or defaulted obligations. Furthermore, states and municipalities face uncertainty in respect of federal mandates, federal assistance and subsidies, a rapidly changing and unpredictable regulatory landscape and other political and regulatory policy changes, any of which may adversely affect the performance of municipal obligations. There is no guarantee that Fundamental Advisors will be able to anticipate these risks effectively.

Distressed Securities Risks; Illiquidity. Distressed securities generally are securities of issuers that have either defaulted or appear to be at a heightened risk of doing so. The assets underlying such securities will typically have significant risks as a result of business, economic or legal uncertainties. Although investments in distressed securities may result in significant returns, such investments are subject to greater risks with respect to the issuing entity and to greater market fluctuations than certain higher rated securities and also may not show any return for a considerable amount of time. In fact, many of these securities and investments ordinarily remain unpaid unless and until the entity reorganizes and/or emerges from bankruptcy proceedings, and as a result may have to be held for an extended period of time. In some circumstances, such securities may be converted to equity as part of the reorganization. A wide variety of considerations, including, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others may affect the value of these securities and investments. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations that limit the access of Fundamental Advisors to reliable and timely information concerning material developments affecting a company or municipality, or which cause lengthy delays in the completion of the liquidation or reorganization proceedings. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies or municipalities experiencing significant business and/or financial distress is unusually high. There is no assurance that Fundamental Advisors will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to the entity in which the fund client invests, the fund client may lose its entire investment or may be required to accept cash or securities with a value less than the fund client's original investment.

The market values of such bonds tend to be more sensitive to economic conditions than are higher rated securities. Because there is not an established secondary market for many of these securities, including but not limited to bonds, Fundamental Advisors anticipates that such securities could be sold only to a limited number of dealers or institutional investors. To the extent a secondary trading market for these securities does exist, it generally is not as liquid as the secondary market for higher rated securities. With respect to bonds, the lack of a liquid secondary market may have an adverse impact on market price and Fundamental Advisors' ability to dispose of particular bonds when necessary to meet a fund client's liquidity needs or in response to a specific economic event such as a deterioration in the condition or prospects of the project for which such securities were issued. The lack of a liquid secondary market for certain securities also may make it more difficult for Fundamental Advisors to obtain accurate market quotations for purposes of determining the value of a prospective investment or valuing a fund client's portfolio.

Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of these securities. These securities may be particularly susceptible to economic downturn and be subject to substantial market price volatility. It is likely that any economic recession would disrupt severely the market for such securities and have an adverse impact on their value.

To enforce its rights in defaulted bonds, a fund client may be required to participate in various legal proceedings or take possession of and manage assets securing the issuer's obligations on the defaulted securities. This will increase the fund client's operating expenses and could adversely affect the value of its investments.

Unregulated Transactions. Certain instruments that may be traded by the fund client may not be traded on exchanges and such trading may not be regulated by any government agency. Accordingly, the protections accorded by such regulation will not be available in connection with such investments.

Risk of Early Repayment. Loans made by the fund clients may be subject to early repayment at the option of the borrower. If a loan made by the fund clients is repaid early, there could be an adverse effect on the fund client's ability to achieve its investment objective.

Senior Loan Risk. The fund clients expect to invest, directly or through affiliated entities, in senior secured loans. Senior secured loans are usually rated below investment grade or may also be unrated, and Fundamental Advisors expect that most if not all loans will be unrated. As a result, the risks associated with senior secured loans may be considered by credit rating agencies to be similar to the risks of below investment grade fixed income instruments, although senior secured loans are senior and secured in contrast to other below investment grade fixed income instruments, which are often subordinated or unsecured. Investment in senior secured loans rated below investment grade is considered speculative because borrowers are more likely than investment grade issuers to default on their payments of interest and principal, and such defaults could have a material adverse effect on the fund clients' performance. Moreover, any specific collateral used to secure a senior secured loan may decline in value or become illiquid, which would adversely affect the senior secured loan's value. Senior secured loans are subject to a number of risks, including liquidity risk.

Loan Origination. Fundamental and/or its affiliates expects to originate loans on behalf of the fund clients. In making loans, the fund clients will compete with a broad spectrum of lenders, some of which may have greater financial resources than the fund clients, and some of which may be willing to lend money on better terms (from a borrower's standpoint) than the fund clients. Increased competition for, or a diminution in the available supply of, qualifying loans may result in lower yields on such loans, which could reduce returns to the fund clients. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies, particularly companies experiencing significant business and financial difficulties, is unusually high. There is no assurance that the general partner or Fundamental will correctly evaluate the value of the assets collateralizing these loans or the prospects for successful repayment or a successful reorganization or similar action.

In addition, loan origination involves a number of particular risks that may not exist in the case of secondary debt purchases, including:

- When originating loans, Fundamental will generally have to rely more on its own resources to conduct due diligence of the borrower, which will likely be more limited than the diligence conducted for a broadly syndicated transaction involving an underwriter; and
- The borrowers may in some circumstances be of higher credit risk who could not obtain debt financing in the syndicated markets.

In addition to the above, originating loans for the development and construction of solar and other renewable energy projects involves risks that may not exist in the case of loans to large, more established and/or publicly traded companies, including:

- The borrowers may have limited financial resources and limited access to additional financing in the event of construction delays or other unforeseen circumstances, which may increase the risk of their defaulting on their obligations, leaving creditors, such as the fund clients, dependent on any guarantees or collateral that they may have obtained;
- These loans are generally made before the underlying project is generating cash flow, which render such loans more vulnerable to market conditions, as well as general economic downturns, that could adversely affect offtake counterparties and refinancing;
- There will not be as much information publicly available about these projects as would be available for public companies, and such information may not be of the same quality;
- These projects are more likely to depend on the management talents and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the respective borrower's ability to meet its obligations; and
- These companies may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to repay their outstanding indebtedness upon maturity.

Bankruptcy Risks. Fundamental Advisors expects to invest in securities whose underlying projects may be operating in workout or bankruptcy modes, or may enter into bankruptcy proceedings following investment by certain fund clients. There are a number of significant risks inherent in the bankruptcy process. First, many events in a bankruptcy are the product of contested matters and adversary proceedings and are beyond the control of the creditors. While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of the fund client. Second, the effect of a bankruptcy filing on a project may adversely and permanently affect the project. Third, the duration of a bankruptcy proceeding is difficult to predict. The fund client's return on investment could be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until it ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. For example, if a proceeding involves protracted or difficult litigation, or turns



into a liquidation, substantial assets may be devoted to administrative costs. Fifth, bankruptcy law permits the classification together of “substantially similar” claims in determining the classification of claims in a reorganization. Because the standard for classification is vague, there exists the risk that the fund client’s influence with respect to the class of securities it owns can be lost by increases in the number and amount of claims in that class or by different classification and treatment. Sixth, in the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. Seventh, especially in the case of investments made prior to the commencement of bankruptcy proceedings, creditors can lose their ranking and priority if they exercise “domination and control” over a debtor and other creditors can demonstrate that they have been harmed by such actions. Eighth, certain claims that have priority by law (for example, claims for taxes) may be quite significant. Another risk involves the failure of a municipality to pay its creditors on time. Chapter 9 of the U.S. Bankruptcy Code provides a financially distressed municipality with protection from its creditors while it develops and negotiates a plan for adjusting its debts. The commencement of a Chapter 9 bankruptcy case operates as a stay, applicable to all creditors of the municipality, of most efforts to collect prepetition claims. Such a stay would operate to restrict the municipality from making payments of either principal or interest on accounts of its general obligation bonds. In general, numerous important legal issues under Chapter 9 are unsettled and evolving. Accordingly, a Chapter 9 filing by an issuer of securities may result in an adverse effect on the value of general obligation bonds and special revenue bonds. All of the above risks may undermine Fundamental’s strategy of rehabilitating the assets or projects underlying the securities in which the fund client invests, resulting in an adverse effect on the value of those securities.

As part of Fundamental Advisors’ efforts to rehabilitate the assets underlying the fund client’s portfolio investments, Fundamental Advisors may seek to sponsor certain sales under the U.S. Bankruptcy Code which permit a debtor in bankruptcy to sell its assets outside the ordinary course of business. Such sales typically can be accomplished on an expedited basis and prior to proposing a plan of reorganization or liquidation. Although such sales can be an effective way to maximize the going concern value of a project’s assets, and thereby increase the value of the fund client’s investment, such sales must take place within the context of a bankruptcy proceeding and are subject to the bankruptcy rules and bankruptcy court approval. There is no guarantee that such sales can be successfully arranged by Fundamental Advisors to increase the value of the assets underlying the fund clients’ portfolio investments.

Control Investments. Certain fund clients may make control investments. These investments could expose a fund client to risk of liability for environmental damage, product defect, failure to supervise management, violation of governmental regulations and other types of liability, in which the limited liability characteristics of business operations may be ignored. If these liabilities were to arise, the fund clients might suffer a significant loss.

The fund client may also be exposed to risk in connection with the disposition of these investments. When disposing of these investments, the fund client may be required to make representations and warranties about the business and financial affairs of the investments typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities law. The fund client may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such

representations and warranties or disclosure documents turn out to be incorrect, inaccurate or misleading.

Nature and Risks of Investments. The types of investments contemplated by the fund clients are subject to various risks, particularly the risk that the fund client's will be unable to dispose of their investments by sale or other means at attractive prices or will otherwise be unable to complete any exit strategy. These risks include changes in the financial condition or prospects of the assets or related debt obligations in which the fund clients invest. The fund clients will generally not be able to sell the securities or other portfolio investments publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the fund clients may be prohibited by contract or regulatory reasons from selling certain securities or other assets for a period of time. To the extent that there is no liquid trading market for an investment, the fund clients may be unable to liquidate that investment or may be unable to do so at a profit. Moreover, there can be no assurances that private purchasers for the fund client's investments will be found.

Fundamental Advisors will have broad discretion in making investments for the fund client and expects to utilize highly speculative investment techniques, including leverage, futures, options and derivative transactions. There can be no assurance that Fundamental Advisors will correctly evaluate the nature or magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile. A variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may detrimentally impact the value of the securities and other financial instruments in which a fund client invests, including access by the issuers of such securities and instruments to capital and public market valuations. These factors and others may significantly affect the results of the fund client's activities and the value of its investments. In addition, the value of the fund client's portfolio may fluctuate in response to fluctuations in the general level of interest rates.

Leverage. Fund clients may use leverage in connection with the management of its portfolio investments and investments of the fund client will also be in projects or entities that have a levered capital structure, including the fund client's investment. In both cases, Fundamental Advisors and/or related persons of Fundamental Advisors will seek to use leverage in a manner it believes is prudent. Use of leverage is a speculative investment technique and involves certain risks to investors in fund clients. The use of leverage creates an opportunity for increased income and gains to investors but also increases the risk of loss of capital. To the extent that any investment is made in a project, entity or other vehicle with a leveraged capital structure, such investment will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy, or deterioration in the condition of such portfolio investment or its industry. In the event that such a project, entity or vehicle is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, including the fund client's investment, the value of a fund client's investment in such portfolio investment could be significantly reduced or even eliminated.

Additionally, underlying projects, entities or other vehicles may be subject to restrictive financial and operating covenants as a result of their leverage. This leverage may impair their ability to finance their future operations and capital needs. As a result, their flexibility to respond to changing business

and economic conditions and to business opportunities may be limited and impact their ability to repay such leverage, including the fund client's investment. A leveraged entity's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

The fund client has the power to borrow funds and may do so when deemed appropriate by Fundamental Advisors, including if doing so would enhance the fund client's returns. The fund client may borrow funds from brokers, banks and other lenders to finance its trading operations. The use of such leverage can, in certain circumstances, maximize the losses to which the fund client's investment portfolio may be subject. Such leverage may be achieved through, among other methods, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements, tender option bond structures, swaps and other derivative transactions. The access to capital could be impaired by many factors (including, without limitation, market forces or regulatory changes). There could also be other factors more specific to the fund client (including, without limitation, fraud on behalf of one of the employees of Fundamental Advisors).

A fund client may achieve better margin lending terms from certain of its prime brokers than are generally available to U.S. investors. As a result, the level of margin available to a fund client for its investments will generally be limited only by the credit decisions of its prime brokers. There can be no assurance, however, that such prime brokers will either continue such arrangements with the fund client or that such prime brokers and other lenders will approve extensions of credit to the fund client at the levels requested by the fund client. Any restriction on the availability of credit from such parties could adversely affect the fund client's performance.

The use of leverage creates several risks for the fund client. If the value of the fund client's securities used, for example, as collateral for a margin loan, short term borrowing or other form of leverage, falls below the level required, the fund client could be subject to a "margin call," pursuant to which the fund client must deposit additional funds or securities with such prime broker. If the fund client is unable to satisfy any margin call by a prime broker, then the prime broker could liquidate the fund client's positions in some or all of the financial instruments that are in the fund client's accounts at the prime broker and cause the fund client to incur significant losses. The failure to satisfy a margin call, or the occurrence of other material defaults under margin or other financing agreements, may trigger cross-defaults under the fund client's agreements with other brokers, lenders, clearing firms or other counterparties, multiplying the adverse impact to the fund client. In addition, because the use of leverage allows the fund client to control positions worth significantly more than its investments in those positions, the amount that the fund client may lose in the event of adverse price movements is high in relation to the amount of its investment.

In the event of a sudden drop in the value of the fund client's assets, the fund client might not be able to liquidate assets quickly enough to satisfy its margin requirements. In that event, the fund client may become subject to claims of financial intermediaries that extended the associated credit. Such claims could exceed the value of the assets of the fund client. The banks and dealers that provide financing to the fund client can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the fund client will be able to secure or maintain adequate financing,

without which the fund client may not continue to be viable.

The purchase of options, futures, contracts for differences, swaps and other derivatives often involves little or no margin deposit and, therefore, provides substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to the fund client.

While leverage presents opportunities for increasing the fund client's total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by the fund client would be magnified to the extent the fund client is leveraged. The cumulative effect of the use of leverage by the fund client in a market that moves adversely to the fund client's investments could result in a substantial loss to the fund client that would be greater than if the fund client were not leveraged.

Cybersecurity Risk. As part of its business, Fundamental processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the fund clients and personally identifiable information of the investors. Similarly, service providers of Fundamental and the fund clients, especially the administrator, may process, store and transmit such information. Fundamental has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. From time to time Fundamental Advisors, fund clients and portfolio companies may face cybersecurity threats to gain unauthorized access to confidential information, including, without limitation, information regarding the investors and the fund client's investment activities, or to render data or systems unusable, which could result in significant losses. Such unauthorized access could lead to losses of confidential information or capabilities essential to Fundamental Advisors' the fund client's and/or portfolio companies' operations and could have a material adverse effect on their finances, operations or reputations, and also could lead to financial losses relating to remedial actions, loss of business, or potential liability, or could lead to the disclosure of the personal information of investors. Cybersecurity attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to Fundamental may be susceptible to compromise, leading to a breach of Fundamental's network. Fundamental's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by Fundamental to the investors may also be susceptible to compromise. Breach of Fundamental's information systems may cause information relating to the transactions of the fund clients and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed. The service providers of Fundamental and the fund clients are subject to the same electronic information security threats as Fundamental. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the fund clients and personally identifiable information of the investors may be lost or improperly accessed, used or disclosed. The loss or improper access, use or disclosure of Fundamental or the fund client's proprietary information may cause Fundamental or the fund clients to suffer, among

other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the fund clients and the investors' investments therein.

Non-U.S. Securities. Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers.

Derivative Instruments. The fund client may invest in derivative financial instruments or arrangements, which include, but are not limited to, futures, options, interest rate swaps, forward currency contracts and credit derivatives such as credit default swaps and tender option bonds. In addition, the fund client may from time to time utilize both exchange-traded and over-the-counter, futures, options and contracts for differences, as part of its investment strategy and for hedging purposes, as well as other derivatives. Regulatory restraints may restrict the instruments that the fund client may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

The trading of over-the-counter derivatives will subject the fund client to a variety of risks including: (i) counterparty risk, (ii) basis risk, (iii) interest rate risk, (iv) settlement risk, (v) legal risk and (vi) operational risk. Counterparty risk is the risk that one of the fund client's counterparties might default on its obligation to pay or perform generally on its obligations. Basis risk is the risk that the normal relationship between two prices might move in opposite directions. Interest rate risk is the general risk associated with movements in interest rates. Settlement risk is the risk that a settlement in a transfer system does not take place as expected. Legal risk is the risk that a transaction proves unenforceable in law or because it has been inadequately documented. Operational risk is the risk of unexpected losses arising from deficiencies in a firm's management information, support and control systems and procedures. Transactions in over-the-counter derivatives may involve other risks as well, as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

Swap Agreements. The fund client may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the fund client's exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates or other factors such as security prices, prices of baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of different names. The fund client is not limited to any particular

form of swap agreement if consistent with the fund client's investment objective and policies. The Dodd-Frank Act mandates the establishment of clearing requirements with respect to standardized swaps and margin requirements with respect to swap agreements that can be expected to impact the manner in which the fund client engages in swap transactions and the margin that the fund client must post in swap transactions, both cleared and uncleared.

Swap agreements tend to shift the fund client's investment exposure from one type of investment to another. For example, if the fund client agrees to exchange floating rate payments for fixed rate payments, the swap agreement would tend to increase the fund client's exposure to interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the fund client's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the fund client. If a swap agreement calls for payments by the fund client, the fund client must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the fund client.

Credit Default Swaps. The fund client may invest in credit default swaps. A credit default swap is a contract between two parties that transfers the risk of loss if an obligor or issuer fails to pay principal or interest on time or files for bankruptcy. In essence, an institution which owns corporate or municipal debt instruments can purchase a limited form of default protection by entering into a credit default swap with another bank, broker-dealer or financial intermediary. Upon an event of default, the swap may be terminated in one of two ways: (i) the purchaser of credit protection may deliver the referenced instrument to the swap counterparty and receive a payment of par value; or (ii) the parties may pair off payments, in which case the purchaser of the protection receives a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of credit default swap termination.

Credit default swaps can be used to hedge a portion of the default risk on a corporate or municipal bond or a portfolio of bonds. Credit default swaps can be used to implement Fundamental Advisors' view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the fund client may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the fund client to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The fund client may also buy credit default protection even in the case in which it does not own the referenced instrument.

The credit default swap market in high yield securities (both corporate and municipal) is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Market curve, among other factors. As such, there are many factors upon which market participants may have divergent views. Fundamental Advisors may also enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap. Investments in credit default swaps can involve a high degree

of risk.

Options. The fund client may engage in the trading of options. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

Futures Contracts. The fund client may invest in futures contracts. 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.” 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. Futures contract prices in various commodities occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the fund client from promptly liquidating unfavorable positions and subject the fund client to substantial losses. In addition, Fundamental Advisors may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It also is possible that an exchange or the Commodity Futures Trading Commission may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

Convertible Securities. Convertible securities provide higher yields than the underlying equity securities, but generally offer lower yields than non-convertible securities of similar quality. The value of convertible securities fluctuates in relation to changes in interest rates like bonds and, in addition, fluctuates in relation to the underlying common stock. Convertible securities are often held in large concentrations by levered investors and hence may be materially devalued when those investors are selling, irrespective of the underlying issuer’s financial health.

Fixed Income Securities. The fund client may invest in bonds or other fixed income securities of U.S. and non-U.S. issuers, including without limitation, bonds notes and debentures issued by corporations, debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities and bonds and notes issued by states, municipalities, agencies of states or municipalities or by such other governmental entities on behalf of not-for-profit and other organizations. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the fund client invests that pay a fixed rate of interest will typically change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). With bonds and other fixed income securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. Bonds and other fixed income securities generally involve less market risk than stocks.

However, the risk of bonds can vary significantly depending upon factors such as the issuer and maturity.

Equity Securities. The fund client may invest in equity securities. Such investments are subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, preferred stockholders. Dividends customarily paid to equity holders can be suspended or cancelled at any time. Equity securities fluctuate in value in response to many factors, including among others, the activities and financial condition of individual companies, the business market in which individual companies compete, industry conditions, interest rates, and general economic environments. In addition, events such as the domestic and international political environments, terrorism, major health crisis or pandemic and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect fund clients. For the foregoing reasons, investments in equity securities can be highly speculative and carry a substantial risk of loss of principal.

High-Yield Securities. The fund client may invest in "high yield" bonds and other debt securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). For example, the fund client may invest, directly or indirectly, in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured by substantially all of that issuer's assets. The fund client may invest, directly or indirectly, in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Debt securities in the lower categories are subject to greater risk of loss of principal and interest than higher-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 debt securities with higher ratings in the case of deterioration or general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated debt securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated debt securities is thinner and less active than that for higher rated securities, which can adversely affect the prices at which these securities can be sold. Holders of such securities may have difficulty disposing of certain of these securities due to a thin trading market. The lack of a liquid secondary market for certain securities may have an adverse impact on the holder's ability to dispose of such securities and may make it more difficult for the holder to obtain accurate market quotations. In addition, adverse publicity and investor perceptions about lower rated debt securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities. Limited partners should be aware that ratings are relative and subjective and are not absolute standards of quality. An issue of securities may cease to be rated or its rating may be reduced. Neither event will require the fund client to reduce its exposure to such securities, although Fundamental Advisors will consider such events in its determination of whether the fund client should continue to invest in such securities.

Lending Risks. The fund client may originate or invest in debt instruments. Such lending activities entail a number of risks:

General Credit Risks. The fund client may be exposed to losses resulting from default and foreclosure. The value of the underlying collateral, if any, the creditworthiness of the borrower and



the priority of the lien are each of great importance (although the fund client may invest in subordinate or second priority liens). There is no assurance that Fundamental Advisors will correctly evaluate the value of the assets collateralizing the loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to borrower, the fund client may lose all or part of the amounts advanced to that borrower. Fundamental Advisors cannot guarantee the adequacy of the protection of the fund client's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, Fundamental Advisors cannot assure that claims may not be asserted that might interfere with enforcement of the fund client's rights. In the event of a foreclosure, the fund client or an affiliate of the fund client may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the fund client. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

Lower Credit Quality Loans. There are no restrictions on the credit quality of the fund client's loans. Loans held by the fund client may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans that the fund client may originate or invest in may have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

Inherent Illiquidity. The fund client expects to make loans, substantially all of which will be illiquid and have no, or only a limited, trading market. In general, the secondary trading market for senior secured loans is not well developed (and it is even less well developed for the development and construction loans that the fund client expects to make). The fund client does not expect any active trading market for its loans, which may make it difficult to value them. Illiquidity and adverse market conditions may mean that the fund client may not be able to sell senior secured loans quickly or at a fair price. To the extent that a secondary market does exist for the fund client's loans, that market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. The fund client's investment in illiquid loans may restrict its ability to dispose of investments in a timely fashion and for a fair price. Because of the unique and customized nature of most loan agreements, loans cannot be sold as easily as publicly traded securities. Loans made or purchased by the fund client may encounter trading delays due to their unique and customized nature, and transfers may not be permitted without the consent of the borrower (or an agent bank).

Loan Participations and Assignments. The fund client may invest in debt securities in the form of loan participations and assignments of portions of such loans. Loan participations typically represent direct participation in a loan to a corporate or municipal borrower, and generally are offered by banks or other financial institutions or lending syndicates. When purchasing loan participations, the fund client assumes the credit risk associated with the borrowing entity 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 fund client invests may 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 to the fund client. For example, if a loan is foreclosed, the fund client 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 fund client could be held liable as a co-lender. Also, environmental liabilities may arise with respect to collateral securing the obligations in which the fund client invests. Since loans and other forms of direct indebtedness typically are not securities, securities laws protections against fraud and misrepresentation do not apply. In the absence of definitive regulatory guidance, the fund client relies on Fundamental Advisors' research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the fund client.

Interest Rate Risk. Changes in the general level of interest rates cause fluctuations in the prices of fixed-income securities already outstanding and will therefore result in fluctuations in the value of the fund client's portfolio investments. If rates increase, the value of the fund client's investments generally declines. The effects of changes in the level of interest rates can be magnified when securities are subject to financing. On the other hand, if rates fall, the value of the investments generally increases. Distressed tax-exempt municipal revenue bonds such as those in which the fund client expects to invest may be subject to wider fluctuations in market values than higher rated securities.

Investments in Undervalued Municipal Securities. The identification of investment opportunities in undervalued securities is a difficult task and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued municipal securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the fund client's investments may not adequately compensate for the business and financial risks assumed.

The fund client may make certain speculative investments in municipal securities which Fundamental Advisors believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. In addition, the fund client may be required to hold such securities for a substantial period of time before realizing their appreciated value. During this period, a portion of the fund client's capital would be committed to the securities purchased, thus possibly preventing the fund client from investing in other opportunities. Further, the fund client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during the holding period.

Market Conditions and Opportunities. The fund client's strategy may in some investments be based, in part, upon the premise that securities or other investments will be available for purchase by the fund client at prices that Fundamental Advisors considers favorable. Furthermore, the fund client's strategy relies, in part, upon the availability of investment opportunities identified by Fundamental Advisors, the continuation of existing market conditions or, in some circumstances, upon more favorable market conditions or anticipated investment opportunities existing prior to the termination of the term of the fund client. These conditions and opportunities may include, among others, continued economic growth in a particular state or region; the continuation of certain existing laws, regulations or government policies; or the continuation of certain trends related to unemployment, inflation, demographics and other factors. No assurance can be given that such conditions or opportunities will arise or continue, as applicable, or that

businesses and assets can be acquired or disposed of at favorable prices or that the market for such assets will either remain stable or, as applicable, recover or improve, since this will depend upon events and factors outside the control of Fundamental Advisors. In 2009, 2013 and at other times, technical factors in the municipal and other markets caused unprecedented volatility, and markets may exhibit periods of extreme volatility from time to time.

Long-Term Investments. Investment in the fund client requires a long-term commitment with no certainty of return. Many of the investments of the fund client will be highly illiquid, and there can be no assurance that the fund client will be able to realize on such investments in a timely manner. Although investments by the fund client may occasionally generate some current income, the return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of any investment. While an investment may be sold at any time, it is expected that an investment will not generally be sold until a number of years after it is made. Prior to such time, there may not be any current return on investment.

Third-Party Involvement; Co-Investments. The fund clients may co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring less than 100% of the ownership interests in such investments. The general partner of a fund client may or may not have operational and management control over any such co-investment. Such investments may involve risks not present in investments where a third-party is not involved, including, without limitation, the possibility that (i) a fund client and such co-venturer may reach an impasse on a major decision that requires the approval of both parties, (ii) a third-party co-venturer or partner may at any time have financial difficulties resulting in a negative impact on such investment, economic or business interests or goals that are inconsistent with those of the fund client, (iii) the co-venturer or partner may encounter liquidity or insolvency issues or may become bankrupt; (iv) the co-venturer or partner may be in a position to take or block action contrary to the fund client's investment objectives, (v) the co-venturer or partner may take actions that subject the property to liabilities in excess of, or other than, those contemplated and/or (vi) in certain circumstances, the fund client may be liable for actions of its third-party co-venturer or partners. Furthermore, if a co-venturer defaults on its funding obligations, the fund client may be required to make up the shortfall. It may also be more difficult for the fund client to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. The fund client or its co-venturers' or partners' joint approval, as applicable, may be granted rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock could delay the execution of the business plan for the investment or require the fund client to engage in a buy-sell of the venture with the co-venturer or partner or conduct the forced sale of such investment. As a result of these risks, the fund client may be unable to fully realize its expected return on any such investment.

The general partner of a fund client may in its discretion make available co-investment opportunities to strategic investors, lenders, other investment funds (or investors therein) managed by Fundamental, one or more limited partners and/or other third parties, in each case on such terms as the general partner shall determine. Co-investment opportunities may be made available through limited partnerships or other entities formed to make such investments. The general partner will allocate available investment opportunities among the fund client and any such third parties as it may in its sole discretion determine. The limited partners acknowledge that the general partner may receive

performance-based fees or “carried interest” allocations with respect to certain co-investments, and that neither the fund client nor the limited partners shall have any interest in such performance based fees or “carried interest” allocations.

Making an investment in fund client does not give any limited partner the right to be allocated co-investment opportunities. Such opportunities may be offered, and most typically will be offered, to certain limited partners but not to others, and/or they may be offered to third parties who are not investors in the fund client. Further, the size of capital commitments will not always or necessarily be used as a basis for offering co-investment opportunities. Thus, an investor may be offered fewer such opportunities than investors with equal or smaller capital commitments in the fund client, and some investors may receive substantial offers for such opportunities notwithstanding that they have capital commitments of the same or lower amount than other investors who may receive no such offers. It is not required that limited partners participate in co-investments offered by the general partner.

The general partner has sole discretion as to the allocation of co-investment opportunities among interested parties, and may or may not offer such opportunities with respect to any or all fund client investments. The general partner may base any such decisions on a variety of factors, including but not limited to the size of investor commitments to the fund client and other Fundamental funds, a limited partner’s stated desire to participate in co-investments, the appropriateness in the general partner’s view of offering a co-investment opportunity, an investor’s ability to execute such offer, commercial considerations with respect to the applicable portfolio investment, the approval of transaction counterparties, and regulatory considerations. No assurances can be given regarding the amount of any co-investment opportunity that may be made available to a limited partner in connection with the fund client, and nothing in the offering documents constitute a prediction, projection or guarantee as to the availability to a limited partner of any future co-investment opportunities.

The fund client will generally bear the broken-deal expenses with respect to a co-investment opportunity that is not consummated, or with respect to other potential investments that may be offered to a fund client. Co-investors in one or more specific investments (including persons who co-invest, or are approached to do so, on a regular basis) will thus generally not be required to share in such broken-deal expenses. However, co-investors who have committed to participate in a transaction, and have undertaken an obligation to bear a share of broken-deal expenses in the event such transaction is not consummated, may be required to bear a portion of such expenses.

Co-investment performance is not combined with a fund client’s performance, including for purposes of determining the carried interest of the general partner, or determining management fees pursuant to a partnership agreement or other operating agreement. Subject to the terms of any applicable agreements with investors, the general partner may or may not charge management fees, one-time funding fees and/or carried interest in respect of co-investments. The allocation of any co-investment opportunities may be to the direct or indirect benefit of Fundamental due among other things to the receipt of any such fees or carried interest and capital commitments to a fund client.

Valuation. The fund client expects to hold loans for which no market exists, which are thinly traded, or which are restricted as to their transferability under applicable securities laws, including loans where the fund client or its affiliates are the only holders of such loans. The process of valuing securities or

instruments 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 a ready market existed for such securities, from values placed on such securities by other investors and from prices at which such securities may ultimately be sold. In addition, third-party pricing information may at times not be available regarding certain of the fund client's assets. Further, the value of the fund client's loans that can be liquidated may differ, sometimes significantly, from their valuations, due to size, concentration, or other factors. Performance information of the fund client is therefore dependent upon the valuation procedures of Fundamental Advisors, and such values may not ultimately be realized. In addition, certain cross-transactions and other transactions between the fund client and other funds or clients managed by Fundamental Advisors, to the extent permitted, are subject to valuation risk and certain conflicts of interest.

Follow-On Investments. In certain investments, the fund client may be called upon to provide additional funds to a portfolio investment. There is no assurance that the fund client will make such follow-on investment or that the fund client will have sufficient funds to make such investments. Failure to make such investments may have an adverse effect on the performance of the fund client's portfolio.

Recourse to the Fund Client Assets. The fund client's assets, including any investments made by the fund client and any funds held by the fund client, are available to satisfy all liabilities and other obligations of the fund client. If the fund client becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the fund client's assets generally and not be limited to any particular asset, such as the asset representing the investment giving rise to the liability. Accordingly, limited partners could find their interests in the fund client's assets adversely affected by a liability arising out of an investment in which they did not participate because, for example, they were excluded or excused by the general partner from that investment.

Contingent Liabilities on Disposition of Investments. In connection with the disposition of a portfolio investment, the fund client may be required to make representations about the business and financial affairs of such portfolio investment typical of those made in connection with the sale of a business. The fund client also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities or indemnify indenture trustees. These arrangements may result in the incurrence of contingent liabilities for which the general partner may establish reserves or escrows. In that regard, limited partners may be required to return amounts distributed to them to fund obligations of the fund client, including indemnity obligations, subject to certain limitations set forth in the partnership agreement.

Liquidity. The fund client may acquire thinly traded investments that are difficult to dispose of quickly. In addition, investments that were once liquid may become illiquid, making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. The fund client may also acquire investments that may not be sold except pursuant to a registration statement filed under the Securities Act of 1933, as amended (the "Securities Act") or in accordance with Rule 144 or another exemption under the Securities Act. In that event, the fund client's ability to respond to market movements may be impaired and the fund client may experience adverse price movements upon liquidation of its investments.

Restricted and illiquid securities may sell at a lower price than similar securities that are not illiquid or subject to restrictions on resale, and the sale of restricted and illiquid investments often requires more time and results in higher brokerage costs or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Because of the speculative and non-public nature of some restricted or illiquid investments, the fund client may, from time to time, sell or otherwise dispose of such investments that later prove to be more valuable than anticipated at the time of such disposition. Any premature sales or dispositions may prevent the fund client from realizing as great an overall return on investment as may have been realized if such sales or dispositions had been made at a later date.

Off-Exchange Transactions. Many instruments traded by the fund client are traded “over the counter” rather than on exchanges and such trading is not regulated in the same way or to the same extent as trading on regulated exchanges. Transactions in such instruments typically provide investors fewer protections than transactions in instruments made on regulated exchanges.

Concentration of Investments. Fundamental Advisors generally seeks to maintain a diversified portfolio of investments. However, the fund client may at certain times hold relatively few investments, which could subject the fund client to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected. In addition, the same result might occur if the fund client’s investments experience a greater than anticipated correlation. In that circumstance, fund client positions that may have been considered diversified could be subject to significant losses due to related events or changes in investment correlation more generally.

Special Resolution Risk. Under section 203 of the Dodd-Frank Act, any financial company subject to a systemic risk determination (which could include prime brokers and custodians of a fund client and certain ISDA counterparties) may become subject to Orderly Liquidation Authority, a special resolution regime pursuant to which the Federal Deposit Insurance Corporation has significant discretion in exercising a range of powers in relation to systemically significant entities in order to prevent or limit the effects of their failure. These include the transfer of critical functions of such an entity to a third party and the imposition of a temporary stay on the exercise of termination rights under financial contracts. This regime may impair the ability of the fund client to accelerate and close out financial contracts and/or to make claims as a creditor in the relevant procedure. The impact of this regime and its interaction with similar special resolution regimes in other jurisdictions is still uncertain.

Systemic Risk. Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a “systemic risk” and may adversely affect financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms and exchanges) with which the fund client will interact on a daily basis.

Additional Capital. Certain of the fund client’s portfolio investments may be expected to require additional financing to satisfy their working capital requirements or restructuring strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular portfolio investment. If the funds provided are not sufficient, an entity may have to raise

additional capital at a price unfavorable to the existing investors, including the fund client. In addition, the fund client may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in such portfolio investment in order to preserve the fund client's proportionate ownership when a subsequent financing is planned, or to protect the fund client's investment when such portfolio investment's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of the fund client or any portfolio investment. The access to capital could be impaired by many factors, including market forces or regulatory changes. There can be no assurance that the portfolio investments will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

Availability of Insurance against Certain Catastrophic Losses. Certain losses of a catastrophic nature, such as wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. In general, losses related to terrorism are becoming harder and more expensive to insure against. Some insurers exclude terrorism coverage from their all-risk policies.

Volatility. The market value of certain of the fund client's investments may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, among other things, the macro-economic environment, specific developments or trends within a company or other entity or in any particular sector, the market's overall perception of risk, general economic conditions, the condition of certain financial markets, domestic and international economic or political events, prevailing credit spreads, changes in prevailing interest rates and the financial condition of counterparties. The market value of the fund client's loans may be volatile and generally will fluctuate due to a variety of factors that are inherently difficult to predict, including, among other things, the financial condition of the obligors on, or borrowers of, the loans, general economic conditions, the condition of certain financial markets, domestic and international economic or political events, developments or trends in any particular industry, prevailing credit spreads and changes in prevailing interest rates.

Available Information. Fundamental Advisors selects investments in part on the basis of information and data filed by the issuers of securities or owners of other assets with various government regulators or made directly available to Fundamental Advisors by such issuers or owners, or through sources other than the issuers or owners. Fundamental Advisors evaluates all such information and data and seeks independent corroboration when Fundamental Advisors considers it appropriate and when it is reasonably available, Fundamental Advisors is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases complete and accurate information is not readily available.

Risks Related to Natural Disasters, Epidemics, Terrorist Attacks and Conflicts Generally. Countries and regions in which the fund clients invest, where Fundamental has its offices or where Fundamental or its fund clients otherwise do business are susceptible to natural disasters (e.g., fire, flood, earthquake, storm and hurricane) and epidemics, pandemics (including the current COVID-19 pandemic) or other outbreaks of serious contagious diseases. COVID-19 is likely to have a materially adverse impact on global, national and local economies in the immediate future and such

negative impact is likely to persist for some time. The occurrence of a natural disaster or an epidemic could adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic) and could adversely affect Fundamental's ability to conduct its routine business. In addition, terrorist attacks, civil unrest or the fear of or the precautions taken in anticipation of such attacks or unrest, could, directly or indirectly, materially and adversely affect specific businesses and certain industries in which the fund clients invest or could affect the countries and regions in which the fund clients are invested, where Fundamental has its office or where Fundamental otherwise does business. Other acts of war (e.g., war, invasion, acts of foreign enemies, hostilities and insurrection, regardless of whether war is declared) and any geopolitical response (e.g., sanctions) could also have a material adverse impact on the financial condition of businesses, industries or countries in which Fundamental invests fund clients assets. Furthermore, natural disasters, epidemics, terrorists attacks, civil unrest or acts of war can each have the effect of compounding or exaggerating the impact of any of the specific investment risks noted above on Fundamental's operations and investments.

ESG Considerations. Fundamental Advisors expects to take into account ESG factors in acquiring, structuring, managing and disposing of portfolio investments as described herein. Although consideration of such factors could result in higher ESG compliance expenses or costs or in forgoing certain opportunities, Fundamental Advisors believes that responsible ESG investing enhances the long-term value of portfolio companies and is an important element of responsible investing. There are no universally accepted ESG standards and not all limited partners may agree on the appropriate ESG standards to apply in a particular situation. The general partner will apply ESG standards and considerations in its sole discretion. In either case, an adverse impact on the results of the fund client's portfolio investments cannot be excluded.

Cryptocurrency Risks and Considerations. A fund client may have indirect exposure to the risks associated with investments in digital assets, including by providing financing to providers of services to parties directly involved in digital asset transactions. Digital assets (which term includes, but is not limited to, virtual currencies, crypto-currencies, and digital coins and tokens) are an evolving, relatively new product and technology. The investment characteristics of digital assets generally differ from those of traditional currencies, commodities or securities. The growth and use of digital assets generally are subject to a high degree of uncertainty. Among other risks, any slowing or stopping of the development or acceptance of digital assets or a digital asset network may adversely affect the value of investments in digital assets. Digital assets are a speculative asset, are subject to high volatility and involve a high degree of risk. A fund client's investments that are indirectly exposed to the risks associated with investments in digital assets are subject to a significant risk of loss (including the fund client's entire investment amount) in a short amount of time.

Solar and Renewable Energy Industry Risk. The alternative energy industry can be significantly affected by obsolescence of existing technology, short product lifecycles, falling prices and profits, competition from new market entrants and general economic conditions. This industry can also be significantly affected by fluctuations in energy prices and supply and demand of alternative energy fuels, energy conservation, the success of exploration projects, tax incentives, subsidies and other government regulations and policies. Companies in this industry may be adversely affected by commodity price volatility, changes in exchange rates, imposition of import controls, availability of certain inputs and materials required for production, depletion of resources, technological



developments and labor relations. The fund clients may be adversely impacted by risks related to the solar industry, including:

- Decreases in Government Budgets. Renewable energy projects are dependent on a variety of factors, including federal and state incentives. Poor economic conditions and other factors could have an effect on government budgets and threaten the continuation of government subsidies such as regulated revenues, cash grants, U.S. federal income tax benefits or state renewables portfolio standards that benefit solar-related companies. If government subsidies and economic incentives for solar power are reduced or eliminated, or if there is uncertainty as to whether such subsidies and incentives will be continued, the demand for solar energy may decline and cause corresponding declines in the revenues and profits of companies engaged in the solar energy industry.
- Regulations Risk. Solar-related companies rely in part on environmental and other regulations of industrial and local government activities. If the businesses to which such regulations relate were deregulated or if such subsidies or regulations were changed or weakened, the profitability of solar-related companies could suffer.
- Construction Risk. Solar-related companies may invest in projects that are subject to construction risk and construction delays. The ability of these projects to generate revenues and refinance the amounts borrowed from the fund clients will often depend upon their successful completion of the construction on budget in a timely manner and operation of generating assets. Construction delay, cost overruns or failures to complete construction could materialize for a variety of reasons, including: (i) political opposition, regulatory and permitting delays; (ii) labor disputes, lawsuits and other disputes; (iii) shortages of material and skilled labor or work stoppages; (iv) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (v) delays in procuring real property rights; (vi) failure by one or more of the construction vendors or other parties to perform in a timely manner (or at all) its or their contractual, financial or other commitments; (vii) sub-optimal coordination with public utilities in the relocation of their facilities; (viii) adverse weather conditions and unexpected construction conditions; (ix) accidents or the breakdown or failure of construction equipment or processes and (x) environmental issues and catastrophic events such as explosions, fires and terrorist activities and other similar events beyond the fund client's control. Delays in project completion can result in an increase in total project construction costs through higher capitalized interest charges and additional labor and material expenses and, consequently, an increase in debt service costs and insufficient funds to complete construction. Delays may also result in an adverse effect on the scheduled flow of project revenues necessary to cover the scheduled debt service costs, lost opportunities, increased operations and maintenance expenses and damage payments for late delivery.
- Manufacturing and Supply Chain Delays. Capital equipment for renewable energy projects needs to be manufactured, shipped to project sites, installed and tested on a timely basis. Developers of renewable energy facilities depend on a limited number of suppliers of solar panels, inverters, module turbines, towers and other system

components and turbines and other equipment associated with solar power plants. Any shortage, delay or component price change from these suppliers could result in construction or installation delays. There have been periods of industry-wide shortage of key components, including solar panels, in times of rapid industry growth. The manufacturing infrastructure for some of these components has a long lead time, requires significant capital investment and relies on the continued availability of key commodity materials, potentially resulting in an inability to meet demand for these components.

- *Increased Cost Due to Import Tariffs.* In addition, tariffs on imports to the United States could affect operating or construction costs for a number of companies in which the fund clients invests. The cost of new solar power generation projects could be more challenging as a result of increases in the cost of solar panels or tariffs on imported solar panels imposed by the U.S. government on imported solar cells and modules manufactured in China. If project developers purchase solar panels containing cells manufactured in China, the purchase price for renewable energy equipment and facilities may reflect the tariff penalties mentioned above.
- *Solar, Atmospheric and Weather Conditions Risk.* Renewable energy investments may be adversely affected by variations in weather patterns, including shifting wind or solar resources and including variations brought about by climate changes, which would cause volatility in the returns on such investments. The revenues and cash flows generated by solar-related companies are often correlated to the amount of electricity generated, which for some assets is dependent upon available solar, atmospheric and weather conditions generally. Such conditions have natural variations from season to season and from year to year and may also change permanently because of climate change or other factors. The installation and operation of solar energy projects depends heavily on suitable solar and meteorological conditions, which are beyond a borrower's control. If meteorological conditions are unexpectedly unfavorable, the ability to timely develop and construct a solar project may be adversely impacted.

Furthermore, components necessary for the construction of solar energy projects, such as panels and inverters, could degrade or be damaged by severe weather or other natural disasters, such as hailstorms, hurricanes, lightning or wildfires. Although we expect our borrowers generally to maintain insurance to cover for such casualty events, a borrower could be required to bear the expense of repairing the damaged solar energy systems or may find their warranty claims limited. These risks are amplified by the anticipated increase in the frequency of extreme weather events due to rising average temperatures worldwide.

- *Changes in Tariffs Risk.* The revenue that renewable infrastructure assets generate from contracted concessions is often dependent on regulated tariffs or other long-term fixed rate arrangements. Under such concession agreements, a tariff structure is established, and companies have limited or no possibility to independently raise tariffs beyond the established rates and indexation or adjustment mechanisms.
- *Technology Risk.* The generation of power from renewable energy sources tends to be

reliant upon relatively recent technological developments (or the application thereof), and therefore unforeseen technical deficiencies with installations and/or operations may occur. Although such deficiencies may be covered by supplier warranties, the value of such warranties, if any, may be adversely affected by, among other things, time limitations on such warranties or credit events in relation to the relevant supplier. Some infrastructure projects may utilize relatively new or developing technologies. There may be issues in relation to those technologies that become apparent only in the future. Such issues may give rise to additional costs for the relevant operator of the project or may otherwise result in the financial performance of the relevant project being poorer than anticipated. This may adversely affect the value of and returns generated by the fund client's investments. Additionally, technological advances in the future may reduce the competitive efficiency of projects commissioned presently.

In addition, technology related to the production of renewable power and conventional power generation is continually advancing, resulting in a gradual decline in the cost of producing electricity. Borrowers may invest in and use newly developed, less proven, technologies in their development projects or in maintaining or enhancing their existing assets. There is no guarantee that such new technologies will perform as anticipated. The failure of a new technology to perform as anticipated may materially and adversely affect the profitability of a particular development project. Similarly, changes in government policies towards solar energy technology, as a result of the adoption of a different energy mix or the discovery or invention of a more preferred source of energy, may have an adverse effect on the fund client's performance.

- *Increasing Competition/Market Change Risks.* A significant portion of the electric power generation and transmission capacity sold by renewable infrastructure assets is sold under long-term agreements with public utilities, industrial or commercial end-users or governmental entities. These agreements generally allow the owner of the solar or other renewable infrastructure asset to sell power at an agreed upon fixed price over the course of the contract. If, for any reason, any of the purchasers of power or transmission capacity under these agreements are unable or unwilling to fulfill their related contractual obligations or if they refuse to accept delivery of power delivered thereunder or if they otherwise terminate such agreements prior to the expiration thereof, the assets, liabilities, business, financial condition, results of operations and cash flow of solar-related companies could be materially and adversely affected.
- *Nascent Industry Risk.* The solar energy industry is at a relatively early stage of development and the extent to which solar energy will be widely adopted is uncertain. Investments in climate infrastructure companies involved in the solar energy industry have historically been more volatile than investments in companies operating in more established industries. A decline in public support for solar energy may also have an adverse effect on the fund client's performance.
- *General Risks.* Climate infrastructure companies in the solar industry may be significantly affected by general economic conditions, such as varying prices (including equipment prices) and profits, commodity price volatility, changes in exchange rates,

imposition of import controls, depletion of resources, fluctuations in energy prices and supply and demand of alternative energy fuels, energy conservation, labor relations and tax and other government regulations. Solar photovoltaic power generation projects also are subject to theft and destruction as a result of political events.

Changes in some or all of these factors could result in reduced construction of renewable projects and may make it harder for the fund clients to source investments that are attractive to it, and this could have an adverse effect on the fund client's business. Volatility in project development and construction may result in uneven growth and negatively impact the fund client's investments.

Regulatory Matters. Infrastructure projects that involve the generation, transmission or sale of electricity such as clean energy projects may be "qualifying facilities" that are exempt from regulation as public utilities by the Federal Energy Regulatory Commission, (the "FERC") under the Federal Power Act (the "FPA") while certain other such projects may be subject to rate regulation by the FERC under the FPA. FERC regulations under the FPA confer upon these qualifying facilities key rights to interconnection with local utilities, and can entitle such facilities to enter into power purchase agreements with local utilities, from which the qualifying facilities benefit. Changes to these U.S. federal laws and regulations could increase regulatory burdens and costs, and could reduce revenue for the projects. In addition, modifications to the pricing policies of utilities could require infrastructure projects to achieve lower prices in order to compete with the price of electricity from the electric grid and may reduce the economic attractiveness of certain energy efficiency measures. To the extent that the projects are subject to rate regulation, the project owners will be required to obtain FERC acceptance of their rate schedules for wholesale sales of energy, capacity and ancillary services. Any changes in the rates projects owners are permitted to charge could raise credit risks in the clean energy projects which could adversely affect the fund client's investment in such projects.

Overseas Investing Risks. Parallel funds or feeder funds may be organized under the laws of non-United States jurisdictions. The fund client and/or any such parallel funds or feeder funds may invest in securities of non-U.S. portfolio investments. Non-U.S. portfolio investments may present a variety of risks not presented by investments in U.S. entities, including risks associated with: (i) fluctuating currency exchange rates; (ii) limitations on currency exchange or the transfer of capital/profits across international boundaries; (iii) different accounting standards; (iv) different legal protections for investors; (v) unusual regulatory burdens; (vi) political instability; and (vii) multiple taxing jurisdictions. Any adverse change to the political, economic, military or social environments in the host countries of such parallel funds or feeder funds or the portfolio investments could have a significant adverse effect upon the operations or financial performance of the fund client.

General Real Estate Investment Risks. For some fund clients, Fundamental makes investments in student housing properties, affordable housing projects, including multi-family, workforce and transitional housing properties, and senior care communities. As a result, these fund clients will be subject to the general risks inherent in investments in real property, as well as the more specific risks associated with its specific investment strategies. Such general risks include, without limitation, changes in global, national, regional or local economic, demographic or real estate market conditions, changes in supply of or demand for similar properties in an area, increased competition for real property investments targeted by Fundamental's investment strategy, bankruptcies, financial

difficulties or lease defaults by property residents, changes in interest rates and availability of financing, changes in the terms of available financing, including more conservative loan-to-value requirements and shorter debt maturities, competition from other residential properties, the inability or unwillingness of residents to pay rent increases, changes in government rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws, the severe curtailment of liquidity for certain real estate related assets and rent restrictions due to government program requirements.

The general economic risks to which such real estate investments are subject include economic slowdowns or recessions, which could lead to financial losses in such investments. An economic slowdown or recession, in addition to other non-economic factors such as an excess supply of properties, could have a material negative impact on the values of the properties in which Fundamental invests. Any sustained period of increased payment delinquencies, foreclosures or losses could significantly harm the value of Fundamental's investments. Any adverse economic or real estate developments in the markets in which Fundamental's investment properties are located, such as business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics and other factors, or any decrease in demand for property space resulting from the local business climate, could adversely affect Fundamental's investments. Further, terrorist attacks or armed conflicts may directly adversely impact the property underlying Fundamental's investments, or indirectly cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economies, all of which could have an adverse impact on the value of Fundamental's investments.

Real estate investments generally cannot be sold quickly, and we may not be able to vary our portfolio of real estate investments promptly in response to changes in the real estate market. A downturn in the real estate market could materially and adversely affect the value of our real estate investments and our ability to sell such properties for acceptable prices or on other acceptable terms. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property or portfolio of properties. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could materially and adversely affect our business, financial position or results of operations.

#### Senior Care Communities

Investments by a fund client in senior care assisted living communities (including continuing care retirement communities and facilities with one or more of independent living facilities, assisted living facilities, memory care facilities and skilled nursing facilities) ("Senior Care Communities") are subject to various risks [some of which are explained below. Since state regulations governing Senior Care Communities typically require a written resident agreement with each resident that gives such resident the ability to terminate the agreement for any reason on reasonable notice, the revenues of such a community will be materially and adversely affected if a large number of residents elect to terminate their resident agreements at or around the same time. The operating success of Senior Care Communities is primarily driven by occupancy of those communities, Medicare and Medicaid reimbursement and private pay rates. Revenues from government reimbursement have been, and may continue to be, subject to rate cuts and further pressure from federal and state budgetary cuts and constraints. Overall weak economic conditions in the United States may adversely affect occupancy rates of healthcare facilities that rely on private pay residents. Expenses of these communities are

driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. To the extent any decrease in revenues and/or any increase in operating expenses results in lower profits for these communities, the fund client's investment in these communities could be materially adversely affected.

Senior Care Communities are subject to extensive and frequently changing federal, state and local laws and regulations that could adversely impact the ability of its tenants to pay rent, the profitability of the communities and the value of the properties. If a Senior Care Community fails to comply with the extensive laws, regulations and other requirements applicable to its businesses and the operation of the property, it could become ineligible to receive reimbursement from governmental and private third-party payor programs, face bans on admissions of new patients or residents, suffer civil or criminal penalties or be required to make significant changes to their operations. Failure of a community to comply with federal, state and local licensure, certification and inspection laws and regulations could result in loss or restriction of license, loss of accreditation, denial of reimbursement, imposition of fines, suspension or decertification from federal and state healthcare programs, or closure of the facility. The community could also be forced to expend considerable resources responding to an investigation or other enforcement action under applicable laws or regulations. In such event, the results of operations and financial condition of the community could be adversely affected, which in turn could have a material adverse effect on the fund client's investment. Future federal, state and local regulations and legislation (including reimbursement under Medicare and Medicaid statutes and regulations) or the intensity of enforcement efforts with respect to such regulations and legislation, and any changes in the regulatory framework could have a material adverse effect on these communities, which in turn could have a material adverse effect on the fund client's investment.

The foregoing does not purport to be a complete explanation of the risks involved in any Fundamental Advisors investment strategy.

## **Item 9 – Disciplinary Information**

Neither Fundamental nor any of its officers, directors, or employees or other management persons, have been involved in any legal or disciplinary events that would require disclosure in response to this item.

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

Fundamental Asset Management LLC (“FAM”) was formed by Fundamental Advisors in 2009. FAM provides monitoring and supervisory services to fund clients managed by Fundamental Advisors. Fundamental Renewables LLC was formed by Fundamental Advisors in 2021 as a subsidiary of FAM. FR provides certain asset management, loan servicing and loan origination services to entities in Fundamental’s solar and renewable energy platform. For additional information regarding FAM and FR and the potential conflicts created by that arrangement, please see Item 5 above. Fundamental Advisors is a commodity pool operator that is exempt from CFTC registration requirements as all commodity pools operated by Fundamental Advisors rely upon the CFTC’s 4.13(a)(3) exemption.

In connection with sponsoring any fund client, Fundamental typically will also sponsor an affiliated general partner for such fund client, which will receive the performance compensation described in Item 5. For a description of material conflicts created by the relationship among Fundamental and the general partners, please see Item 11 below.



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

Fundamental has adopted a Code of Ethics (the “Code of Ethics”) which sets forth the ethical and fiduciary principles and related compliance requirements under which Fundamental operates and the procedures for implementing those principles.

The Code of Ethics contains policies and procedures that, among other things:

- prohibit employees from taking personal advantage of opportunities belonging to clients;
- prohibit trading on the basis of material nonpublic information;
- place limitations on personal trading by employees and impose preclearance (in certain cases) and reporting obligations with respect to trading; and
- require initial and annual reports of securities holdings and quarterly transaction reports by employees.

The Code of Ethics also provides guidance on fiduciary duty, gifts and entertainment, political contributions, outside business activities and confidentiality.

A copy of Fundamental’s Code of Ethics is available upon request by contacting Fundamental’s Chief Compliance Officer, at (212) 205-5000.

Fundamental may, from time to time, cause a fund client to engage in a cross transaction (causing the fund client to buy or sell securities from or to another fund client) where it believes the transaction would be consistent with its fiduciary obligations to all fund clients involved in the transaction, including to effect the rebalancing of investments in connection with closings of sales of interests in fund clients. Cross transactions may involve conflicting responsibilities to the fund clients involved in the transaction. Fundamental will only engage in a cross transaction if it has made a good faith determination that the cross transaction is fair and equitable to, and consistent with the investment objectives and policies of, the fund clients involved in the transaction and when the transaction is permitted by (and conducted in accordance with) applicable law (including the Advisers Act), the governing documents of the relevant fund clients, including (where applicable) obtaining any required approvals thereunder. Fundamental and its affiliates will not receive any brokerage commissions or otherwise be compensated for effecting cross transactions. Except as otherwise provided in the governing documents of fund clients in connection with rebalancing transactions, Fundamental intends that cross transactions will reflect the fair market value of the security or other instrument being purchased or sold as determined by Fundamental and/or its affiliates in accordance with Fundamental’s policies and procedures.

In connection with sponsoring a fund client, Fundamental and certain affiliates have an economic interest in the fund clients, the general partner of the funds, or both. Fundamental may in the future, in its discretion, contract with any related person of Fundamental (including but not limited to a portfolio company of a fund client) to perform services for Fundamental in connection with its provision of services to the fund clients. When engaging a related person to provide such services, Fundamental has an incentive to recommend the related person even if another person may be more

qualified to provide the applicable services and/or can provide such services at a lesser cost. Additionally, as discussed above in Item 6, the general partners of fund clients are entitled to a carried interest under the terms of each respective fund's organizational documents. Such general partners are affiliates of Fundamental. The existence of the general partners' carried interest creates an incentive for Fundamental Advisors, as an affiliate of the general partners, to cause such fund clients to make more speculative investments than they would otherwise make in the absence of the carried interest arrangement. Further, to the extent the carried interest in one fund client is greater or the overall performance of one fund client is better than another, Fundamental Advisors may have an incentive to allocate promising investments to the fund client that would result in a greater carried interest to Fundamental Advisors and its related persons. The level of anticipated carried interest is not a consideration in such allocation decisions, which are governed by the investment allocation policy as discussed in response to Item 6.

## Item 12 – Brokerage Practices

### *Best Execution and Soft Dollars*

In selecting brokers for transactions, Fundamental takes into consideration certain relevant factors, including but not limited to, the ability of the broker to provide prompt and reliable executions, the financial stability and integrity of the broker, the quality of research provided, if any, and competitiveness of the transaction costs.

We seek to obtain best execution on trades for our fund clients based on the circumstances of each transaction. Fundamental satisfies its best execution obligation by taking into account the different circumstances associated with executing orders related to particular types of financial instruments. In certain circumstances, Fundamental will not be able to select a particular counterparty due to a limited universe of dealers that are in a position to offer us our desired investments. In some cases the offering dealer is the only execution option for such transaction and therefore executing through that dealer is the best execution for such trade.

We do not currently utilize soft dollar benefits. Soft dollar benefits include research and related services furnished by brokers including written information and analyses (including specific market, financial and economic studies and forecasts), statistics and pricing services, discussions with research personnel and similar services used in the investment and trading process in return for the investment manager paying a broker a commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of such services or facilities provided by the broker. To the extent we should decide to enter into soft dollar transactions, we will effect such transactions in compliance with the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

### *Order Aggregation*

Fundamental Advisors may, but is under no obligation to, combine orders on behalf of fund clients with orders for other accounts for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, Fundamental generally allocates the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. While Fundamental believes combining orders in this way is, over time, advantageous to all participants, in particular cases the average price could be less advantageous to a fund client than if the fund client had been the only account effecting the transaction or had completed its transaction before the other participants.

### Item 13 – Review of Accounts

Fundamental's investment team understands that they are responsible for making investments consistent with each fund client's investment objectives, policies and restrictions as set forth in the applicable offering and governing documents of the fund client. The investments made for Fundamental Advisors' fund clients often involve revenue bonds where the underlying asset/business is in need of repositioning, restructuring, or recapitalization and Fundamental Advisors intends to target positions that afford a level of control. After identifying an investment opportunity and making the investment, Fundamental Advisors and its investment team engage in ongoing monitoring and management of the underlying assets. The investment team also monitors the investment portfolios of each fund client on an ongoing basis and will adjust the composition, increase or decrease exposure to identified risks and evaluate exit strategies.

Investors in the fund clients generally are provided with unaudited monthly or quarterly statements and annually receive audited fiscal year-end financial information. Fundamental has in the past and will continue to provide a monthly or quarterly management letter to investors in fund clients describing fund client positions and performance and its views on the market and potential investment pipeline. We expect to continue this practice and may also provide investors in the fund clients other periodic narrative reports from Fundamental regarding fund client positions or the markets. Certain large investors and members of the advisory committees of the fund clients of Fundamental Advisors may request more frequent or more in depth investment analysis not generally provided to all investors by the fund clients.

Fundamental's Chief Compliance Officer or designated compliance personnel periodically reviews the trades and positions of each fund client and such other information as she deems necessary to evaluate whether investment decisions are consistent with the investment guidelines set forth in the governing documents of each fund client. If any discrepancy is found, she discusses the discrepancy with the investment team and the Chief Executive Officer to determine if modifications to the portfolio can or should be made or other remedial actions should be taken.

#### **Item 14 – Client Referrals and Other Compensation**

Fundamental has and may enter into, or cause the fund clients to enter into, cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to invest in certain Fundamental fund clients. As described in the applicable offering memorandum, each Fundamental Advisors fund client typically pays its own organizational and offering expenses incurred in connection with fund formation and the offering of interests (which may include placement agent fees), up to an agreed upon cap with any excess used as an offset to the management fee. In general, each of such third-party placement agents is registered with the SEC as a broker-dealer if active in the U.S. and each employee engaged in soliciting investors in the United States for Fundamental's fund clients is a registered representative of such broker-dealer. To the extent applicable (taking into account current SEC guidance), such third party solicitation arrangements will be in compliance with Rule 206(4)-1 under the Advisers Act.

## Item 15 – Custody

Fundamental is deemed to have custody of the assets of its fund clients because an affiliate of Fundamental generally acts as general partner or managing member of the fund vehicle. Fundamental arranges for all funds and securities to be held by qualified, third-party custodians in accounts in the name of the relevant fund client, unless an exception under the “custody rule” applies. Fundamental expects to rely on an exception to the SEC’s reporting and surprise audit obligations under the “custody rule” by making each fund client’s year-end audit by an accounting firm registered with, and subject to regular examination by, the Public Company Accounting Oversight Board available to investors in the fund clients within 120 days of the clients’ fiscal year ends.

## **Item 16 – Investment Discretion**

Fundamental generally manages its fund clients' investments on a discretionary basis under the fund clients' governing agreement (such as a limited partnership agreement) or under an investment management agreement with the fund client and the general partner of the fund client. Typically, an affiliate of Fundamental is granted full authority as general partner or managing member to make all decisions for a fund client, subject only to such restrictions or investment guidelines as may be set forth in the governing agreement and offering documents, and the general partner delegates such authority and duty to carry out such functions as well as certain administrative functions to Fundamental.

## Item 17 – Voting Client Securities

The nature of certain of the instruments in which Fundamental invests client funds does not often require the voting of proxies. Where such proxy voting is called for and when granted the discretion to do so, Fundamental's policy is to vote all proxies in the fund client's best interest and to maximize the value of the investment to the fund client, on a case-by-case basis, considering such facts as it deems material. Fundamental at times may determine that refraining from voting a proxy is in fund client's best interest, such as when Fundamental determines that the cost of voting the proxy may exceed the expected benefit to the fund client.

The decision on how to vote proxies generally will be made by the investment team in the same manner as other investment decisions. Because we do not invest directly in securities in which our fund clients invest and we restrict employee investments in municipal securities, we do not expect any material conflicts of interest to arise in voting. Where the interests of different fund clients may conflict, the investment team will report the circumstances to the Chief Compliance Officer who will determine the appropriate course of action.

Proxy voting reports, identifying how proxies were voted where Fundamental has been delegated proxy voting discretion and Fundamental's Proxy Voting Policies and Procedures are available upon written request to the Chief Compliance Officer, Fundamental Advisors LP, 745 Fifth Avenue, 25th Floor, New York, NY 10151.



## **Item 18 – Financial Information**

Fundamental is not aware of any financial condition that could impair its ability to meet its contractual and fiduciary commitments to fund clients and Fundamental has not been the subject of any bankruptcy petition since Fundamental Advisors' formation in 2007.