

# **SHOREVEST PARTNERS, LTD.**

**James Walter Francis Drive, Road Town, Tortola,  
British Virgin Islands, VG1110**

**March 2024  
CRD: 284681**

This brochure provides information about the qualifications and business practices of ShoreVest Partners, Ltd. If you have any questions about the contents of this brochure, please contact us at +1 (408) 827-4060 or email at [ben@shorevest.com](mailto:ben@shorevest.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Additional information about ShoreVest Partners, Ltd. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

---

Since ShoreVest Partners, Ltd.'s last annual updating amendment in March 2023, there have been material changes to the Firm's business that require disclosure in this Item 2.

The following is a summary of material changes that have been made to this Brochure:

**Item 4: Advisory Business**

This section has been updated to reflect that ShoreVest Partners, Ltd is solely owned by ShoreVest Capital Partners, Ltd., whereas Mr. FANGER, Benjamin, W., the Managing Partner, is considered as ShoreVest Partners, Ltd.'s indirect owner.

**Item 10: Other Financial Industry Activities and Affiliations.**

This section has been updated to reflect the GP of ShoreVest Credit Opportunities II, L.P is now identified as financial affiliate of ShoreVest Partners, Ltd. under Item 7A of Form ADV Part I.

**Item 3: Table of contents**

---

|   |    |
|---|----|
| Item 2: Material Changes.....   | 2  |
| Item 3: Table of contents .....   | 3  |
| Item 4: Advisory Business .....   | 4  |
| Item 5: Fees and Compensation .....   | 5  |
| Item 6: Performance-Based Fees and Side-By-Side Management .....                                    | 6  |
| Item 7: Types of Clients.....   | 7  |
| Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....                           | 7  |
| Item 9: Disciplinary Information .....  | 34 |
| Item 10: Other Financial Industry Activities and Affiliations.....                                  | 34 |
| Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... | 35 |
| Item 12: Brokerage Practices .....  | 36 |
| Item 13: Review of Accounts .....   | 36 |
| Item 14: Client Referrals and Other Compensation .....  | 37 |
| Item 15: Custody.....   | 37 |
| Item 16: Investment Discretion .....  | 37 |
| Item 17: Voting Client Securities.....  | 37 |
| Item 18: Financial Information.....   | 38 |
| Item 19: Requirements for State-Registered Advisers.....  | 38 |

## Item 4: Advisory Business

---

### Advisory Firm

ShoreVest Partners, Ltd (“**Adviser**”) was incorporated as Stellern Holdings Ltd. on Dec 30, 2005, and registered on Jan. 1, 2007 in the BVI. Subsequently it was renamed on August 24, 2018 as ShoreVest Partners, Ltd. The Adviser is solely owned by ShoreVest Capital Partners, Ltd. and principally owned by Mr. FANGER, Benjamin, W., the Managing Partner.

### Types of Services Offered

Adviser is a specialist in Chinese distressed debt and structured credit investment adviser with a specific focus on both (1) corporate distressed debt, such as non-performing loans (“**NPLs**”) and (2) special situations, such as bridge lending to performing companies.

Adviser primarily provides investment advisory and management services to ShoreVest Distressed Credit, L.P., ShoreVest Credit Opportunities II, L.P., their feeder fund(s) and any related parallel funds (collectively, “**Funds**”). The Funds are typically Cayman Islands exempted limited partnerships and other investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended, and whose interests will not be registered under the United States Act of 1933, as amended (the “**Securities Act**”).

Adviser may, in its sole and absolute discretion, offer certain investors or other persons, including any limited partner (“**LP**”), strategic investor or related person, co-investment opportunities through limited partnerships or other entities formed to make such investments.

Adviser and its affiliates may establish, and serve as a partner, manager or in any other capacity for, one or more RMB Funds which have investment objectives and strategies substantially similar to those of the Funds and are formed to meet the needs of certain investors to make investments denominated exclusively in RMB (the “**RMB Funds**”).

Adviser or its affiliates may also sponsor and manage alternative investment vehicle(s) to address the legal, tax, regulatory, and/or economic constraints.

Adviser will manage the Funds based on specific investment objective, strategies, investment guidelines and restrictions set forth in the offering documents, partnership agreement, and/or investment management agreements (as amended and supplemented from time to time) (collectively, the “**Governing Agreements**”). Such restrictions may be waived in certain cases with the consent of the advisory committee, if any, in accordance with the Governing Agreements.

Adviser has approximately US\$ 226,173,933 regulatory assets under management as of 31 December 2023, all of which it manages on a discretionary basis.

### Ability to Tailor Services and Impose Restrictions

Adviser provides investment management services to the Funds as pooled investment vehicles based on the specific investment objectives and strategies of the Funds and not individually to LPs of the Funds. However, Adviser or its affiliates may from time to time enter into a side letter or similar agreement with certain LPs that may entitle such LP to

establish rights (including economic or other terms) under or altering or supplementing a Fund's Governing Agreements. Such agreements may provide more favourable terms with respect to (i) opting out of particular investments; (ii) reporting obligations of the Fund; (iii) transfers to affiliates; (iv) co-investment opportunities; (v) withdrawal rights due to adverse tax or regulatory events; (vi) consent rights to certain partnership agreement amendments.

## **Item 5: Fees and Compensation**

---

The fees, compensation, and expenses applicable to the Funds are set forth in detail in the respective Governing Agreements.

### **Management Fee**

Until the earlier of (i) the end of the investment period defined in the Governing Agreements; (ii) the first date that Adviser or any of its affiliates accrues an investment management fee from a subsequent fund, the management fee payable by the Fund (the "**Management Fee**") in respect of each LP, equal to a certain percentage of such LPs' aggregated commitments and thereafter, a certain percentage of such LP's invested capital.

Adviser may, in its discretion, elect to waive all or any part of the Management Fee with respect to any LP. Affiliated Partners (including the General Partner of the Funds (the "**GP**"), its affiliates and their respective members, shareholders, partners, managers, employees and directors, and any such person's family members, in each such person's capacity as a LP) do not pay Management Fees.

Generally, the Management Fee will be payable quarterly in advance from disposition proceeds and income from investments, as well as fund-level reserves as set forth in the applicable Governing Agreements. Adviser may also elect, from time to time, to defer all or a portion of any payment of its Management Fee.

The Management Fee will be recalculated as of the last day of each quarter for which a Management Fee has been paid; provided a Management Fee offset in the event that the recalculated Management Fee is less than the amount of Management Fees actually paid for such quarterly period.

The Management Fee is prorated for partial periods. In the event of a termination of any client relationships, any portion of prepaid, unearned Management Fees will be returned to the Funds by Adviser; provided that however, if the termination is as a result of a removal without cause, Adviser shall be entitled to the Management Fee relating to the full quarter.

### **Performance Based Compensation**

In addition to Management Fees, Adviser receives performance-based compensation in the form of an allocation of a profits interest from the Funds or a participation right in the profits of an investment vehicle (commonly referred to as "**Carried Interest**") based on the net cash proceeds attributable to Funds' investments, subject to a preferred return to the Funds' investors. Adviser may, in its sole discretion, waive, reduce or defer the distributions of Carried Interest with respect to any LP.

Carried Interests for the Funds generally is paid out as distributable proceeds attributable to dispositions of Funds' investments. Generally, no payouts are made until the Fund's investors have first received invested capital together with a preferred return in accordance with the Funds' Governing Agreement.

## Costs and Expenses

Subject to an organizational expense limit set forth in the applicable Governing Agreements, the Funds bear all costs and expenses relating to the organization of the Funds, the GP, the offer and sale of interests therein, and all other costs and expenses incurred in relation to the operation, business and investments. Such costs and expenses may include without limitation, legal, auditing, consulting, financing, administration, accounting and custodian fees and expenses; expenses associated with the preparation of financial statements and tax returns; the Management Fees; reimbursable costs and expenses of Adviser or its affiliates; Fund indebtedness; all costs and expenses related to indemnification obligations; expenses incurred in connection with (potential) transactions not consummated; expenses related to the members of the advisory committee; the costs and expenses associated with any litigation; director and officer liability or other insurance; all expenses incurred in liquidating the Funds; any taxes, fees or other governmental charges and all expenses incurred in connection with any tax return, audit, investigation, settlement or review; other expenses associated with the acquisition, holding and disposition of investments; and all other liabilities of the Funds whatsoever kind and nature subject to applicable laws and regulations.

Under certain circumstances specified in the Governing Agreements, the Funds are generally obligated to indemnify Adviser and its affiliates and other identified persons and entities as described in the relevant Governing Agreements (together, the “**Indemnified Persons**”), in each instance, for costs arising out of or in connection with the Funds’ business and affairs, except for any such costs that have resulted from Malfeasance of the Indemnified Person seeking indemnification.

In terms of co-investment opportunities, until a Co-Investor has irrevocably committed in writing to participate in an investment opportunity alongside the Funds, such Co-Investor may not be obligated to bear any portion of the due diligence or broken-deal expenses associated with a potential transaction. As a result, in some cases, despite the fact that a Co-Investor may be offered an opportunity to participate in a potential investment alongside the Funds, the Funds may ultimately bear all of the associated due diligence expenses and costs associated with such investment.

Adviser will pay all organizational expenses in excess of the limit set forth in the applicable Governing Agreements and placement compensation, to the extent not borne by the Funds, as well as the ordinary operating expenses incidental to the administration of the GP and Adviser, including rent, utilities, equipment and salaries of its personnel (but excluding travel, legal, accounting and similar expenses incurred in the discovery, investigation, development, negotiation, documentation, purchase, holding and disposition of possible investments).

## Sales Compensation

Adviser and its Supervised Persons (as defined in the Form ADV General Instructions and Glossary), do not receive (directly or indirectly) any compensation from the purchase or sale of securities or investments for the Funds. Adviser and its Supervised Persons do not receive (directly or indirectly) sales commissions in connection with sales of interests in the Funds.

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

As discussed in Item 5 above, Adviser generally will be entitled to receive performance-based compensation in connection with advisory services provided.

Performance-based compensation may create potential conflicts of interest. Performance-based compensation may create an incentive for Adviser to make investments that are riskier than would necessary or to overstate their valuations which would benefit Adviser. However, Adviser believes that the equity commitment by the Affiliated Partners in the Funds themselves or alongside the Funds helps to align the interests of Adviser with those of Fund investors.

Carried interest and Management Fees payable by any RMB Fund to Adviser or any of its affiliates will be no more favourable to such person than the Management Fee and Carried Interests payable by the Funds.

With respect to co-investment opportunities, a Co-Investor shall generally invest on economic terms at the investment level substantially no more favorable than those on which the Funds invest; and neither the Funds nor the Co-Investor shall be entitled to a preference over the other in receipt of distributions at the investment level, or the ability to dispose of all or any portion of a jointly-held investment. Adviser and its affiliates may charge carried interest, management fees and other fees to such co-investors, with respect to any co-investment, which may be different than the Carried Interest, Management Fees and other economic terms applicable to the Funds.

To address potential conflicts of interest arising from differences in fee schedule, Adviser has adopted a policy to allocate portfolio transactions and investment opportunities across multiple clients on what Adviser believes to be a fair and equitable basis.

Adviser has also put in place a valuation policy and relevant procedures overseen by the Chief Financial Officer to ensure that investment valuations are documented and determined on a consistent basis, and to the extent appropriate, in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) with respect to the Funds for which GAAP is applicable.

## **Item 7: Types of Clients**

---

Adviser organizes and serves as investment manager to private pooled investment vehicles. Investment advice is provided to the Funds and not individually to investors of the Funds.

The Funds’ Interests offered will not be registered under the Securities Act, in reliance upon an exemption for non-public offerings provided under Regulation D or Regulation S under the Securities Act.

Adviser generally requires a minimum investment by a Fund LP of \$2,500,000, however the minimum investment threshold may be waived or modified by Adviser in its sole discretion.

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

---

### **Methods of Analysis and Investment Strategy**

Adviser is an opportunistic credit manager, investing primarily in real estate-backed credit. The Fund will target special situations and portfolios of distressed debt in the PRC. It will allocate capital opportunistically between the two types of investment in order to maximize returns for investors. ShoreVest pursues deals which it judges likely to generate an IRR in

the low- to mid-teens (net at the fund level), and structures them in a way that it believes will minimize the risk of capital loss.

Adviser achieves this goal by ensuring that the liquidation value of enforceable collateral—which is almost always real estate—is sufficient to cover the value of the loan or portfolios of loans, even in the event of a massive dislocation in property prices. When structuring special situations deals, we typically lend between 40% and 50% of the market value of enforceable collateral. For NPL portfolios, we typically pay around 30% of the market value of enforceable real estate collateral, against which the loans in the portfolio to which we underwrite material value have a first lien.

Adviser also guards against capital loss by ensuring that the collateral in any given fund is diversified by geography and by types of real estate, thereby avoiding excessive exposure to localized downturns in China's property market.

That said, Adviser rarely finds it necessary to liquidate collateral in order to generate target returns. In the case of special situations, debtors typically pay on time and in full, and in the case of distressed loans acquired as part of a portfolio, debtors—or their guarantors—more often agree to a negotiated settlement.

Adviser's special situation deals typically involve providing short-term (that is two-years or less) bridge loans, acquisition finance, or financing for single credit restructuring, to well capitalized medium-sized private firms at high interest rates. Its NPL investments typically involve portfolios of anywhere between a few dozen to thousands of distressed corporate loans acquired from asset management companies ("**AMCs**"). It generates a return on those loans using a raft of approaches, which we explain in more detail below.

Central to the strategy is the experience and expertise of Adviser's staff. Investing in Chinese distressed debt and special situations poses unique challenges to foreign investors. It takes years to build the relationships necessary to consistently source quality deals and manage them. And it requires experience to navigate the idiosyncrasies of China's operating environment in order to avoid pitfalls and recognize opportunities. In short, opportunistic credit investing in China cannot be done successfully by remote managers supported by a skeletal on-the-ground presence. Adviser is positioned to realize the opportunities presented by China's current debt cycle.

Specific descriptions of aforesaid strategies and methods are included in the respective Governing Agreements of Funds.

There can be no assurance that the investment objectives of any client will be achieved, or that investors will receive a return of capital, or that Adviser can successfully find investment opportunities that meet these anticipated return parameters.

Prospective Fund investors should carefully read the applicable Governing Agreements, and consult with his, her or its own counsel and advisers as to all matters concerning an investment in the Funds. Investors should have the financial ability and willingness to accept the risks of an investment in the Funds.

### **General Risks Relating to Investments by the Fund**

**Non-Performing Nature of Loans.** It is anticipated that the loans purchased by the Fund will be non-performing and possibly in default. Furthermore, the obligor and/or relevant



guarantor may also be involved in bankruptcy or in liquidation proceedings. There can be no assurance as to the amount and timing of payments with respect to the loans. Although the General Partner will attempt to manage these risks, there can be no assurance that the Fund's investments will increase in value or that the Fund will not incur significant losses. The General Partner anticipates that some of the Fund's investments will incur losses. Investors should be prepared to lose all or substantially all of their investment in the Fund.

**Difficulty Locating Suitable Investments.** Investors in the Fund will not have the opportunity to evaluate the business, financial and other information that will be used by the Firm in their analysis, selection, and monitoring of investments for the Fund. There can be no assurance that the Firm will be able to identify a sufficient number of attractive investment opportunities to fully invest Commitments in opportunities that satisfy the Fund's investment objectives, or that such investment opportunities will lead to completed investments by the Fund. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate.

**Highly Competitive Market for Investments.** The business of identifying and structuring transactions for investment by the Fund is highly competitive. The Fund will be competing for investments with other funds and institutional investors. Such competition may adversely affect the terms upon which investment can be made. Further, as competition for investment opportunities increase, the number of opportunities for appropriate investments may decrease, which could have an adverse impact on the length of time required for the Fund to become fully invested. Therefore, there can be no assurance that the Fund will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve any particular rate of return, or fully invest its committed capital.

**Concentration Risk.** While the General Partner will regularly monitor the concentration of the Fund's portfolio, concentration in any one industry, region or country may adversely affect the returns on the Fund's investments. For example, virtually all of the Fund's investments will be focused on China and, at any given time, may be concentrated in certain industries. Although such geographic and industry concentrations may provide more attractive investment opportunities than others, the risk of loss on the Fund's investments will increase as a result of such concentration. To the extent there is a downturn affecting China, a particular region or industry sector in which the Fund's portfolio is concentrated, this could increase the risk of defaults, reduce the amount of payments the Fund receives on its investments and, consequently, could have an adverse impact on the Fund's financial condition and results and its ability to make distributions.

**Current Market Conditions and Valuation.** Because there will be no readily available market for most of the Fund's investments, those investments will be difficult to value. Determination of fair values for such investments involves judgments that are not susceptible to substantiation by auditing procedures. Values assigned to such investments may not accurately reflect values that may be actually realized. General fluctuations in the market prices of securities may affect the value of the investment held by the Fund. Because China has only recently begun selling its NPLs through AMCs, there are relatively few historical transactions that can be used as reference for determining possible cash recovery rates. Also, determining the actual value of assets can be difficult in China because of deficiencies in accounting precision and standardization. There are almost always deficiencies in the legal documentation of assets in NPL portfolios and other distressed assets. Instability in the securities market may also increase the risks inherent in the Fund's investments and the timing of its realization on investments.

**Developments in Credit Markets.** Global credit and equity markets have experienced, and may in the future experience, significant market events, including decreased liquidity, declining market values, tightening of credit, valuation problems, deleveraging and large scale liquidations of investment portfolios, that have at times generated extreme volatility and illiquidity in worldwide capital markets. The duration and ultimate effect of such market conditions cannot be predicted. Such conditions could adversely affect the market value of the Fund's investments, prevent the Fund from successfully executing its investment strategy, cause the Fund to dispose of investments at a loss, create additional volatility in the value of the assets held by the Fund, or negatively impact the performance of the investments held by the Fund in any of the markets directly or indirectly affected.

**Illiquidity and Volatility of the Fund's Investments.** It may take several years from the time a particular investment is made to exit, if at all, from such investment. The Fund will often be dependent on a process of litigation and protracted negotiation with borrowers, searches for potential buyers of the assets or other resolution strategies to achieve liquidity for the Fund's investment. Some of these resolution strategies may not provide liquidity for several years, if at all. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Consequently, it is possible that no significant return from disposition of many of the Fund's investments will occur for a period of several years, if at all. There is currently no public market for the Fund's expected investments and a market is unlikely to develop during the term of the Fund.

**Borrower Defaults May Adversely Affect the Fund.** The Fund's income will be derived largely from interest payments received from its portfolio. A wide range of factors may adversely affect an obligor's ability to make interest or other payments, including: adverse changes in the financial condition of such obligor, or the industries or regions in which it operates; the obligor's exposure to counterparty risk; systemic risk in the financial system and settlement; changes in law or taxation; changes in governmental regulations or other policies; natural disasters; terrorism; social unrest, civil disturbances; or general economic conditions. Default rates tend to accelerate during economic downturns.

Any defaults will have a negative impact on the value of the Fund's investments and may reduce the income that the Fund receives from its investments in certain circumstances.

In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of an obligor, holders of debt instruments ranking senior to the Fund's investment would typically be entitled to receive payment in full before the Fund receives any distribution in respect of its investment. After repaying the senior creditors, such obligor may not have any remaining assets to repay its obligations to the Fund. In the case of debt ranking equally with the loans or debt securities in which the Fund invests, the Fund would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant investee company.

**Investments in Financially Distressed Entities and Restructurings.** The Fund may acquire interests in the securities and other obligations of financially distressed entities. Although such positions may bring high returns to the Fund, they involve varying degrees of risk. The financial difficulties of such entities may never be overcome and may cause such entities to become subject to bankruptcy proceedings. The timing and outcome of any bankruptcy or restructuring is unpredictable. Any one or all of the entities in which the Fund acquires interests may be unsuccessful in its attempts to restructure and become profitable or the positions may not show any return for a considerable period of time. In any bankruptcy or restructuring, the Fund may lose its entire investment, may be required to accept cash or securities with a value less than the Fund's original investment, or may be forced to liquidate its investment at a substantial loss. In addition, under certain circumstances, payments to the

Fund and distributions by the Fund to the Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability, and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.

**Risk of Loss.** The Fund is expected to invest in distressed securities, assets and instruments. These securities, assets and instruments by their nature are issued by or relate to companies in unstable financial condition and entail substantial inherent risks. Although the General Partner will attempt to manage these risks, there can be no assurance that the Fund's investments will increase in value or that the Fund will not incur significant losses. The Firm anticipates that several of the Fund's investments will incur losses. Investors should be prepared to lose all or substantially all of their Commitment to the Fund.

**Investment in Loans to Private Companies Raise Additional Risks.** Loans to private companies involve a number of particular risks, including:

- these companies may have limited financial resources and limited access to additional financing, which may increase the risk of their defaulting on their obligations, leaving creditors such as the Fund dependent on any guarantees or collateral they may have obtained;
- these companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- there may not be as much information publicly available about these companies as would be available for public companies and such information may not be of the same quality; and
- these companies 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 these companies' ability to meet their obligations.

**Special Situation Transactions.** The Fund may invest and trade in situations that it believes offer opportunity due to some identifiable dislocation, such as lack of market transparency or liquidity. Risks to the Fund in this type of investing and trading include misjudging the nature or magnitude of the factors that have caused this dislocation, the quality of the position's fundamental assets, the scope of the position's liabilities and the Fund's ability to exit the position in a timely and profitable fashion.

**Investing In Weak Entities or Entities Undergoing Reorganizations.** As part of its investment strategy, the Fund may invest in entities that are in relatively weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type may involve endogenous financial and business risks that can result in losses. Among the endogenous risks inherent in investments in troubled entities are the inability to obtain information as to the true condition of such issuers. Laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and a bankruptcy court's power to disallow, reduce, subordinate, or disenfranchise particular claims may also affect such

investments adversely. The market prices of such investments are subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such investments may be greater than normally expected with respect to non-troubled issuers. It may take a number of years for the market price of such investments to reflect their intrinsic value.

In liquidation, both in and out of bankruptcy, and other forms of corporate reorganization, there exists the endogenous risks that the reorganization either will be unsuccessful (due to, for example, a failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Partnership of the security in respect of which such distribution was made.

**Bridge Financings.** From time to time, the Fund may lend to portfolio companies on a short-term, secured or unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Fund's control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the position taken by the Fund.

**Uncertain Recovery Value of Collateral; Unsecured Loans.** A substantial component of the Adviser's analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investments in the event of the insolvency of the issuer. This residual or recovery value will be driven primarily by the value of the underlying assets constituting the collateral for such investment. The value of collateral can, however, be extremely difficult to predict and in certain market circumstances there could be little, if any, market for such assets. Moreover, depending upon the status of these assets at the time of an issuer's default, they may be substantially worthless. During times of recession and economic contraction, there may be little or no ability to realize on any of these assets. If the Fund invests in loans that are not secured by collateral, in the event of a default by the borrower, the Fund will only have an unsecured claim against the borrower.

**Public and Private Equity.** The Fund may invest in the securities of public or private companies, often with smaller capitalizations. Investments in such securities involves greater risk than is customarily associated with larger, more established companies. These securities may have limited marketability and may be subject to more abrupt or erratic movements in price than securities of larger companies or the market averages in general.

**General Real Estate Risks.** The Fund's real estate investments will be subject to the risks incident to the ownership and operation of real estate, including risks associated with the general economic climate, local real estate conditions, geographic or market concentration, the ability of the Fund to manage the real properties, government regulations and fluctuations in interest rates. With respect to investments in the form of real property owned, directly or indirectly, by the Fund, the Fund will incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property.

**Development Risks and Redevelopment Risks.** To the extent consistent with the Fund's investment strategy, the Fund may acquire investments that provide development and redevelopment opportunities. Development and redevelopment activities require additional time, which may delay the realization of the Fund's investment objectives for such investment. During such delay, an investment may suffer a significant decline in value due to

adverse economic and markets changes or other conditions affecting such investment. In addition, development and redevelopment activities may not be completed within budget or on schedule because of cost overruns, work stoppages, shortages of building materials, the inability of contractors to perform their obligations, defects in plans and specifications or other factors. Any delay in completing the development or redevelopment of an investment may adversely affect the Fund and the Partners.

**Environmental Considerations.** As is the case with any holder of real estate investments, the Fund could face substantial risk of loss from environmental claims based on environmental problems associated with the Fund's real estate investments.

**Uncertain Exit Strategies.** Due to the illiquid nature of many of the investments which the Fund expects to make, the General Partner is unable to predict with confidence what, if any, exit strategy will ultimately be available for any given core position. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

**Follow-On Investments.** Following its initial investment in an asset or portfolio, the Fund may be required to make additional investments in such asset or portfolio. While such additional investments may have the result of maintaining or increasing the Fund's expected recovery from an investment, they may also be necessary to protect the Fund's initial investment. There is no assurance that the Fund will make such additional investments or that it will have the ability to do so. The failure to make additional investments may impact the ability of the Fund to recover or realize a return on its initial investment.

**Control Position.** The Fund may obtain a controlling or other substantial position in a public or private company. Such positions may or may not be obtained intentionally as the rights of the various classes of a company's securities may be affected by reorganization, bankruptcy, restructuring or liquidation, which could result in holders of debt securities owning a controlling or substantial equity position in a company. Should the Fund obtain such a position, it may be required to make filings concerning its holdings with various governmental and regulatory agencies and it may become subject to other regulatory restrictions that could limit the ability of the Fund to dispose of its holdings at the times and in the manner the Fund would prefer. Violations of these regulatory requirements could subject the Fund to significant liabilities. Additionally, such control could impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

**Minority Investments.** In certain circumstances, the Fund may hold non-controlling interests in certain portfolio companies and, therefore, may have limited ability to protect its position in such portfolio companies. The laws of China differ from those in the United States or other countries and may offer limited protection to minority shareholders. As a result, management or controlling shareholders may be able to take action against the interests of minority shareholders, which could adversely affect the Fund. Under certain circumstances, it is expected that appropriate rights generally will be sought to protect the Fund's interests to the extent possible, but there can be no assurance that such rights will be available.

**Investments with Third Parties in Joint Ventures and Other Entities.** The Fund may co-invest with third parties through special purpose vehicles ("SPVs") and may acquire non-controlling interests in the SPVs and therefore, in the investee companies. Although the Fund may not have control over these Investments and therefore may have a limited ability to protect its position therein, the Adviser expects that appropriate rights will be negotiated

to protect the Fund's interests. Nevertheless, such Investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party partner or co-venturer may have financial difficulties that have a negative impact on such Investment, may have economic or business interests or goals that are inconsistent with those of the Fund, or may be in a position to take action contrary to the Fund's investment objectives. In addition, the Fund may in certain circumstances be liable for the actions of its third party partners or co-venturers.

Non-compliance by any such joint venture partners and third party service providers with the US Foreign Corrupt Practices Act and applicable anti-corruption laws of a target jurisdiction or other countries could harm the corporate image and reputation of the Fund, the General Partner and the Adviser with potential business partners and could disrupt the Fund's acquisition and disposition and lead to criminal charges being brought against officers of the General Partner, the Adviser or their affiliates. The reputation of the Fund, the General Partner and the Adviser could be adversely affected if the Fund, the General Partner or the Adviser become the target of any investigations or negative publicity as a result of any such actions taken by the Fund's joint venture partners or third party service providers. Furthermore, the Fund, the General Partner or the Adviser could be liable for actions taken by such persons in violation of such laws, and could be required to pay damages or fines. Any such event could have a material adverse effect on the Fund's business, financial condition, performance and prospects.

**Leverage of Portfolio Companies.** The Fund may invest in portfolio companies with leveraged capital structures, in which case, such investments will be subject to increased exposure to adverse economic factors such as a rise in interest rates, a downturn in the economy or further deterioration in the condition of such portfolio company or its industry. Similarly, the Fund is expected to invest in portfolio companies that are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness. Accordingly, the value of the Fund's investment in such a portfolio company could be significantly reduced or even eliminated due to further credit deterioration.

**Investments Longer than the Term of the Fund.** The Fund may make investments which may not be advantageously disposed of prior to the date that the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although the General Partner expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, all of the Fund's assets may not be liquidated or distributed in kind for a significant period of time following the Fund's dissolution date, which would delay the Partners' receipt of their final liquidating distributions from the Fund.

**Due Diligence Risks.** ShoreVest will conduct due diligence on prospective Fund investments. In conducting such due diligence, ShoreVest will use publicly available information as well as information from their relationships with former and current management teams, competitors and members of the finance and banking industries. Such level of due diligence may not reveal all matters and issues, material or otherwise, relating to prospective Fund investments.

**Acquisitions of Portfolios of Investments.** The Fund may seek to purchase entire portfolios or substantial portions of portfolios from market participants in need of liquidity or suffering from adverse valuations. The Fund may be required to bid on such portfolios in a very short time frame and may not be able to perform normal due diligence on the portfolio. Such a portfolio may contain instruments or complex arrangements of multiple instruments that are difficult to understand or evaluate. Such a portfolio may suffer further



deterioration after purchase by the Fund before it is possible to ameliorate such risk. As a consequence, there is substantial risk that ShoreVest will not be able to adequately evaluate particular risks or that market movements or other adverse developments will cause the Fund to incur substantial losses on such transactions.

**Limitations on Remedies.** Although the Fund expects to have certain contractual remedies upon the default by borrowers under certain investments, such as foreclosing on the underlying asset or, in the case of real estate, collecting rents generated therefrom, certain legal requirements, rules, regulations, court action or other impediments may limit the ability of the Fund to effectively exercise such remedies. Furthermore, the right of a lender to convert its loan position into an equity interest may be limited by certain common law or statutory prohibitions, which may operate to prevent a lender from exercising such conversion rights. Furthermore, the laws with respect to the rights of creditors and other investors in the PRC may not be comprehensive or well developed, and the procedures for the judicial or other enforcement of such rights may be of limited effectiveness. In particular, in certain countries, the Fund could experience significant legal difficulties and impediments in taking possession of, or otherwise in enforcing its rights with respect to, certain kinds of collateral. These factors may adversely affect the value and collectability of the Fund's investments in such countries. The Fund may be similarly limited in its ability to pursue remedies available to it with respect to other types of investments.

**Projected Investment Results.** The projected investment results for the Fund described in this Memorandum are based in part on hypothetical assumptions and for certain assets, past performance. Such results are presented for illustrative purposes only and are based on various assumptions, such as, for example, exit strategies, operational performance and general economic conditions, not all of which are described in this Memorandum. In particular, these projections are in some instances gross projections, and do not take into account carried interest, management fees and other expenses to which such investments would be subject. Past performance is not indicative of the future return of the Fund. Investors should be aware that investment results cannot be predicted or projected reliably, that the realization of the projected investment results is subject to significant uncertainties and contingencies and that the investment results may change materially in response to changes in one or more of such experience, and do not constitute a prediction as to future events. Because of the uncertainties and subjective judgments inherent in selecting the assumptions and because future events and circumstances cannot be predicted, there can be no assurance that the projected investment results will be realized. The actual investment results may differ, and may differ materially, from those illustrated herein. In making an investment decision, investors must rely on their own examination of the Fund and the terms of the offering, including the merits and risks involved. Any given investment made by the Fund may prove to be worthless.

**Distributions In-Kind.** Although prior to liquidation the Fund intends to make distribution in cash and marketable securities, it is possible that certain distributions could consist of securities for which there is no readily available public market and with respect to which there are substantial transfer restrictions.

**General Economic Conditions.** General economic conditions may affect the Fund's activities and the operation and value of its portfolio assets. Interest rates, general levels of economic activity, the price of securities and the participation by other investors in the financial markets may affect the value of the Fund's investments or assets considered for prospective investment.

**Undercapitalization.** The Fund will be funded with the proceeds from the sale of Interests. In the event that the Fund receives less than the maximum offering amount it is seeking, it

will invest in fewer assets, which would reduce the diversification of the Fund's investment portfolio. The Fund may also be limited in putting additional money into portfolio assets, which may contribute to a loss of the Fund's investment in such assets or dilution of the Fund's interest in such assets. In addition, the return to investors may be reduced as a result of allocating fixed Fund expenses across a smaller amount of capital contributions.

**Contingent Liabilities on Dispositions.** In connection with the disposition of an investment in a portfolio asset, the Fund may be required to make representations about the business and financial affairs of the portfolio asset typical of those made in connection with the sale of any asset, and may be responsible for the content of disclosure documents under applicable laws. It may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in the Fund incurring additional liabilities, which Limited Partners may have to satisfy by returning prior distributions received from the Fund.

**Reliance on Portfolio Company Management.** The day-to-day operations of a portfolio company will be the responsibility of such company's management team. Although the General Partner will be responsible for monitoring the performance of portfolio companies and generally seeks to invest in companies operated by capable management, there can be no assurance that an existing management team, or any successor, will be able to successfully operate a portfolio company in accordance with the General Partner's strategy for such company.

**Fees, Expenses and Operating Losses.** The expenses of organizing and operating the Fund, including the Management Fee, will for an indefinite time exceed the Fund's income, requiring that the difference be paid from the Fund's capital. Because the Fund will invest in illiquid securities, the Fund may incur operating losses for several years before profits, if any, are realized.

**Uncertainty of Valuations.** Certain of the Fund's investments will be investments for which there is no, or a limited, liquid market. The fair market value of such investments may not be readily determinable. In some cases, the Fund will value these securities at fair market value determined by the General Partner. The valuations used by the General Partner for a significant portion of the Fund's investments may therefore not reflect the most recently available market information. The types of factors that may be considered in fair market value pricing of the Fund's investments include the nature and realizable value of any collateral, the obligor's ability to make payments and its earnings, the markets in which the obligor does business, comparisons to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations with respect to loans and securities of private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The General Partner's determinations of fair market value may differ materially from the actual realizable values of such investments. The Fund's financial condition and results of operations could be adversely affected if the Fund's fair market value determinations were materially higher than the values that the Fund ultimately realizes upon the realization of such investments.

**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 negatively affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Fund interacts frequently. A failure of any counterparty could result in adverse effects on



the Fund, including the Fund being unable to execute or engage in transactions or dispose of investments at advantageous prices (or at all).

**Litigation.** Many assets in which the Fund expects to invest are governed by complex documents. The parties to those documents may disagree as to the proper interpretation of the terms of a contract when enforcement is sought. The interests of the holders of the same or different tranches of securities of a particular issuer, or creditors of such an issuer, may not be aligned, and ambiguities or mistakes in the applicable documentation may increase the risk of disputes. If documentation disputes occur, the cost and unpredictability of the legal proceedings required to enforce its contractual rights may lead the Fund to decide not to pursue its claims against a counterparty or issuer. If the Fund decides to pursue its claims against a counterparty or issuer, it may not be successful. The Fund thus assumes the risk that it may be unable to obtain payments owed to it or that those payments may be delayed or made only after it has incurred the costs of litigation.

Reorganizations and other distressed situations can be particularly contentious and adversarial. It is by no means unusual for participants in such investments to use the threat of, as well as actual, litigation as a negotiating technique.

The Adviser therefore anticipates that the Adviser, the Fund and perhaps certain of its larger investors may be named as defendants in civil proceedings from time to time. Furthermore, the Adviser anticipates that it and the Fund may act as plaintiffs in civil proceedings as part of the Fund's strategy relating to a particular Investment. There can be no assurance that the Adviser's or the Fund's approach and strategy toward any litigation, including any investment that is made with the intent of unlocking value through any such litigation strategy, will be successful or that any such litigation begun by the Fund would be resolved in favor of the Fund. Any such litigation could be prolonged and expensive. Tactics involving litigation may therefor in fact erode, rather than increase, the value of an investment. The expense of defending against claims brought by third parties, bringing claims against third parties, and paying any amounts pursuant to settlements or judgments would generally be borne by the Fund and would reduce net assets or could require Limited Partners to return to the Fund distributed capital and earnings. The Fund may engage in or be drawn into litigation in a variety of jurisdictions, some of which the Adviser may not have previous experience in or which may have legal processes that may lead to lengthy and drawn out litigation.

**Sourcing of Investments.** The Adviser expects to source a substantial volume of the Fund's investment opportunities directly from selling institutions (although some investments sourced directly from selling institutions may be transacted through a third party) and through its personnel and relationships. To the extent these sourcing channels do not present a sufficient volume of investment opportunities, or the opportunities presented are not suitable for investment by the Fund, the Fund's performance will be adversely affected.

## **Risks Related to Investing in China**

### **General Risks**

**Continued State Involvement in the Chinese Economy.** In the past, the Chinese economy was a planned economy subject to one- and five-year state plans adopted by the central Chinese government authorities and implemented, to a large extent, by provincial and local authorities, which set out production and development targets. Beginning in the late 1970s, China has been transitioning itself from a state-controlled economy to a market-driven economy. Over this period, the Chinese government has issued policies and implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance

in business enterprises. Despite China's ongoing transition to a market-driven economy, the Chinese government continues to directly or indirectly own a substantial portion of China's productive assets and plays a significant role in regulating development through industrial policies, taxation, allocating resources, regulating payments of foreign currency obligations (see Foreign Exchange Control below), imposing credit policies on commercial banks and setting monetary policy. Many of these reform-oriented policies and measures are unprecedented or experimental, which may cause fiscal deficits, inflation, or other economic imbalances, and may or may not be reversed, suspended, delayed or improved over time. Such policies and measures could negatively affect the Fund's investments in China.

***Developing Nature of China's Legal System.*** The Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. The Chinese government is in the process of developing a comprehensive system of laws, a process that has been ongoing since 1979. While China has enhanced the protections afforded to various forms of foreign investment, the Chinese legal system remains incomplete. In particular, the legal frameworks governing the NPL transactions and real estate-oriented investment in China are still underdeveloped (see *Changing Legal Framework for NPL Transactions* and *Central and Local Regulation of China's Real Estate Investments* below). Moreover, the administrative and judicial interpretation and implementation of laws and the resolution of commercial disputes may be subject to the exercise of considerable discretion by both administrative and judicial officials and may be influenced by external forces unrelated to the legal merits of a particular matter or dispute. These uncertainties could limit the legal protections available to the Fund and its portfolio companies in China. Even where adequate laws exist and contractual terms are clearly stated, there can be no assurance of a swift and equitable enforcement of the Fund's legal rights. In addition, because it is difficult to predict the effect of future developments in China's legal system, the Fund's investments in China may be adversely affected by new laws, changes to existing laws (or interpretations or enforcement thereof), or the preemption of local regulations by national laws. For example, it is possible that, in the future, the Chinese government might exert excessive control over real estate development and investment activities in China, which could negatively impact the Fund's investment ability.

***Foreign investments in China.*** The Fund's operations in China will be governed by Chinese laws and regulations, in particular those with respect to foreign investments. The laws and regulations that govern foreign investments provide some incentives for the flow of capital into China, but also subject foreign-invested enterprises and foreign investors to restrictions that may not apply to domestic Chinese companies and investors. China imposes certain restrictions on foreign ownership in companies operating in certain industries, the Fund (as a foreign Person under Chinese law) may be subject to such ownership limitations. The Fund may, consistent with generally accepted and recognized market practices in China and after seeking the advice of counsel, utilize ownership structures and contractual arrangements that comply with relevant Chinese law in connection with investments in companies operating in industries in which foreign ownership is restricted. Moreover, the Fund may have to undertake untested and/or novel transaction structures in light of the evolving Chinese legal landscape. Accordingly, there can be no assurance that Chinese governmental authorities will not find the ownership structure or contractual arrangements used by the Fund with respect to a particular portfolio company to be in violation of any existing or future Chinese laws or regulations.

As noted above, foreign investment in the assets and securities of entities in certain industries in China may be restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in such entities, limit the types of securities that foreign investors may buy, or limit foreign investors to special investment structures, which may increase risks inherent to such investment structures, as well as the

costs and expenses of the Fund. Foreign investors may also be precluded from investing in certain economic sectors altogether. Moreover, direct foreign investments or merger and acquisitions by foreign investors with or of Chinese companies, including exits from investments, in such industries are subject to review and approval by the relevant Chinese authorities. The process to obtain such approvals may be time-consuming and involve uncertainty. Foreign ownership limitations also may be imposed by the charters of individual companies. This may cause delays and uncertainty with respect to the completion of transactions.

Chinese corporate law and foreign investment-related laws and regulations permit less flexibility in structuring transactions, and the techniques and complexity frequently deployed in M&A transactions in the U.S. or Europe may not be applicable or available under the current legal framework in China. This could have an adverse impact on the Fund's ability to structure portfolio investments in China.

**Corruption.** Although Chinese government has recently made serious efforts to combat corruption, corruption has been a long-existing problem in China which can hardly be resolved in a short time. The effects of corruption seriously constrain the development of local economies, erode stability and trust and China's macro-economic and social costs are immense. Corruption could cause the Fund's investments to be adversely affected, including through loss of rights to assets or profits or operational difficulties.

**Risks Relating to PRC Taxation.** There is a risk that the Fund, the General Partner and the Adviser could be treated as having a taxable presence or constituting a resident enterprise in the PRC, which could result in adverse tax consequences to the Fund, its investors, the General Partner and the Manager. The PRC may tax offshore funds and other entities under certain circumstances.

In the PRC, an offshore entity can either be treated as having an establishment in China or be classified as a resident enterprise for PRC enterprise income tax purposes. An offshore entity can be treated as having an establishment in China if it maintains a fixed place of business in China, directly or through its agents. In the event an offshore entity is treated as having an establishment in China, the PRC tax authorities have the authority to impose PRC enterprise income taxes on income attributable to the establishment. Income is attributed to a Chinese establishment using a deemed profit method whereby a percentage of the entity's total profits are multiplied by a percentage to arrive at an amount subject to the PRC enterprise income tax. An offshore entity can be classified as a PRC resident enterprise if its *de facto* management bodies are based in China. In the event an offshore entity is classified as a PRC resident enterprise, the PRC tax authorities have the authority to impose PRC enterprise income tax on the worldwide income recognized by the entity and further impose withholding taxes on distributions and transfers of interests with respect to the entity as if it were a PRC legal entity.

In the event any of the above claims were to be made against the Fund, the General Partner or the Adviser different levels of PRC taxation could be imposed on income recognized by the Fund and on the Adviser's management fee. In addition, the Fund may have to withhold taxes on its investors in the event it was considered a PRC resident enterprise. Because of the Fund's proximity to the PRC and the evolving state of the rules regarding establishments and resident enterprises, there is a risk that we could be taxed in one or more of the manners described above. While the Firm has structured the Fund, the General Partner and the Adviser and has organized their operations to stay clear of these rules, given the evolving state of these rules no assurance can be given that the PRC tax authorities would not attempt to make such claims and that they would not ultimately prevail in doing so. For more information regarding the tax consequences, refer to the Governing Agreements.

**Currency Risks**

**Exchange Rate Fluctuations.** Prior to 1994, the RMB had experienced a significant net devaluation against most major currencies and, during certain periods, significant volatility in the market-based exchange rate. From January 1, 1994 to July 20, 2005, the People's Bank of China had intervened in the foreign exchange market to maintain an exchange rate of approximately 8.28 RMB per U.S. dollar and a daily trading band of 8.2770 to 8.2800. On July 21, 2005, the Chinese government changed this policy and set the RMB exchange rate against a basket of currencies, allowing it to fluctuate 0.3% up or down on any given day's transactions. However, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. During the period between July 2008 and June 2010, the exchange rate between the RMB and the U.S. dollar had been stable and traded within a narrow band. However, the RMB fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the RMB has started to slowly appreciate against the U.S. dollar, though there have been periods recently when the U.S. dollar has appreciated against the RMB. It is difficult to predict how long the current situation may last and when and how this relationship between the RMB and the U.S. dollar may change again. The rate reached 6.6711 by September 30, 2016. The People's Bank of China continues to intervene in the foreign exchange market to prevent significant short-term fluctuations in the RMB exchange rate. Nevertheless, under China's current exchange rate regime, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. There remains significant international pressure on the Chinese government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant fluctuations in the value of the RMB against the U.S. dollar. As a result, there remains considerable uncertainty about whether the exchange rate for the RMB will change significantly in the near term. Insofar as development projects in China will incur costs and earn profits in RMB and may secure financing in RMB, changes in the value of the RMB may have an impact on the results of the Fund. Further, to the extent that the Fund may secure financing for projects in international currencies like the U.S. dollar, any change in the exchange rate would affect the relative cost of such capital and, as a consequence, would affect the results of the Fund.

**Foreign Exchange Control.** In addition to managing the exchange rate between the RMB and the U.S. dollar, the Chinese government imposes very tight controls on the convertibility of RMB into foreign currencies and the remittance of currency out of China in certain circumstances. Under existing foreign exchange laws, RMB can be converted into foreign currencies and remitted out of China to pay current account items such as payments to suppliers for imports, labor and services. Payments of a capital nature such as the repayment of bank loans denominated in foreign currencies require governmental registration, filing and/or approval from appropriate governmental authorities before RMB can be converted into foreign currency for remittance out of China. Similarly, inbound transfers of foreign currency can only be converted into RMB under certain circumstances. This system could be changed at any time by executive decision of the State Council. Furthermore, the State Administration of Foreign Exchange ("**China SAFE**") has a significant degree of administrative discretion in implementing the laws, and has used this discretion to limit convertibility of current account and capital account cash flowing into and out of China. In April 2015 and June 2016, China SAFE issued two notices with an aim to reforming the current regulation regime regarding conversion by a foreign-invested company of its capital contribution and debts in foreign currency into RMB. Previously, foreign invested enterprises could only convert their foreign exchange in their capital accounts into RMB and withdraw the converted funds on an as-needed basis. Currently, foreign invested enterprises can convert up to 100% of their foreign exchange capital funds into RMB at their

own discretion. However, the usage of such converted RMB is still subject to extensive restrictions set by China SAFE. For example, it requires that the RMB converted from foreign currency-denominated capital of a foreign invested enterprise may not be directly or indirectly used for purposes beyond its business scope, or for securities investment, or to extend loans to non-affiliated enterprises (except under circumstances expressly permitted by its business scope). Making equity investments in China using such converted RMB is also under strict scrutiny by China SAFE and its local counterparts. In addition, China SAFE and its local counterparts have significant discretion in interpreting and implementing the relevant rules and some local authorities may impose stricter requirements in connection with the use of foreign currencies and the RMB converted therefrom. Whether as a result of a deterioration in the Chinese balance of payments, a shift in China's macroeconomic prospects or any other reasons, China could impose further restrictions on capital remittances abroad. There can be no assurance that the Fund will be permitted to repatriate capital or profits, if any, and there can be no assurance that the Fund will be able to easily convert foreign currency into RMB for purposes of making certain investments onshore. The Fund could also be adversely affected by delays in, or a refusal to grant or process, any required governmental approvals, registrations and/or filings for deployment and repatriation in connection with equity and debt capital, interest and dividends paid on investments held by the Fund.

### **NPL Risks**

**Changing Legal Framework for NPL Transactions.** The legal framework governing NPL transactions in China continues to develop. Although there have been a number of NPL auctions in past years, the rules applicable to the transfer, holding and servicing of NPLs, together with the taxation of such transactions, continue to evolve. Further, the structure of NPL transactions is subject to approval by Chinese government authorities, and to negotiation with the state-owned AMCs which own the bulk of NPLs available for investment. It is possible that changes in the rules applicable to auctions of NPLs or to government policies could adversely affect the Fund's ability to participate in auctions of NPLs and to hold and service NPLs. Such changes could adversely affect returns earned by the Fund in NPL transactions. Further, such changes could render investment in NPLs in China unattractive as an asset class.

**Common Deficiencies in NPL Portfolios.** NPL portfolios offered for auction typically suffer from a range of defects. Among other things, creditors' rights are often inadequately documented and the validity of security interests is frequently questionable. The resulting difficulty in underwriting investments in NPLs is further compounded by the limited due diligence rights typically granted to NPL investors. Such issues may adversely affect the ability of the Fund to evaluate NPL investments and to seek satisfactory resolution of NPLs it may acquire.

**Limitations Under Chinese Debtor-Creditor Law.** As a result of developing nature of China's legal system, the Fund's ability to seek resolution of NPLs in China may be more limited than it would be in other countries. This could have an adverse impact on the Fund's ability to seek satisfactory returns in connection with investments in NPLs in China.

**Foreclosure.** The Chinese law imposes a number of limitations on the ability of creditors to foreclose on collateral securing a debt. Self-help is generally unavailable to creditors, and unless a defaulting debtor is willing to settle with a creditor, enforcement of a security interest requires the creditor to litigate in court. Litigation in China can be time-consuming, expensive and highly unpredictable. As a result, many NPL investors in China have not generally relied on foreclosure as a strategy to realize value on their investments. The limited availability of foreclosure as a remedy may limit the ability of the Fund to secure a



satisfactory return on NPL investments and reduce the number of NPL investments that are attractive to the Fund in China.

**Bankruptcy.** Prior to the enactment of the new Bankruptcy Law in August 2006, the previous version of the Bankruptcy Law solely addressed the bankruptcy of state-owned enterprises (“**SOEs**”). Under the old regime, bankruptcy of SOEs were subject to prior approval of the government and were further limited by quotas. As a result, bankruptcy proceedings for SOEs were significantly influenced by policies and decisions of China’s national and local governments. Under the old regime, bankruptcy procedures for other enterprises were treated in cursory fashion in China’s Code of Civil Procedure, but remained otherwise uncoded. As a result, insolvent Chinese companies would commonly cease operation but almost never liquidate or dissolve, and this practice may continue despite the enactment of the new Bankruptcy Law.

The enactment in August 2006 of China’s new Bankruptcy Law expanded the scope of Chinese bankruptcy law from SOEs to include private companies, as well as giving priority to the rights of secured creditors in the foreclosure of secured assets. However, despite these advances, there can be no assurance regarding the implementation of the new Bankruptcy Law, and Chinese bankruptcy law remains underdeveloped as compared to the United States. These factors, together with the lack of transparency in China’s judicial system and local protectionism, make it difficult for the Fund to predict the outcome of bankruptcy proceedings and limit the usefulness of bankruptcy as a means to seek resolution of NPLs.

**Special Priorities in SOE Bankruptcies.** The rights of secured creditors in respect of SOEs are significantly limited by the priority of workers’ claims. A 1997 regulation issued by the State Council provided that, to protect workers of bankrupt or liquidated SOEs, proceeds obtained from land sales or auctions during bankruptcy proceedings of these firms must first be used to settle workers’ claims for unpaid salaries, pensions and insurance premiums. Moreover, the regulation provides that, if proceeds from the auction or sale of land are insufficient to cover all outstanding worker-related claims, proceeds of the debtor’s other assets should be used for the same purpose until all such worker-related claims are fully paid. Secured creditors are entitled to receive the remaining proceeds if any. This policy is applicable in 111 cities, covering almost all major industrial and commercial areas in China. This policy significantly limits the usefulness of bankruptcy as a means to seek recovery on NPLs where the debtor is an SOE.

**Loan Servicing.** A 1995 notice issued by the Ministry of Public Security and the then State Administration of Industry and Commerce (the “**SAIC**”) forbids the establishment of “debt collection companies” which act on behalf of third-party creditors. The 1995 Notice does not define the term “debt collection companies,” but describes the activities of such companies as “undertaking as agent the business of debt collection and debt pursuance” and “participating as agent in litigation and non-litigation matters without any legal basis and lacking authority and administrative enforcement power granted by law.” A 2000 notice jointly issued by the then State Economic and Trade Commission, the Ministry of Public Security and the SAIC reaffirmed the prohibition against debt collection companies, including companies rendering debt collection services under the guise of “business agency” or “financial consulting” services. The Chinese law does not clearly demark the boundary between illegal debt collection activities and loan servicing activities. While we are aware of a case where a foreign invested Company in China was granted a business scope to service NPLs for an affiliated foreign invested company, it is not clear whether an affiliate of the Fund would be able to secure the necessary business scope to allow it to service NPLs in China on behalf of the Fund or its other affiliates. Absent such approval from the Chinese authorities, the Fund’s ability to hire servicers to service a portfolio of NPLs could be limited.

**Limited NPL Investment Opportunities.** The availability of NPL portfolios in auctions sponsored by China's AMCs is affected by government policy and is unpredictable. To date, foreign investors have been given only limited opportunity to invest in auctions and sales of NPL portfolios. Further, there is a market perception that government policy may encourage sales to domestic investors over foreign investors. As a result, the Fund may be unable to source a sufficient number of attractive NPL opportunities to meet its investment.

## **Real Estate Risks and Real Estate-Backed Financing Risks**

### **Central and Local Regulation of China's Real Estate Investments**

**General.** Real estate is a heavily regulated industry in China. There are intensive laws, regulations and rules at both national and local levels covering a wide range of aspects of the industry, including land use right grant, land use right transfer, development of real estate projects, real estate financing, real property registration, sale of real property, lease of real property, mortgage of real property, housing price control, property management and foreign investment restrictions. The need to obtain or complete relevant governmental approvals, registrations or filings under these laws, regulations and rules may cause significant delays in the development process of a real estate project, which, together with other relevant factors like changes in market conditions, may render such real estate project economically unattractive. The failure of the Fund or its portfolio companies to comply with these laws, regulations and rules could result in fines, sanctions or other penalties which could materially and adversely affect results of the Fund's operations. Moreover, real estate related laws, regulations and rules in China are constantly evolving in response to changing market conditions. The central and local governments from time to time make policy adjustments and adopt new regulatory measures to control the pace and scale of development of the national and local real estate markets. It is possible that there may be additional regulatory requirements on the Fund's Chinese real estate investments in the future, which could significantly increase the Fund's compliance costs and thus materially and adversely affect the returns of the Fund. Furthermore, there can be no assurance that the Chinese central and local governments will not introduce new real estate related laws, regulations or rules, or change the existing laws, regulations or rules in this regard in a way that may preclude the Fund from engaging in real estate investments in which it otherwise might seek to engage.

**China's New Civil Code.** The Civil Code of the People's Republic of China (the "**Civil Code**"), the first uniform civil code in China, was adopted on May 28, 2020. Upon its effective date on January 1, 2021, the Civil Code has replaced several existing laws governing civil rights, including the General Principles of Civil Law, the General Provisions of Civil Law, the Contract Law, the Property Law, the Tort Liability Law, the Marriage Law, the Inheritance Law, the Adoption Law and the Guarantee Law. The new Civil Code, as an amalgamation of existing laws and regulations, does not fundamentally change the existing legislation in those laws. However, there are still certain specific changes that may affect the business or compliance practices of foreign investors engaging in real estate investments in China. For example, in the Contracts Part of the Civil Code, further provisions on special contracts such as factoring, guarantee contracts and property management contracts were introduced. In the Property Part of the Civil Code, there are new regulations regarding mortgages and pledges. Although the Civil Code is a great step forward in codifying existing laws and regulations governing civil rights in China, the provisions of the new Civil Code are very high-level and are subject to more detailed implementing regulations to come. As a result, the interpretation and enforcement of the new Civil Code may involve great uncertainty, which could materially and adversely affect the Fund's operations in China.

**Land Use Rights.** In China, the supply of substantially all land has traditionally been owned and controlled by the Chinese government and government-controlled entities, and the ability of the Fund, or its intermediate investment entities, to acquire land use rights in disposing the real estate involved in the NPL assets and the acquisition costs of such land use rights will accordingly be affected by government policies towards land supply. The central and local governments may regulate the means by which property developers obtain land for development, including regulations requiring that land use rights for residential property development be sold by public tender, auctions or announcement. Although the General Partner believes that such measures will increase transparency in the regulatory system, it may also increase the cost of preparing the distressed real estate assets for sale or have other effects that adversely affect the Fund's investment performance.

**Expropriation of Land Use Rights by the State.** Under the Chinese law, the government can expropriate granted land use rights in the public interest. The concept "public interest" is not clearly defined under the Chinese law. There have been instances when local governments have interpreted "public interest" broadly and reclaimed granted land use rights for development by private businesses. In the event the government expropriates granted land use rights, it is obligated to pay "appropriate compensation." The law requires that such compensation should be determined with reference to the number of years land has been used and the actual state of the land's development. However, the standards applicable to determining compensation under these rules are undeveloped, and there is little precedent to give guidance as to their practical application. The Property Part of the Civil Code clarifies that expropriation must be conducted according to specific procedures, that compensation should be paid for land grant fees, property built on the land being expropriated, resettlement costs, and that the residential conditions of those expatriated should be guaranteed. Despite the above-referenced provisions of the Civil Code, there can be no assurance that real estate invested by the Fund would not be subject to such government expropriation, which may have a negative impact on Fund results.

**Uncertain and changing regulatory environment for foreign investment in real estate sector.** The policies of the Chinese government on foreign investment in real estate sector have undergone rapid changes in the past few years in response to changing economic and market conditions. Between 2006 and 2008, in order to curb the then overheated real estate market, relevant Chinese regulatory authorities issued a series of rules and regulations restricting foreign investors' investments in China's real estate market. Under these rules and regulations, foreign investors' investments in real estate sector in China were restricted in many aspects, including prohibiting foreign investors without a business presence in China from acquiring real property, higher capital requirement on foreign-invested real estate enterprises ("**Real Estate FIEs**"), restrictions on Real Estate FIEs' capability of borrowing domestic and foreign loans, stricter foreign exchange control over Real Estate FIEs, and more rigorous approval/filing process for setting up Real Estate FIEs. The implementation of these rules and regulations had greatly slowed the pace of foreign investment in China's real estate market during the following years. Since 2014, with China's economy slowing down, the Chinese government has gradually liberalized some of the restrictions on foreign investment in real estate sector, though foreign investors are still required to have a business presence in China before they could be able to acquire real property in China and Real Estate FIEs are still subject to certain restrictions on their capability of borrowing foreign loans. As China's real estate market is changing rapidly and unpredictable, it is difficult to predict the future developments in the Chinese government's policies on foreign investment in real estate sector. There can be no assurance that the already relaxed policies will not be tightened again or the Chinese government will not introduce more stringent policies on foreign investment in real estate sector, which could negatively affect the Fund's Chinese real estate investments.



**Risks Related to an Investment in the Fund**

**Long-Term Nature of Investment in Interests; No Assurance of Return.** An investment in the Fund requires a long-term commitment, with no certainty of return. Because of the nature of the Fund's investments, there can be no assurance that the Fund will be able to realize returns on such investments in a timely manner or at all, and there may be little or no near-term cash flow available to the Partners. The return of capital and the realization of gains, if any, from an investment may not occur until a number of years after the respective investment is made, if at all.

**No Market for Interests; Restrictions on Transferability; No Withdrawal Rights.** Interests in the Fund have not been registered under the Securities Act or the securities laws of any state, country or other jurisdiction, and cannot be resold unless they are subsequently registered under the Securities Act and other applicable U.S. and non-U.S. securities laws or an exemption from registration is available. It is not contemplated that registration of the Interests under the Securities Act or other securities laws will ever be effected. There is no public market for the Interests and none is expected to develop. A Limited Partner will also generally not be permitted to assign its Interest without the prior consent of the General Partner, which may be withheld in the General Partner's sole discretion. Limited Partners may not withdraw capital from the Fund without the prior consent of the General Partner. Consequently, Limited Partners may not be able to liquidate their Interests prior to the termination of the Fund and must be prepared to bear the risks of owning Interests for an extended period of time.

**Competition.** There is currently and will likely be competition for investment opportunities by investment vehicles and others with investment objectives and strategies identical or similar to the Fund's investment objectives and strategies. Some of the competitors are larger and have greater financial, human and other resources than the Fund and may in certain circumstances have a competitive advantage over the Fund. As a result of this competition, there may be fewer attractively priced opportunities than in the past, which could adversely affect the Fund's ability to meet its investment goals or impact the length of time required for the Fund to become fully invested. There can be no assurance that the returns (if any) on the Fund's investments will be commensurate with the risk of investment in the Fund. Whether or not suitable investment opportunities are available to the Fund, the Fund will bear the Management Fees and other expenses described herein.

**Litigation.** Investing in distressed assets such as NPLs can be a contentious and adversarial process. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. The Firm anticipates that the Opportunistic Credit Funds may be named as defendants in civil proceedings. The expense of defending against such claims and paying settlements or judgments will be borne by the Fund and this would reduce the Fund's net assets. The General Partner and Indemnified Persons will be indemnified by the Fund in connection with such litigation, subject to certain conditions.

**COVID-19.** The global outbreak of the novel coronavirus in many countries has contributed to significant volatility in financial markets and has adversely impacted, and for an unknown period of time will continue to adversely impact, local, regional, national and global commercial activity. The global impact of the outbreak continues to rapidly evolve and has resulted in, and until fully resolved may continue to result in, the following, among other things: (i) government imposition of various forms of "stay at home" orders and the closing of "non-essential" businesses that may cause (x) significant disruption to many businesses, including both supply chains and demand, and (y) employee lay-offs, both temporary and permanent; (ii) shutdowns and significant delays at government agencies, (iii) increased draws

by borrowers on revolving lines of credit; (iv) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, and increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (v) volatility and disruption of the loan market, including greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility, and liquidity issues; and (vi) rapidly evolving proposals and/or actions by state and federal governments to address problems being experienced by the markets and by businesses and the economy in general. In addition, certain industries, such as transportation, entertainment and hospitality, are particularly susceptible to pandemics, regional disasters, or similar events. Certain retail, restaurant, or other similar industries may also be adversely impacted by economic slowdowns more generally, or events such as pandemics or regional disasters more specifically. In some circumstances, the length and impact of such adverse events are and will be uncertain. An economic slowdown or recession could have a material negative impact on the availability of attractive investment opportunities for the Fund. It is impossible to determine the scope of the current outbreak or any future outbreaks, how long any such outbreak, market disruption or uncertainties may last, the effect any governmental actions may have, or the full potential impact on the Fund.

The COVID-19 outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The continued rapid development of this situation precludes any prediction as to the ultimate adverse impact of the novel coronavirus. There are no comparable recent events that provide guidance as to the effect of the spread of COVID-19 and a potential pandemic on the business, financial condition and results of operations of the Fund's portfolio companies. The novel coronavirus presents material uncertainty and risk with respect to the Fund's performance and financial results. There is substantial uncertainty of COVID-19's potential effect on the Fund and its investments, which could have a material adverse effect on the Fund's investments and on the business, financial condition and results of operations of the Fund's portfolio companies, particularly those investments in companies that were already highly leveraged or distressed prior to such economic downturn, and their ability to make principal and interest payments on, or refinance, outstanding debt when due. Domestic and foreign governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, have meaningfully disrupted the global economy and markets. There is no guarantee that the Fund or ShoreVest will not be adversely affected.

The Adviser's ability to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate and travel as necessary to carry out the Fund's investment strategies and objectives, run the Adviser's business and to satisfy their obligations to the Adviser, the Fund, its investors, and pursuant to applicable law, may be impaired. The spread of COVID-19 among the Adviser's personnel and its service providers would also significantly affect the Adviser's ability to properly oversee the affairs of the Fund (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent suspension of the Fund's investment activities or operations.

**Events in the Financial Markets.** Events in the financial markets have contributed to a severe liquidity crisis in the global credit markets. As a result, significant additional risks exist for the Fund and the Limited Partners. Those risks include, among others, (i) the possibility that the prices at which the Fund's investments can be sold will have deteriorated from their effective purchase price, (ii) the possibility that opportunities for the Fund to sell its assets in an appropriate market may be impaired; and (iii) a decrease in the availability of financing for the acquisition of investments or acquisitions where the financing is materially different than originally expected. The Fund's ability to sell its assets may be impaired by a decrease in demand for such assets due to changes in global financial markets. Factors that may cause a

decrease in demand for the Fund's assets include, among others, (x) the availability of alternative investments that offer higher yields or are perceived as being a better credit risk, having a less volatile market value or being more liquid, (y) investors' perceptions regarding the markets for the various asset classes in which the Fund participates, and (z) investors' perceptions regarding credit, liquidity and the capital markets in general, which may be adversely affected by political, social and economic events that may be completely unrelated to the commercial markets. These additional risks may reduce the Fund's expected rates of return on its investments or otherwise adversely affect Limited Partners in the Fund.

**Regulatory Changes.** As a result of highly-publicized financial scandals, investors, regulators and the general public have exhibited concerns over the integrity of both the U.S. financial markets and the regulatory oversight of these markets. As a result, the business environment in which the Fund operates is subject to heightened regulation. With respect to alternative asset management funds, in recent years, there has been debate in both U.S. and foreign governments about new rules or regulations, including increased oversight or taxation. As additional regulation has increased, there has been a corresponding increase in regulatory oversight of the trading and other investment activities of alternative asset management funds, including the Fund. Such oversight may cause the Fund to incur additional expense, may divert the attention of the General Partner, the Adviser and their senior management and may result in fines if the Fund is deemed to have violated any regulations.

Although the full scope of potential regulatory changes can never be known, such changes could have a meaningful impact on the financial industry. The Fund may be adversely affected if new or revised legislation or regulations are enacted, or by changes in the interpretation or enforcement of existing rules and regulations imposed by the SEC, other U.S. and non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets and their participants. Such changes could place limitations on the type of investor that can invest in the Fund or on the conditions under which the Fund may invest. Further, such changes may limit the scope of investing activities the Adviser may undertake for the Fund. Compliance with any new laws or regulations could be difficult and expensive and affect the manner in which the Fund conducts business, which could adversely affect the returns on the Fund's investments.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**") has changed and is expected to continue changing the regulatory environment for alternative investment funds including the Fund. Dodd-Frank expands the registration requirements for investment advisers managing such funds, as well as subjecting large funds to supervisory oversight for purposes of assessing their potential to contribute to systemic risk. Although the SEC and other U.S. regulatory agencies have begun issuing rules and regulations to implement the requirements of Dodd-Frank, many of the provisions of Dodd Frank still require the adoption of implementing regulations by the applicable agencies and, accordingly, it is not possible finally to assess Dodd-Frank's full impact on the Fund, the General Partner, the Adviser, or, in some cases, the instruments in which the Fund may invest. As the regulatory environment evolves, the results may require the incurrence of additional expense and may divert the attention of the General Partner, the Adviser and their personnel. Compliance with any new laws or regulations could be difficult and may adversely affect the value of instruments held by the Fund or the ability of the Fund to pursue its investment strategy.

The Fund, the General Partner and/or the Adviser may also be subject to regulation in jurisdictions in which they engage in business, including jurisdictions outside of the United States. This Memorandum cannot address or anticipate every possible current or future regulation that may affect the General Partner, the Adviser, the Fund or their businesses. Such regulations may have a significant impact on the Limited Partners or the Fund's

operations, including, without limitation, restricting the types of investments the Fund may make, requiring the Fund to disclose the identity of its investors or otherwise. Prospective investors are encouraged to consult with their own professional advisors regarding an investment in the Fund.

**Reliance on Personnel.** The Fund's investments will be managed by the General Partner and the ShoreVest Principals. The Limited Partners will not make decisions with respect to the selection, management, disposition or other realization of any investment, or any other decisions regarding the Fund's business and affairs. In order to safeguard their limited liability for the liabilities and obligations of the Fund, Limited Partners must rely entirely on the General Partner and the ShoreVest Principals to conduct and manage the affairs of the Fund. The success of the Fund will depend in part upon the skill and expertise of the professionals comprising the Firm. There can be no assurance that these professionals will continue to be associated with the General Partner throughout the term of the Fund.

**No Right to Control the Fund's Operations.** Investors, as Limited Partners, will have no right or powers to take part in the management of the Fund or any of its investments and will not receive detailed financial information issued by portfolio companies which is available to the General Partner. In order to safeguard their limited liability from the liabilities and obligations of the Fund, Limited Partners must rely entirely on the General Partner and the Adviser to conduct and manage the affairs of the Fund. Accordingly, no person should purchase Interests unless such person is willing to entrust all aspects of the management of the Fund to the General Partner and the Adviser.

**No Prior History.** Each of the Fund, the General Partner and the Adviser has recently begun operations and has no operating history or track record and has not identified any specific investments. Although the members of the Firm had successful experiences in areas they believe to be relevant to the ultimate success of the Fund, the General Partner and the Adviser are new entities and there can be no assurance that one or more investments made on behalf of the Fund will not result in losses.

**Indemnification.** The General Partner and the Indemnified Persons, as well as members of the Advisory Committee and certain other persons designated in the Partnership Agreement, will be entitled to indemnification from the Fund, except in certain limited circumstances. The assets of the Fund will be available to satisfy these indemnification obligations and Partners may be required to make capital contributions and return distributions to satisfy such obligations. Such obligations will survive the dissolution of the Fund.

**Diverse Limited Partner Group.** The Limited Partners will include taxable and tax-exempt entities and may include Persons organized in multiple jurisdictions. Because such investors may have different investment, tax and other interests with respect to their investments in the Fund, there may be conflicting interests between the Limited Partners relating to the nature of the investments made by the Fund, the structuring of investments, the timing of disposition of investments, and similar matters. As a result, decisions made by the General Partner may be more beneficial for one Limited Partner than for another, especially with respect to a Limited Partner's individual tax situation. In making decisions, the General Partner will consider the investment and tax objectives of the Fund, and not the investment, tax, or other objectives of any particular investor.

**Determination of Fair Value.** The books and records of the Fund will be maintained in accordance with U.S. GAAP, or such other method solely if required by applicable law, rule or regulation. The General Partner has delegated to the Adviser the responsibility of valuing the Fund's assets and liabilities. The General Partner is not required to rely on an independent

third-party valuation agent. The Adviser intends to value the assets of the Fund in accordance with GAAP, and specifically Accounting Standards Codification Topic 820 (“**ASC 820**”), or such other rules as may be required by GAAP, all as set forth in the Valuation Policy. For the purpose of calculating the net asset value of the Fund, the Adviser may determine to use, and shall be entitled to rely on, and will not be responsible for the accuracy of, financial data furnished to it by independent third party pricing services, prime brokers or market makers. The Fund will also invest in private companies for which no market for the securities purchased readily exists. The valuation of investments in conformity with GAAP provides that the Adviser determine the value for these illiquid investments by relying on other methods ascribed by ASC 820 including internally prepared financial models, discounted cash flow analysis for equity investments, comparable transaction in the public or private markets, valuations of comparable companies in the public or private markets, the market yield approach to value debt instruments using expected future cash flows at current market rates, or cost. The values for illiquid investments as determined by ASC 820 may materially diverge from the value of the investment had a market for the security actually existed. In the markets in which the Fund participates, valuations of assets and liabilities may be difficult to determine for a variety of reasons, including wide bid-ask spreads and the difficulty of obtaining accurate or timely information. All values assigned to the assets and liabilities of the Fund by the Adviser will be final and conclusive as to all Partners. There is no guarantee that the value determined by the Adviser will represent the value that will be realized by the Fund on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment.

**Recycling; Reinvestment.** During the Investment Period, the General Partner has the right to recall certain proceeds distributed by the Fund constituting a return of capital. In addition, during the Investment Period, proceeds from realized investments constituting a return of capital may be redeployed or recycled in new investments by the Fund. To the extent such recalled or recycled amounts are reinvested, a Limited Partner will remain subject to investment and other risks associated with such investments.

**Capital Call Defaults; Excuse and Exclusion from Investments.** If a Limited Partner fails to make a capital contribution when due and the contributions, if any, made by non-Defaulting Limited Partners are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to the non-Defaulting Limited Partners or be unable to complete investments. If a Limited Partner defaults it may be subject to customary default provisions under the Partnership Agreement, including the potential forfeiture of a portion of such Limited Partner’s Interests.

A Limited Partner may be excused or excluded from participating in any investment if the General Partner determines in its sole discretion that such participation might otherwise have certain materially adverse effects on an investment, any of the Fund, any Partner, any of their respective affiliates, or any portfolio company, including if such participation would be likely to result in violations of law, regulation or policy, or the imposition of a material regulatory, compliance, legal, tax or other similar burden. If a Limited Partner is excused or excluded from participating in an investment it will not participate in the acquisition of the investment or in any income, gain, loss, deduction, credit or distribution with respect thereto. In the event that one or more Limited Partners are excused or excluded from participating in an investment, the Limited Partners who are not excused or excluded, all things being equal, may have a percentage ownership interest in certain investments that is greater than their percentage ownership interest in other investments and, their percentage interest in the Fund as a whole may be greater than the percentage interest of the excused and excluded Limited Partners in the Fund as a whole.



**Cybersecurity Risk.** With the increased use of technologies such as the internet and the dependence on computer systems to perform necessary business functions, investment vehicles such as the Fund and their service providers may be prone to operational and information security risks resulting from cyber-attacks. In general, cyber-attacks result from deliberate attacks, but unintentional events may have effects similar to those caused by cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally (including, for example, through cyber-attacks known as “phishing” and “spear-phishing”), denial-of-service attacks on websites, the unauthorized release of confidential information and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Fund, the General Partner, the Adviser, the administrator and/or other third party service providers may adversely impact the Fund. For instance, cyber-attacks may interfere with the processing of transactions, impact the Fund’s ability to value its assets, cause the release of private information or confidential information of the Fund, impede trading, cause reputational damage, and subject the Fund to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. The Fund may also incur substantial costs for cyber security risk management in order to prevent any cyber incidents in the future. The Fund could be negatively impacted as a result. While the Fund has established business continuity plans and systems designed to prevent such cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of securities or other instruments in which the Fund invests, which could result in material adverse consequences for such issuers, and may cause the Fund’s investment therein to lose value.

**Data Protection Risk.** The Adviser’s processing of personal data associated with its employees and representatives, natural person Limited Partners, service provider representatives and others, including the use of third-party processors and cloud-based services to, among other things, store and maintain personal data, imposes legal and regulatory risks. Legal requirements relating to the collection, storage, handling and transfer of personal data continue to develop. Certain activities of the Adviser and the Fund may, for example, be subject to the E.U.’s General Data Protection Regulation (“**GDPR**”), the California Consumer Privacy Act (together with its successor law, the California Consumer Privacy Rights Act, which will become generally operative on January 1, 2023, the “**California Privacy Law**”) or the Cayman Islands Data Protection Act (“**DPA**”). While the Adviser and the Fund intend to comply with their privacy and data protection obligations under the GDPR, the California Privacy Law, DPA and other applicable laws, it may not be able to accurately anticipate the ways in which regulators and courts will apply or interpret the law. For example, the Court of Justice of the European Union in July 2020 issued a ruling on the validity of the European Commission’s standard contractual clauses (“**SCCs**”), which unexpectedly increased the compliance obligations on parties using the SCCs to transfer or receive personal data from the E.U. and the U.K. – and it is unclear how regulators and courts will enforce non-compliance with such requirements.

The failure of the Adviser or the Fund to comply with privacy and data protection laws could result in negative publicity and may subject the Fund to significant costs associated with litigation, settlements, regulatory action, judgments, liabilities or penalties. And if privacy or data protection laws are implemented, interpreted or applied in a manner inconsistent with the Adviser and the Fund’s expectations, that may result in business practices changing in a manner that negatively affects the Fund. Moreover, if the Adviser or the Fund suffer a security breach impacting personal data, there may be obligations to notify government authorities, affected individuals, investors and other stakeholders, which may divert the Adviser’s time and effort and entail substantial expense.

**Side Letters.** The General Partner, the Adviser and/or the Fund may enter into separate agreements, commonly referred to as “side letters,” with certain Limited Partners, including Limited Partners that are affiliates of ShoreVest, to waive certain terms, or allow such investors to invest on different terms than those specifically described in the applicable Partnership Agreement, including, without limitation, with respect to a “most-favored nation” or “MFN” provision, pursuant to which an investor may receive the benefit of particular rights granted in side letters of other investors in the Fund, fees, carried interest, the timing of the funding of such investor’s capital calls, notice periods, confidentiality, the right to request a withdrawal from the Fund in the event of adverse tax or regulatory events, including matters related to political contributions, gifts and other such policies (which, if exercised, would increase the other Limited Partner’s pro rata interest in all investments and their contribution obligations for future investments and expenses and reduce the overall size of the Fund), transfer rights, report or other disclosure or notification obligations, rights to disclose certain information to underlying investors or to the public, the information provided to such investors concerning the Fund or its investments and provisions necessary to comply with tax or regulatory requirements applicable to any investor. Under certain circumstances, these agreements could create preferences or priorities for such Limited Partners with respect to other Limited Partners. The modifications are solely at the discretion of ShoreVest and may, among other things, be based on the size of the Limited Partner’s investment in the Fund or an affiliated investment entity, or other similar commitment by a Limited Partner to the Fund or an affiliated investment entity. Additionally, in light of a Limited Partner’s commitments in ShoreVest I or any Legacy Shoreline Fund, the Adviser or its affiliates may give such Limited Partner certain preferential terms with respect to their investment in the Fund, which terms may not be made available to other Limited Partners in the Fund, regardless of the MFN rights such Limited Partners may otherwise have. Unless otherwise agreed with a Limited Partner, the Fund will not be required to notify any or all of the other Limited Partners of any such “side letters” or any of the rights or terms or provisions thereof, nor will the Fund or the General Partner be required to offer such additional or different rights or terms to any or all of the other Limited Partners. Similarly, the Adviser or its affiliates may create managed accounts, single member funds or other accounts or investment vehicles, which have investment strategies similar to that of the Fund. Such accounts or vehicles may offer terms more favorable than those offered to investors in the Fund.

**Electronic Delivery of Certain Documents.** Limited Partners generally consent to electronic delivery (including email or posting on an intranet website or other internet service in accordance with the Fund’s subscription documents) of (i) any notices or communications required or contemplated to be delivered to the Limited Partner pursuant to applicable law or regulation (including the Advisers Act and the U.S. Gramm-Leach-Bliley Act, as amended), at the option of the person making such delivery, and (ii) notices (including capital call notices), requests, demands or consents or other communications and any financial statements, letters to Limited Partners, annual audited financial statements, tax forms (including Schedules K-1 (if applicable)), current and future account statements, Fund documents (including all supplements and amendments thereto), other information, documents, data and records regarding the Limited Partner’s investment in the Fund, reports, schedules, certificates or opinions required to be provided to the Limited Partners under the Partnership Agreements or under any other agreement that may be applicable to a Limited Partner’s investment in the Fund. There are certain risks (e.g., slow downloading time and system outages) associated with electronic delivery. Moreover, none of the Adviser, the Fund nor the Administrator (as defined below) can provide any assurance that these communication methods are secure and will not be responsible for any computer viruses, problems or malfunctions resulting from any computer viruses or related problems that may be associated with the use of an internet-based system. Neither of the Adviser nor the Fund will be liable for any interception of documentation delivered electronically. Any

reports, information, capital calls and/or other communications sent to Limited Partners by electronic mail (e-mail) will be deemed delivered when sent, regardless of whether any such e-mail goes to a Limited Partner's "spam" folder or is otherwise not received by the Limited Partner. Limited Partners not receiving (or not timely receiving) such reports, information, capital calls and/or other communications may be negatively affected.

**Disclosure of Confidential Fund and Investor Information.** The Limited Partners or their wholly-owned subsidiaries or controlled affiliates are expected to include entities that are subject to public records or similar laws that may compel public disclosure of confidential information regarding the Fund, its investments and its investors. There can be no assurance that such information will not be disclosed publicly or to regulators, law enforcement or otherwise, including to comply with regulations or policies to which the Fund, the General Partner, the Adviser, portfolio investments or service providers to any of them may be or become subject.

**Fiduciary Duty Obligations.** Certain duties (including fiduciary duties) and liabilities of the General Partner and its affiliates, which exist at law or in equity, may, subject to applicable law, be restricted or eliminated by provisions in the governing documents of the Fund in respect of all (or less than all) investors. In satisfying any duties owed to the Fund, the General Partner and its affiliates, subject to the terms of the Partnership Agreement, may take into account the interests of numerous parties (including its own interest and the interests of affiliates).

**Potential Shoreline Disputes.** Members of the Firm, including the ShoreVest Principals, were partners in or employees of Shoreline Capital or its affiliates (collectively, "Shoreline"). Although the Firm is not aware of any pending or threatened litigation between ShoreVest and Shoreline, or their respective partners and personnel, that could reasonably be expected to adversely affect the Firm or the Fund it is possible that such disputes may arise in the future. Any such dispute could utilize the Firm's time and other resources, result in loss of investment opportunities for the Opportunistic Credit Funds, and otherwise adversely affect the business and operations of the General Partner, the Adviser or the Opportunistic Credit Funds. In the event any such disputes arise in connection with the business and operations of the Opportunistic Credit Funds, the Indemnified Persons may be entitled to be indemnified by the Opportunistic Credit Funds for any losses they incur in relation to such dispute, which further impact the Opportunistic Credit Funds' returns.

**Exempt Pool.** Neither the General Partner nor the Adviser is currently required to register as a commodity pool operator. Unlike registered CPOs, the General Partner and the Adviser are not required to deliver to investors in the Fund the disclosure documents or certified annual reports contemplated by the CFTC rules. In addition, this Memorandum will not be required to be, and will not be, filed with the CFTC. The CFTC does not pass upon the merits of participating in the Fund or upon the adequacy or accuracy of this Memorandum. Consequently, the CFTC has not reviewed or approved, and will not review or approve this offering, this Memorandum, or any other offering memorandum for the Fund.

**Compliance with Anti-Money Laundering Requirements.** In response to increased regulatory concerns with respect to the sources of funds used in investments and other activities, the General Partner may request prospective and existing Limited Partners to provide additional documentation verifying, among other things, such Limited Partners' identity and source of funds used to purchase Interests in the Fund. The General Partner may decline to accept a subscription if this information is not provided or on the basis of such information that is provided. Requests for documentation and additional information may be made at any time during which a Limited Partner holds an Interest. The General



Partner may be required to provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying the Limited Partners that the information has been provided. The General Partner will take such steps as it determines may be necessary to comply with applicable law, regulations, orders, directives or special measures. Governmental authorities are continuing to consider appropriate measures to implement anti-money laundering laws and at this point it is unclear what steps the General Partner may be required to take; however, these steps may include prohibiting a Limited Partner from making further contributions of capital to the Fund, depositing distributions to which a Limited Partner would otherwise be entitled to in an escrow account or causing the withdrawal of a Limited Partner from the Fund.

**Certain Tax Risks.** An investment in the Fund involves complex tax considerations that may differ for each Limited Partner. Many factors may affect the tax consequences to a particular Limited Partner of an investment in the Fund (including whether an investment in the Fund results in any tax filing obligations for the Limited Partner). Such factors include, without limitation, the tax profile and other particular circumstances of the Limited Partner, and the structure and jurisdiction of the Fund's investments. Further, there may be tax law changes (possibly with retroactive effect) during (and after) the life of the Fund that affect such tax consequences. There can be no assurance that the structure of any investment will be tax efficient for any particular Limited Partner, that any particular tax result will be achieved, or that the Fund will make annual distributions to each Limited Partner in the amount necessary for the Limited Partner to pay all tax liabilities resulting from the Limited Partner's ownership of an interest in the Fund.

Pursuant to the principal agreements relating to the Fund, and subject to certain exceptions, each Partner that elects in its subscription agreement (or in such other manner as approved in writing by the General Partner) to be a "Blocker Partner" may be required to participate in certain investments indirectly through one or more entities treated as a corporation for U.S. federal income tax purposes (each, a "**Blocker Corporation**").

A Blocker Corporation may be subject to taxes, and the use of a Blocker Corporation may give rise to other costs and expenses. Any taxes, costs and expenses associated with a Blocker Corporation (all of which may be significant) will be borne by the Partners as set forth in the principal agreements relating to the Fund. In addition, all or a portion of a Partner's direct and indirect income, gains and/or proceeds from the ownership of a Blocker Corporation may be subject to tax and/or otherwise constitute UBTI (as defined below) and/or ECI (as defined below). Consequently, a Partner's after-tax proceeds from a portfolio company investment may be reduced as a result of participating in such portfolio company investment indirectly through a Blocker Corporation.

Prospective investors are urged to consult their own tax advisors regarding the tax consequences (including any applicable U.S. federal, state, local and estate and non-U.S. tax consequences) from acquiring, holding and disposing of an interest in the Fund. Refer to Governing Agreements for a general summary of certain U.S. federal income tax considerations related to an investment in the Fund.

**Withholding Tax.** To the extent that the Fund is required to withhold and pay certain amounts to taxing authorities on behalf of or with respect to its Partners (i) if the amount required to be withheld or paid by the Fund on behalf of or with respect to a Partner exceeds the amount available for distribution to such Partner, such Partner may be required to pay such amount to the Fund; and (ii) each Limited Partner will indemnify the Fund and the General Partner, and hold them each harmless, for any liability with respect to taxes, penalties or interest required to be withheld or paid to any taxing authority by the Fund or the General Partner.

**Annual Tax Information.** It is highly likely that annual tax information from the Fund's investments will not be received in sufficient time to permit the Fund to incorporate such information into its annual tax information and distribute such information prior to April 15 of each year. As a result, Limited Partners who are required to file tax returns by certain deadlines may be required to obtain extensions for filing tax returns each year.

**Lack of Separate Representation.** Proskauer Rose LLP represents the sponsor in connection with the organization of the Fund. It is not anticipated that separate counsel for the Fund will be engaged in connection with the organization or operation of the Fund. To the extent that Proskauer Rose LLP represents the Fund, it shall not be deemed to represent, or otherwise owe any obligations or duties to, the Limited Partners. Prospective investors must consult with their own counsel with regard to those matters.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE FUND. PROSPECTIVE INVESTORS SHOULD READ THIS BROCHURE AND THE GOVERNING AGREEMENTS AND CONSULT WITH THEIR OWN ADVISERS BEFORE DECIDING WHETHER TO INVEST IN THE FUND. AN INVESTMENT IN THE FUND IS SUITABLE ONLY FOR SOPHISTICATED EXPERIENCED INVESTORS.

#### **Item 9: Disciplinary Information**

---

Adviser has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of Adviser have been subject to such action.

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

---

Neither Adviser or any member of its management is registered, or has an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant ("**FCM**"), a commodity pool operator ("**CPO**"), a commodity trading advisor ("**CTA**"), or an associated person of a registered FMC, CPO or CTA.

Adviser is affiliated by common ownership with the GP of the Funds.

Guangzhou Shuowan Investment Consulting, Co., Ltd. ("**Shuowan**"), a company incorporated in the People's Republic of China, is controlled by the Adviser. Adviser and Shuowan may provide certain services to each other as agreed, including (but not limited to) research, product structuring and investment advisory.

ShoreVest Assets Solutions, Ltd. ("**SAS**"), a company incorporated in the British Virgin Islands, is controlled by the Adviser. SAS, as determined by Adviser being in the best interests of the Funds and pursuant to respective service agreements, may provide due diligence and analysis services with respect to potential Fund investments to support evaluation and execution of such investments, and also various ancillary services to the Funds and their investments, including hedging, accounting, administration and periodic reporting, legal, compliance, tax, audit, cash management, risk management advice, information technology development and other similar and related services. Adviser will confirm that SAS is qualified to provide the applicable services and that the costs of such services are fair and reasonable to the Funds and shall not be less favourable than could be

obtained in arm's length negotiations with unrelated third-parties for similar services. Adviser will annually summarize all such service agreements to the advisory committee.

In addition to conflicts addressed in other items, in general, Adviser's policies, including the Code of Ethics identified further in Item 11 below, and procedures for avoiding conflicts of interest involves (1) communication of policies to all employees by Adviser's investment committee, (2) close scrutiny by Adviser's investment committee to ensure the policies are adhered to and (3) disclosure to the advisory committee of the Funds of certain potential or actual conflicts of interest and valuation issues, as well as matters requiring its prior consent or approval.

In order to avoid opportunities for employees or partners of Adviser to engage in inappropriate dealing, Adviser maintains a policy that all investments and significant resolutions must be approved by the investment committee and assets in the Fund's portfolio that Adviser or related parties are servicing are to be co-serviced by at least two employees. This means that significant meetings with borrowers, potential buyers, judges and other relevant third parties may only be undertaken in the presence of at least two Adviser representatives.

Except as otherwise permitted by the Funds' advisory committee, until the termination of the investment period or the dissolution of the Funds or the date on which a certain percentage of the commitments to the Funds have been invested, committed to investments or used or reserved to pay Fund expenses, whichever is earliest, none of Adviser, their respective affiliates or any employees (for so long as they remain employed by Adviser or its affiliates) will advise or serve, directly or indirectly, as a primary source of transactions or a principal of any subsequent fund with investment objectives and strategies substantially similar to those of the Funds.

Adviser does not recommend or select other investment advisers for its clients in return for compensation directly or indirectly from those advisers.

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

---

### **Code of Ethics**

In order to address conflicts of interest, Adviser has adopted a code of ethics (the "**Code**") pursuant to Rule 204A-1 under the Advisers Act which is applicable to all of Adviser's partners, officers, managers, members, and employees (collectively, "**Employees**"). The Code generally sets the standard of ethical and professional business conduct that Adviser requires of its Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Employees. Additionally, the Code sets forth Adviser's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that Adviser and each of its Employees owe to each client. The Code is circulated at least annually to all Employees, and each Employee at least annually must certify in writing that he or she has received and followed the Code and any amendments thereto. Adviser will provide a copy of the Code to any client or prospective client, free of charge, upon request.

### **Participation or Interest in Client Transactions and Personal Account Dealing**

Adviser's Code requires that all Employee personal investment transactions comply with all applicable laws and regulations and do not endanger the interest of any client. The Code

establishes certain pre-clearance procedures and a securities transaction reporting system that is designed to monitor transactions in Employees' personal accounts and seeks to prevent any conflicts that may arise between Employees' personal securities transactions and transactions for clients of Adviser.

Adviser maintains a Restricted Trading List ("RTL") and review it at least on a monthly basis. Adviser requires all employees to notify in writing if they come into possession of material non-public information, in which case the RTL may be updated accordingly. Employees are generally prohibited from investment in securities listed in the RTL and required to report the holdings of RTL related securities (if any upon commencing employment). Employees are required to obtain prior approval for all securities transactions (including, but not limited to, private placements).

Adviser generally prohibits investment by its Employees in assets that could, will or have been invested by the Funds, unless such investment is fully disclosed to the advisory committee and satisfies certain criteria. Adviser's Code also requires prior approval for any outside business activities and Adviser will adopt a pro-active approach in identifying potential conflicts of interest to collect relevant information from investment professionals on a semi-annual basis.

Employees of Adviser may be permitted to co-invest with the Fund, but only where the Fund's interest is not in jeopardy. All investments by the Fund in which an Employee of Adviser has an interest (other than through the Funds or another client), or is related to the other party to the investment, must be disclosed to the advisory committee. Such transactions would only be undertaken where Adviser's investment committee determines that the transaction is fair to the Fund (i.e., provides fair market value or greater to the Fund) and where the nature of the insider interest is known to the investment committee.

Adviser does not anticipate engaging in principal and cross trades.

---

**Item 12: Brokerage Practices**

---

Investments made by Adviser, given its nature, do not involve execution through brokers.

---

**Item 13: Review of Accounts**

---

**Periodic and Non-Periodic Account Review**

The investments made by the clients are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. Adviser, through a team of investment professionals, closely monitors portfolio investments on an ongoing basis.

Adviser has an internal structure which allocates responsibilities for oversight of the portfolio investment of the clients to appropriate senior investment professionals. All client portfolio holdings are reviewed on a regular basis, both informally and formally, through scheduled periodic meetings of the relevant investment professionals and investment committees.

A review of client accounts may also be triggered by any significant unexpected event, which may include market or liquidity events.

**Reporting to Clients**

Statements of accounts are provided quarterly. Financial statements of the Funds are audited annually by an independent certified public accountant registered with, and subject to inspection by, the Public Company Accounting Oversight Board. The audited financial statements are distributed to all Fund investors within 120 days of the end of the fiscal year.

---

**Item 14: Client Referrals and Other Compensation**

---

**Compensation For Client Referrals**

Currently, neither Adviser nor its affiliates directly or indirectly receive any economic benefit from anyone, other than its clients, for providing investment advice and other advisory services to clients. The Adviser and its affiliates do not use any cash solicitation.

Adviser has engaged two placement agents in connection with the offer and sale of interests to certain prospective investors in the US and Australia. Adviser has also entered into solicitation arrangements with third-party intermediaries and paid US solicitors for client referrals. Adviser bears relevant fees, or elects to reduce its Management Fees, or to the extent applicable, carried Interest payments otherwise payable by the Funds to Adviser.

In the event Adviser or its related person determines to enter into a solicitation arrangement with any third-party, for client referrals, due diligence and background checks will be carried out prior to engagement to ensure that applicable regulatory registrations are in place and that they have adequate controls and procedures to monitor compliance with the Rule 206(4)-I under the Advisers Act. Adviser will disclose the arrangements in writing as required by Rule 206(4)-I under the Advisers Act and will comply with all other applicable requirements.

The Firm confirms its compliance with Rule 206(4)-I under the Advisers Act.

---

**Item 15: Custody**

---

To the extent cash and assets of the Funds are held by custodians as may be retained by the Funds, Adviser does not have physical possession or maintain direct custody of such cash or Fund assets (other than certain privately offered securities). However, Adviser is deemed to have “constructive” custody of the Fund assets by virtue of Adviser’s relationship with the Funds, pursuant to Rule 206(4) -2 under the Advisers Act.

---

**Item 16: Investment Discretion**

---

Adviser’s discretionary authority is derived from its authority as the investment manager of the Funds pursuant to a management agreement entered into among Adviser, the GP and the Funds.

Adviser will supervise and direct the investment and reinvestment of the assets of the Funds, exercise the rights and perform the duties that are expressly given to it and otherwise carry out and perform all of the purposes and powers of the Funds, without obtaining the consent of any Fund investor before the transactions are effected.

---

**Item 17: Voting Client Securities**

---

Adviser does not anticipate purchasing for the Funds or causing the Funds to purchase securities for which proxies would generally be voted. If Adviser were to do so, however, and to the extent the clients did not enter into an agreement directing the voting of the applicable securities, Adviser would follow its Proxy Voting policies and procedures adopted pursuant to Rule 206(4)-6 of the Advisers Act.

**Item 18: Financial Information**

---

At this time, Adviser is not aware of any financial condition that could impair its ability to meet its contractual obligations to its clients. Adviser has not been the subject to any bankruptcy petitions, including in the past ten years.

**Item 19: Requirements for State-Registered Advisers**

---

Not applicable.