



## Part 2A of Form ADV Brochure Document

106 Chestnut Str. E.  
Stillwater, MN, 55082  
(651) 570 3910  
<https://www.stillwaterasset.com>

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This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Stillwater Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (651) 570-3910.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Stillwater Asset Management, LLC is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Adviser is registered as an investment adviser with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2 - Material Changes**

This Brochure differs from the prior version, dated March 2023, in the following material respects:

- The Adviser updated its assets under management in Item 4.
- The Adviser updated Item 11 Code Of Ethics, Participation or Interest in Client Transactions and Personal Trading to address possible conflicts of interest.

In this Item, Stillwater Asset Management, LLC (“SAM” or the “Adviser”) will periodically identify and discuss updates to the Brochure. This is intended to inform current and prospective clients of important developments that may take place in Stillwater Asset Management, LLC’s business practices.

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## Item 4 - Advisory Business

Stillwater Asset Management, LLC was formed in March 2017 and is registered as an investment adviser with the SEC. SAM, a Delaware limited liability company, is wholly owned by M3&G Investments, LLC (“M3&G” or “Hold Co”), which was established by the Adviser’s Managing Member, Lena Motz. Lena Motz currently owns 100% of Stillwater Asset Management, LLC. The Adviser’s principal place of business is located in Stillwater, Minnesota. The Adviser provides discretionary investment management services to private funds (the “Funds” or “Clients”). SAM’s affiliates, Stillwater GPI, LLC, Stillwater LBC2 GP, LLC, and Stillwater GP2, LLC, (collectively the “GP”), serve as general partners to the Funds.

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M3&G Investments 2, LLC, which is 100% owned by Lena Motz, is the managing member of Willow River, LLC a loan servicing operator that provides services to certain of the Funds’ loan portfolios. M3&G is also the managing member of Willow River Senior Living LLC a senior living facility operator, which operates the real estate owned senior living facilities owned by the Funds. The GP may contract with its operating partner and affiliate. More detailed description of the conflicts of interest involved with this arrangement are discussed further in Item 5 and Item 10.

The Adviser’s services to the Funds consist of (i) investigating, identifying and evaluating investment opportunities; (ii) structuring, negotiating and making investments on behalf of the Funds; (iii) managing and monitoring the performance of such investments; and (iv) exiting such investments on behalf of the Funds. The Adviser’s services to each Fund are subject to the specific investment objectives and restrictions applicable to such Fund, as set forth in such Fund’s limited partnership agreement and other governing documents (collectively, the “Governing Documents”).

The Funds are offered exclusively to individuals and other persons who qualify as “accredited investors” under Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and/or “qualified purchasers” as defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Company Act”) and are therefore not required to register as investment companies with the SEC in accordance with the exemptions set forth in Sections 3(c)(1) or 3(c)(7) of the Company Act.

Investors and prospective investors in each Fund should refer to the Governing Documents of that Fund for information on the investment objectives and investment restrictions with respect to that Fund. There can be no assurance that any of the Funds’ investment objectives will be achieved. As such, the Adviser’s services are generally not tailored to the individualized needs of any particular investor of the Fund. Since the Adviser does not provide individualized advice to investors (and an investment in the Fund does not, in and of itself, create an advisory relationship between the investor and the Adviser), investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

As of December 31, 2023, the Adviser had approximately \$525,007,006 in regulatory assets under management, all of which were managed on a discretionary basis.

**All discussion of the Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Funds, and conflicts of interest faced by the Adviser in connection with the management of the Funds are qualified in their entirety by reference to each Funds’ respective governing documents.**

## **Item 5 - Fees and Compensation**

The fees and expenses associated with an investment in the Funds are described in detail in each of the Fund's governing documents, as well as in the Funds governing documents. The Adviser and the GP typically receive a management fee, as well as a performance-based fee or carried interest for providing services to the Funds. The management fee will be reduced by certain fees received by the Adviser or the GP.

### **Management Fees**

In consideration for its services, the Adviser typically receives a management fee from each of the Funds, which is generally equal to a percentage of the total capital commitments to such Fund. The fee percentage and/or the base upon which the fee is calculated may vary with the size of the Fund and may also vary over the life of the Fund, as negotiated and determined at the time the Fund is established and as set forth in its Governing Documents. The percentage of the management fee is calculated based on each investor's aggregate capital commitment in such Fund. As noted above, the GP or SAM may enter into side letters with investors which include the waiver of all or any portion of SAM's management fees. Please refer to the Fund governing documents for more details on the amount and calculation of the management fees.

The Funds may accept additional subscriptions during the period between the initial and final closing dates. If new investors subscribe interests or existing investors increase their commitments during such time, the investors will pay their pro rata shares of the management fees, as well as organizational expenses, other fund expenses, and an additional amount equal to an annual preferred return rate thereon. Such amounts will be allocated and distributed to previously limited partners and the Adviser, on a pro rata basis.

The Adviser intends to waive carried interests and the management fee for its own capital.

### **Management Fee Offset**

The Adviser or the GP may also receive transaction, investment banking, consulting, advisory, monitoring, break-up, directors' and other similar fees ("Transaction Fees"). The Transaction Fees, net of un-recouped expenses that the Adviser has elected to pay on behalf of the Funds, reduce the following quarterly management fee. Any placement agent fees paid directly by the Funds will also offset the respective Fund's management fees. If such offsets would reduce the quarterly management fee below zero, the offsets would be carried forward and used to reduce the following quarterly management fee. Transaction Fees do not include any of the fees (including broken deal expenses) that SAM has elected to share with the Funds, and any fees paid to affiliated companies for loan servicing, operating, asset management and other ancillary services.

### **Performance-Based Fee or Carried Interest**

Please see Item 6 below, the "Performance-Based Fees and Side-by-Side Management" section, for the discussions on the carried interest.

In its discretion, the Adviser may waive or reduce carried interest for its own capital. As noted above, SAM GP or the Adviser may enter into side letters with investors which include the waiver of all or any portion of carried interest.

### **Fundraising and Organizational Expenses**

The Funds bears all costs and expenses incurred in connection with the organization of the Funds, and the GP. These costs and expenses include legal and accounting fees, printing costs, travel and out-of-pocket expenses, and all costs and expenses incurred in connection with the offering of interests (“Organizational Expenses”), up to a certain amount. Organizational Expenses will be allocated among the Funds’ investors on a pro rata basis. Any Organizational Expenses that exceed the cap amount will be borne and paid directly by SAM. The excess Organizational Expenses may also be paid initially by the Funds and then reimbursed by SAM through an offset to the management fee or other means. The Organizational Expenses, however, exclude those costs and expenses associated with negotiating and entering into any side letters (including any legal opinions related thereto). Such costs shall be deemed as a Fund Expense. Please refer to the Fund governing documents for more details on the organizational expense cap amount, as well as expenses permitted to be borne by the Funds.

#### **Fund Expenses**

The Funds will be responsible for all expenses relating to their own operations (“Funds’ Expenses”), including reasonable organizational and start-up expenses incurred by SAM or its affiliates on behalf of the Funds. Funds’ expenses shall include but not be limited to interest on borrowings, SAM’s management fee, all costs and expenses in connection with acquiring, holding, managing and disposing of loans and other investments, including the fees and expenses of any loan servicers or operators (including those of unaffiliated or affiliated loan servicers), all costs and expenses in connection with managing REO (real estate owned by lender) or other assets, operating REO Facilities or other assets, including the fees and expenses of any operators (including those of any affiliated operator), legal, consulting, accounting, auditing, reporting and financial statement and tax preparation expenses, out-of-pocket expenses relating to the acquisition, holding and disposition of investments, expenses incurred in connection with transactions whether or not consummated and other customary and extraordinary expenses, including but not limited to indemnification and litigation, interest payments on indebtedness and other borrowing charges, administrator fees and expenses, custodian fees and expenses, taxes, telecommunication, research expenses including costs of real estate-related research subscriptions, real estate-related and commercial loan-related software products and services, pricing and valuation data and services and other research products and services, brokerage fees and commissions, insurance premiums, all investment- and operations-related travel expenses and certain other expenses.

Fund expenses shall also include any expenses directly attributable to the formation, operation or administration of any alternative investment vehicle utilized by the Funds as well as expenses related to the annual meeting of Limited Partners in the Fund. All Funds’ expenses will be allocated among the investor’s pro rata in accordance with commitments as of the end of the calendar quarter in which such fee is incurred.

With respect to affiliated and unaffiliated service providers or operating partners, the Funds will bear the costs of engaging such service providers. These costs are in addition to management fees and carried interest. Compensation to Willow River, LLC will consist of a net collections servicing fee based on historical and existing arrangements with unaffiliated loan servicers, which is anticipated to be (i) net collection service fee for loans and loan portfolios (ii) set-up fees and due diligence fees per loan. Compensation to Willow River Senior Living LLC depends on the size, location and make up of each facility and is based on historical and existing arrangements with unaffiliated property operators, which is anticipated to be the greater of a monthly minimum charge or an agreed percentage of gross receipts.

**Commented [KP2]:** CC - can you check their docs we have on file to see if these are disclosed and how? I think we need more on the conflict of interest here

**Commented [RB3R2]:** This still applies

**Commented [NO4]:** This is now historical but will leave until related funds have closed.

**Commented [CC5R4]:** Noted

**Commented [KP6]:** This is mentioned above this paragraph word for word so does not need to be repeated here

**Commented [RB7R6]:** agree

For more detailed discussion of expenses, please refer to the respective governing documents.

### **Valuation**

The value of the assets of the Funds is determined as of the close of business on the last business day of each calendar quarter and at such other times as the GP may determine in its discretion in accordance with US GAAP.

The valuation of loan and loan portfolios which are not quoted securities, whether performing or non-performing, are performed by SAM. The valuation of such loans is based on the projected cash flows of a loan, which may include contractual payments of interest and principal, proceeds from a sale of collateral, proceeds from negotiated discounted pay-off, and associated costs including servicing, legal and other fees discounted at a rate commensurate with the risk associated with such loan.

SAM values other assets and liabilities, including real estate owned assets and senior living facilities, using a methodology appropriate for the investment, which may include discounted cash flow analysis, reference to quoted market prices or recent transactions of comparable situations, including but not limited to third party appraisal.

The valuation of real estate is based on the following methodologies:

- i. Criteria considered: terms of the loan, performance, collateral type and value, financial wherewithal of borrower, financial wherewithal of guarantor(s), holding costs and timelines, liquidation costs, seasoning and geography.
- ii. Discounted cash flow analysis, which analysis shall include a consideration of various factors, including, but not limited to, projections of streams or rental income and expenses, capital and other liquidity needs, interest rate curves, disposition strategy and timing, expected capitalization rate upon exit and projected returns to a subsequent buyer.
- iii. The analysis of comparative sales values of similar real estate.
- iv. To the extent the real estate has been recently acquired, the cost of purchase.
- v. The analysis of the replacement cost related to the real estate.
- vi. Third party appraisal.

Other than as described above, neither the Adviser nor any of its supervised persons receives any compensation from the sale of securities or other investment products.

## **Item 6 - Performance-Based Fees and Side-by-Side Management**

As noted in Item 5, the Funds also pay performance-based compensation (“carried interest”) to their GP, which are affiliated entities of the Adviser. The calculation of this performance compensation is described more fully in the relevant Funds’ governing documents and is based upon the performance of investments in the Funds subject to a preferred rate of return and “clawback” provision. The Adviser reserves the right to waive performance allocation at its sole discretion.

Performance based compensation in general may create a conflict of interest by incentivizing the Adviser or its supervised persons and affiliates to make more speculative investments with the aim to increase fees paid than would be the case in the absence of a performance-based fee or compensation arrangement. The Adviser believes this conflict is mitigated not only by provisions requiring the Funds’ GP to invest a certain minimum amount in the Funds, but also by restrictions in the Funds on the distribution of performance compensation until after a preferred rate of return. To address these conflicts of interest, the Adviser has implemented policies and procedures to ensure that all Clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities. These policies and procedures require the Adviser to allocate investments among the Clients in a manner which it believes to be fair and equitable and prohibit the Adviser from basing an allocation decision on any of the following, or similar, reasons: (i) to generate higher fees paid by one Client over another, or to produce greater fees to the Adviser or any of its affiliates; (ii) to develop a relationship with an existing or potential limited partner in a Client; (iii) to compensate a limited partner in a Fund for past services or benefits rendered to the Adviser or any employee of the Adviser; or (iv) to induce future services or benefits to be rendered to the Adviser or any employee of the Adviser.



## **Item 7 - Types of Clients**

The Adviser's provides investment advisory services to its Clients, which are private funds, on a discretionary basis.. The investors in the Funds may include, but are not limited to, institutional investors such as trusts, endowments, foundations, corporates, sovereign wealth funds, pension and profit-sharing plans, as well as to high-net-worth investors. All investors, among other requirements, must be: (i) accredited investors as defined in Rule 501(a) of Regulation D under the Securities Act of 1933; and (ii) either qualified purchasers as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), or knowledgeable employees as defined in Rule 3c-5 under the Investment Company Act.

The Funds impose minimum investment limits upon investors that can be waived in certain circumstances, as set forth in the Fund governing documents.

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

### Investment Strategies

As previously discussed under Item 4 of this Brochure, the Adviser manages the Funds' assets under investment strategies that can be categorized as follows:

Commercial Loans: investments in loans that include real estate (including real estate owned), commercial real estate, and other commercial type loans including business loans secured by real estate collateral or by non-real estate collateral. Typical unpaid principal balances are expected to range from \$200,000 to \$30 million.

The GP's focus on deal selection, asset-level pricing, management of bid dynamics and asset management, strives to deliver performance superior to and non-correlated with major indices. Targeted investments will include performing, sub-performing and non-performing commercial loans and senior living facility related loans located in the United States secured primarily by traditional commercial real estate collateral as well as niche properties and real estate collateral of such senior living facilities. Pricing will vary depending on the performance, geography and underlying collateral, and is expected to vary over time based on prevailing opportunities and market conditions as determined by the SAM. Consideration will be given to the diversification factors such as geography, collateral type and transaction size of the investments.

**Commented [RB8]:** This has grown with the growth in Client size.

**Commented [CC9R8]:** Noted

**Commented [CC10]:** We updated to include hedging language

**THE STRATEGIES THAT THE ADVISER EMPLOYS ENTAIL A SIGNIFICANT DEGREE OF RISK AND COULD RESULT IN SUBSTANTIAL LOSSES UNDER CERTAIN CIRCUMSTANCES. ACCORDINGLY, AN INVESTMENT IN A FUND MANAGED BY THE ADVISER SHOULD BE UNDERTAKEN ONLY BY INVESTORS CAPABLE OF EVALUATING AND BEARING THE RISKS OF THE INVESTMENT. PLEASE REFER TO THE GOVERNING DOCUMENTS OF THE APPLICABLE FUND FOR MORE COMPLETE INFORMATION ON THE INVESTMENT STRATEGIES EMPLOYED BY SUCH FUND AND CORRESPONDING RISKS ASSOCIATED WITH SUCH INVESTMENT STRATEGIES.**

### Methods of Analysis

Asset-level underwriting will be employed with robust in-file and out-of-file due diligence. Local experts may be queried to provide market color, including where deemed necessary a site inspection of the underlying real estate collateral, and pro formas will be created where applicable. Multiple disposition strategies, including strategies to foreclose on and operate the related senior living facilities, are considered and pricing sensitivity analysis and stress testing is completed at the asset and portfolio level.

SAM believes that loans associated with commercial loans, senior living facilities and "REO" (Real Estate Owned by lender) will be sold due to regulatory pressure on banks to dispose of criticized assets to improve balance sheet metrics, in connection with forced liquidations and bank consolidations and as a result of management decisions which may be based on economic or non-economic reasons. Additionally, SAM expects that changing market conditions such as interest rates, tax reforms and new regulations will create specific dislocations in the U.S. credit markets that present attractive acquisition and execution opportunities. Targeted sellers will include community, regional and national banks, savings and loan associations, insurance companies, and other

investment funds.

SAM's management personnel possess a blend of skills and experience based on: (i) decades of experience with distressed senior living assets; (ii) an expansive network of long-term relationships which SAM believes provides a competitive flow of information and investment opportunities; (iii) expertise in multiple sectors of senior living facility assets; and (iv) a disciplined and proprietary analytical approach designed to discover value and manage risk.

Fund investors are requested to the Funds' governing documents for a full description of the various risks faced by the Funds in executing its investment strategy. **Investing in securities involves risk of loss that clients and Fund investors should be prepared to bear.**

### **Risk of Loss**

The following list of risk factors does not purport to be a complete itemization or analysis of the risks associated with investment in the Funds:

- **Lack of Diversification**: In attempting to maximize the Funds' returns, SAM intends to concentrate the holdings of the Funds in those geographies (primarily in the United States), industries, markets, sectors or strategies that, in the sole judgment of SAM, provide the best profit opportunities consistent with the Funds' investment objectives. The Funds are a suitable holding (if at all) for only a limited portion of the risk segment of an investor's portfolio.
- **No Material Restrictions**: Within the general limitation of concentrating the Funds' portfolio in loans that include real estate, commercial real estate, other commercial type loans and any REO, and subject to the investment restrictions, there are no material restrictions on the loans and any real estate owned in which the Funds may invest or on the strategies which may be employed by SAM on behalf of the Funds.
- **Potential for Insufficient Investment Opportunities**: The availability of investment opportunities will be subject to market conditions and in some cases the prevailing political or regulatory climate. There is no assurance the Funds will be able to invest all of its capital in opportunities that satisfy the Funds' investment objective.
- **Projections**: Investment decisions will be made based on a variety of factors, including projections developed by SAM. Projections are inherently uncertain and subject to factors beyond the control of either SAM or the investment in question. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of unforeseen events could impair or eliminate the ability of an investment to realize projected values and/or cash flow.
- **Illiquid Investment**: The Funds have been formed to make investments in loans that include real estate, commercial real estate, other commercial type loans and any REO, and not to engage in short-term trading, and SAM generally expects that the Funds will hold certain investments for a matter of years. Although investments by the Funds may occasionally generate some current income, the return of capital and the realization of gains, if any, from the Funds' assets generally will occur only upon their partial or complete disposition.
- **Uncertain Exit Strategies**: Due to the illiquid nature of many (if not all) of the investments which the Funds expects to make, SAM will be 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.

- **Risks Regarding Dispositions of Investments:** In connection with the disposition of an investment, the Funds may be required to make representations and warranties about the investment typical of those made in connection with the sale of any loan or REO and may also be required to indemnify the purchasers of such investment to the extent that any such representations and warranties turn out to be inaccurate or misleading. These arrangements may result in liabilities for the Funds. Liabilities incurred by the Funds in connection with the disposition of investments may result in any number of adverse consequences to the Funds.
- **Bank Loans:** The Funds will acquire interests in bank loans and other debt obligations either directly or indirectly. Bank loans acquired by the Funds may consist of out of favor or orphaned loans and participations originated by banks and other financial institutions, be below investment grade and may not be rated and may have limited resale potential. As a result, unless SAM is able to affect an exit strategy on behalf of the Funds, it may be required to hold such loans for extended periods.
- **Commercial Mortgage Loans:** Commercial mortgages are subject to particular risks, including lack of standardized terms, shorter maturities than residential mortgage loans and payment of all or substantially the entire principal only at maturity rather than through regular amortization of principal. Additional risks may be presented by the type and use of a particular commercial property. Commercial property values and net operating income are subject to volatility, which may result in net operating income becoming insufficient to cover debt service on underlying mortgage loans. The exercise of remedies and successful realization of liquidation proceeds relating to commercial mortgages may be highly dependent on the performance of the servicer or special servicer. There may be a limited number of special servicers available, particularly those that do not have conflicts of interest.
- **Forbearance of Terms:** Forbearance of terms on a defaulted mortgage loan agreed to by the related servicer in order to maximize ultimate proceeds of a mortgage loan may extend the period over which principal is received on the mortgages, reduce the interest rate received on the loan, reduce the debt service payment and/or reduce the total amount of debt the borrower must pay back to fully satisfy the debt obligation.
- **Decline in Value:** Certain economic conditions, including increased interest rates, could result in a decline in the value of the properties underlying the mortgage loans, as well as declines in the value of the collateral underlying the Investments.
- **Non-Performing Servicers:** The collection of mortgaged investments will be dependent on the performance by the servicers of their respective servicing obligations in an adequate and timely manner. If a servicer fails to perform its servicing obligations, this failure may result in the termination of such servicer. That termination, with its corresponding transfer of daily collection activities, will likely increase the rates of delinquencies, defaults and losses on the related mortgage loans.
- **Collateral Risks:** While loans in which the Funds invests may be collateralized, the Funds may nevertheless be exposed to losses resulting from default. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the Funds' security interest are important to recovery on such loans. The Funds cannot guarantee the adequacy of the protection of the Funds' interests, including the anticipated priority and

perfection of the applicable security interests. Furthermore, the Funds cannot assure that claims may not be asserted that might interfere with enforcement of the Funds' rights or the priority of its collateral position. In the event of a foreclosure, the Funds or an Affiliate of the Funds may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding loan balance or even the purchase price paid for the loan, which may result in a loss to the Funds. Any costs or delays involved in foreclosing on an asset or liquidating the underlying property will further reduce the proceeds and thus increase the possibility of loss.

- **Interest Rate Risks:** The Funds will have exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of the Funds. Interest rate changes may affect the cash flows of an investment directly, or the market yield requirement (and thereby realizable value) of a debt or equity instrument, real asset or item of collateral.
- **Real Estate Collateral** In acquiring loans secured by real estate and holding REO, the Funds will be subject to some or all of the risks inherent in investing in real estate and real estate-related investments. Real property investments are subject to various risks. The return from investments in real estate depends on the amount of income earned and capital appreciation generated by the relevant properties as well as the expenses incurred by such properties. If any of the Funds' real estate related credits do not generate income sufficient to meet operating expenses, the Funds' investments could be adversely affected. Income from, and the value of, underlying properties may be adversely affected by various factors, including the general economic climate, local conditions such as oversupply of properties or a reduction in demand for properties in the areas in which they are located, the attractiveness of the properties to potential tenants, competition from other local properties, increases in operating costs (including insurance premiums, utilities and real estate taxes) and the ability of the lessees to make rent payments.

Revenues from properties and real estate values also are affected by such factors as compliance costs and the potential for liability under applicable laws, including changes in tax laws, interest rate levels and the availability of financing. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property.

As a result of the prior COVID-19 pandemic and related market instability and government measures, risks that are commonly associated with real estate investments may become more prevalent. For example, a pandemic may give rise to increased maintenance costs, inability to collect rents from tenants due to financial hardship, moratoriums on evictions, rent controls or other government interventions from local governments or the federal government and changes in local economies. These factors, and any others that would impede profitable operations, could significantly affect the Funds' REO investments and operating results.

- **Potential Environmental Liability:** Under various federal, state and local laws, ordinances and regulations, the Funds, if it were to become an owner or operator of real property, by direct investment, foreclosure or otherwise, may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws sometimes impose such liability without regard to whether the owner knew of, or was

**Commented [RB11]:** This should be a general pandemic Risk based on experience from Covid.

**Commented [CC12R11]:** Agreed

responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property may not be limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner although the Funds intends to take steps to limit liability in such circumstances. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Funds' return from such investment.

- **Bankruptcy of Borrower:** The Funds may invest in loans where the underlying borrower files for bankruptcy protection or bankruptcy reorganization, and the Funds may make substantial investments in non-performing, underperforming, or other troubled assets, which involve a high degree of financial risk and are experiencing or are expected to experience severe financial difficulties, which may never be overcome and, as a result, may in some cases lead to a loss of some or all of the Funds' investment. A reorganization plan approved by any judicial or administrative body may result in a number of different creditors being compelled to accept materially adverse changes to the terms of the debt that they hold — including reduced interest rates, extended maturities and reduced acceleration rights. Such “cramdowns” may be imposed in the discretion of such governmental bodies in order to give the borrower a better chance of remaining economically viable. Other decisions of a bankruptcy court may have an impact on the Funds that are materially adverse and sometimes unexpected.
- **Uncertainties of Foreclosure Process:** If it becomes necessary to foreclose on the assets underlying a loan acquired by the Funds, significant uncertainty may arise as to the outcome of the proceeding. Courts or other arbiters typically have broad discretion as to how they deal with the claims of different creditors, and the claims of secured creditors may not — despite their legal entitlement — always be respected as a matter of policy.
- **Fraudulent Conveyance Considerations:** Laws enacted for the protection of creditors may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. In general, if payments on any loans are voidable, whether as fraudulent conveyances, preferences or under similar laws, such payments may be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from the Funds, the resulting loss will be borne by the Limited Partners.
- **Uncertain Recovery Value of Collateral:** The investments made by the Funds may or may not be secured. To the extent potential investments are secured, a substantial component of SAM's analysis of the desirability of making such investments relates to the estimated residual or recovery value of such investments in the event of the insolvency of the borrower. 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. The types of collateral owned by the borrowers in which the Fund will invest will vary widely.

Furthermore, SAM's evaluation of the residual/recovery value of collateral as well as likely near- to mid-term market conditions depends in substantial part on the integrity of the data

gathered by SAM. Not only may such data prove to be unreliable but, even if reliable, changing markets and regulations may cause such data not to be representative of current market conditions.

- **Due Diligence of, and Conduct at, Borrowers:** SAM's due diligence process may involve the evaluation of complex loans, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding an investment, SAM relies on the resources available to it, including information provided by sellers, borrowers and, in some circumstances, third-party investigations. There can be no assurance that SAM's due diligence process will uncover all facts and information that may be relevant to evaluating a potential investment opportunity. Furthermore, the fact that SAM may conduct a due diligence review does not necessarily mean that the corresponding investment will be successful.

There can be no assurance that the Funds will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during its efforts to monitor investments on an ongoing basis. In the event of fraud by a borrower or any of its affiliates, the Funds may suffer a partial or total loss of capital invested. An additional concern is the possibility of material misrepresentation or omission on the part of a borrower. Such inaccuracy or incompleteness may adversely affect the Funds. The Funds will rely upon the accuracy and completeness of representations made by borrowers when it makes its investments but cannot guarantee such accuracy or completeness.

- **Lack of Control over Borrowers:** Unlike other private equity styled investment funds, SAM does not generally intend for the Funds to take an active role in the management of any borrower or issuer in which it will invest and will likely hold credit instruments of a borrower. Accordingly, other investors in such borrowers with a controlling interest over such borrower may be able to take actions which adversely affect the value of the Funds' investment without input from SAM.
- **Limited Information:** The Funds may not receive access to all available information to fully determine the origination, credit appraisal and underwriting practices utilized with respect to any Funds investment has been serviced or operated prior to acquisition of the investment by the Funds. In such cases, the information available to SAM at the time of making an investment decision may be limited, and it may not have access to detailed information regarding the investment. Therefore, no assurance can be given that SAM will have knowledge of all circumstances that may adversely affect an investment.
- **Expedited Transactions:** Investment analyses and decisions by SAM may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In these circumstances, SAM often expects to rely upon independent consultants or the resources at various companies. No assurance can be given as to the accuracy or completeness of the information provided by such independent consultants, and the Funds may incur liability as a result of such consultants' actions. Further, indemnification or other remedies may not be available to the Funds due to contractual provisions with such independent consultants limiting such indemnification or other remedies.
- **Operation of Senior Living Facilities:** The Funds expects to invest in loans collateralized by senior living facilities and, where determined by SAM that the borrower is unable to

continue to perform under its loan obligations, foreclosing on such collateral and operating the corresponding senior living facilities. In these cases, SAM expects to engage its affiliate to operate the senior living facilities, although it may engage third-party operators. Operating senior living facilities includes numerous risks, any of which may adversely impact the Funds and its investment returns. There are numerous risks associated with operating these facilities including but not limited to a highly competitive and regulated industry, the ability of the operator to recruit and sustain the internal development of managerial personnel, participants in the long-term care industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories and the impact of the COVID-19 pandemic on senior living facilities nationally.

- **Leverage in General:** The Funds may invest on a leveraged basis through bank or other borrowings. Losses incurred on the Funds' leveraged investments increase in direct proportion to the degree of leverage employed.

The Funds would also incur interest expense on any borrowings used to leverage its positions. To the extent that the assets of the Funds have been leveraged through the borrowing of money, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by the Funds' portfolio fail to cover such costs, the value of the Funds may decrease faster than if there had been no borrowings made by the Funds.

There can be no assurance that the Funds will be able to maintain adequate financing arrangements under all market circumstances. The financing available to the Funds from banks, dealers and other counterparties are particularly likely to be term financing with restrictive covenants that make it more difficult to leverage in disrupted markets.

In addition, as set forth in the Partnership Agreement, the Funds may pledge unfunded Capital Commitments to secure the borrowings, and the Funds could be required to assign to the lender its right to call Capital Contributions if the Funds defaults on the credit facility.

- **Credit Facilities:** The Fund has the authority to borrow money directly, through the use of credit facilities or otherwise. The use of credit facilities causes the Funds to incur interest and other expenses. Lenders accept the Fund's investments and other assets as collateral and are able to dispose of those Investments at particularly large discounts and keep the proceeds in satisfaction of the Fund's debts should the Fund default on its obligations to the credit facility providers. As is typical of credit arrangements, any credit agreement of the Fund may include a number of different terms which permit the lender to materially reduce or terminate the credit line. For example, the lender may terminate the facility on short notice for any reason even though the Fund is paying a commitment fee. Also, the credit facility provider may terminate the facility for events of default tied to events relating to the Fund, the GP, or other circumstances, even if those events are not reasonably related to the Fund's ability to repay the borrowing. In the event that any Fund credit facility was to be materially reduced or terminated there can be no assurance that the Fund would be able to find suitable replacement credit arrangements. Any reduction or termination might result in the Fund being unable to borrow or make additional investments and could cause the Fund to bear increased costs. Upon an event of default relating to a credit facility, it is likely that the credit facility provider would attempt to exercise its remedies, including the sale of investments on terms that may be materially worse for the Fund than had the Fund continued to hold those investments at the discretion of SAM. Certain terms of credit facilities may have the



effect of imposing constraints on the Fund's investment programs and the parameters of an investment in the Fund. For example, a Fund credit arrangement could impose restrictions requiring the lender's consent in some circumstances to make new or additional investments in or remove cash from the Fund or make a Distribution even if the Fund is not in default. Although the GP does not believe that any such restrictions would influence or delay its investment decisions, there can be no assurance that this will be the case.

- **Financial Intermediary Credit Risk:** The institutions, including banks, with which the Fund may do business, or to which its assets may be entrusted for custodial purposes, may encounter financial difficulties that impair their operational capabilities or result in losses to the Fund. The bank or banks selected to act as custodians may become insolvent, causing the Fund to lose all or a portion of its assets held by those parties.
- **Importance of Market Judgment:** SAM's investment strategy is not systematic; the market judgment and discretion of SAM's personnel are fundamental to the implementation of its strategy. The greater the importance of subjective factors, the more unpredictable a trading strategy becomes. SAM will not have the same access to market information as do certain of its competitors, and the market decisions made by SAM will, accordingly, often be based on different information and analysis than those available to competing investors.
- **Holding Period of Investment Positions:** SAM may not know the maximum — or, often, even the expected (as opposed to optimal) — holding period of any particular investment at the time of initiation. The length of time for which an investment is maintained varies significantly, based on SAM's subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or reduce losses.

The Fund may invest in an investment which unexpectedly cannot be realized in an orderly fashion until after the date on which the Fund is scheduled to terminate. Although it is the expectation of SAM that all investments by the Fund will be disposed of prior to the end of the Fund's term, the Fund may have to sell or otherwise dispose of investments on disadvantageous terms as a result of the termination of the Fund. These risks are particularly relevant given the relatively shorter term of the Fund.

- **Model Risk:** The strategy employed by SAM is based on valuation models and financial projections, which SAM uses to evaluate investment opportunities for the Funds. These models generally seek to forecast future cash flows, exit values and timing of exits, among other things, based upon a limited number of assumed factors and inputs. The modeling used in determining whether to enter into transactions inevitably involves certain assumptions any number of which may be materially wrong, causing the forecasts generated by these models to differ substantially from actual future price realizations and potentially resulting in major losses. There can be no assurance that the models used by SAM on behalf of the Funds will be effective or that they will be effectively utilized by SAM. The models used by SAM may depend upon inputs from various sources, and in the event such inputs are not accurate, unexpected losses may be incurred.
- **No Hedging Expected:** SAM does not expect to attempt to hedge market, currency, interest rate or other risks inherent in the Fund's investments. As a result, the Fund may incur losses that it would not otherwise have occurred if the Fund had attempted to hedge portions of its portfolio.
- **Other Instruments:** Although the Fund will focus primarily on loan instruments that

include real estate, commercial real estate, other commercial type loans and any REO, the descriptions of instruments in which the Fund may invest, as well as the associated risks, included in this Memorandum are not intended to be exhaustive. The Fund may also invest in various other instruments from time to time in pursuing the Fund's objectives, which may be subject to similar or different risks than those described above (including, but not limited to, new markets and instruments not currently in existence). Additionally, while SAM determines how to deploy the Fund's capital, the Fund may invest more of its assets in cash and cash equivalents. Although the Fund's investments in cash and cash equivalents primarily would be intended to avoid losses, this type of investing also could prevent the Fund from achieving its investment objectives.

- **Market Risks in General:** SAM's strategy will be subject to some dimension of market risk, for example: changing interest rates, decreasing commercial real estate valuations, tax reform or regulatory changes that directly impact the underlying borrowers/businesses of the loans the Fund acquires. The particular or general types of market conditions in which the Fund may incur losses or experience unexpected performance volatility cannot be predicted, and the Fund may materially underperform other investment funds with substantially similar investment objectives and approaches.
- **Competition:** The Fund will compete with numerous other private investment funds, financial institutions and other market participants (both diversified and specialized), including potentially the Strategic Partners. The profit potential of the Fund may be materially reduced as a result of the "saturation" of the alternative investment field and competition for the same or similar types of trades and transactions.
- **Eminent Domain Risks:** Municipalities and other government subdivisions may, in certain circumstances, seek to acquire certain REO assets of the Fund through eminent domain proceedings. While the Fund may seek to contest these proceedings, which may be costly and may divert the attention of SAM from the operation of the Fund, there can be no assurance that a municipality or other government subdivision will not succeed in acquiring assets of the Fund. There is a risk that the Fund will not receive adequate compensation for the assets acquired, or that the Fund will not be able to recover all charges associated with divesting these assets.
- **Failure of Counterparties to Perform Obligations.** In its ordinary course of business, the Adviser relies on various counterparties, which include, but is not limited to, brokers, dealers, banks, custodians, and administrators ("Counterparties"). These Counterparties, with which the Adviser does business and on behalf of a Fund, may, from time to time, default on their obligations with or without notice. Such defaults include, but are not limited to, a Counterparty's bankruptcy, insolvency, or other failure. A Counterparty's default on their obligations may impact the Adviser's or the Fund's ability to conduct its business in the ordinary course. There is a risk of loss of assets on deposit at the Counterparty. Although government agencies or other organizations provide insurance coverage to depositors in the event of a Counterparty failure, coverage is limited to a specified amount and subject to rules and regulations. Prior events where a government agency or other organization stepped in to make depositors whole over their excess deposits at select Counterparties, which may or may not have a current or prior relationship with the Adviser or the Fund, should not be construed as a guarantee that such action will be taken in the future. There is no guarantee that any excess deposits are recoverable. In the event of a Counterparty's default, the Adviser

will work diligently to access its capital and take actions it deems appropriate while acting in the best interest of the Fund. However, the Adviser's access to capital is subject to a variety of external factors that are outside of the Adviser's control, including the timing of default, a government agency's or other organization's actions, including the timing of the Counterparty's closure, ability to liquidate the Counterparty's assets, or to effect the Counterparty's sale or dissolution, unforeseeable economic factors or market conditions, and the Counterparty's technology infrastructure operating as intended to facilitate access. Furthermore, the Adviser's ability to access capital may have an impact on the Adviser's and the Fund's ability to conduct operations in the normal course including, but not limited to paying expenses, funding investment opportunities resulting in delayed or missed opportunities, and calling capital from or making distributions to limited partners. Deposits concentrated at one or a limited number of Counterparties may amplify these risks.

- **Cyber Security Breaches and Identity Theft:** Cyber security breaches and identity theft includes the risk of significant interruptions to the operations of SAM and the Funds, and the risk that the security of sensitive data could be compromised (including confidential information relating to limited partners and their beneficial owners).
- **Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues:** Our business activities as well as the Funds and their operations and investments, could be materially adversely affected by pandemics, epidemics and outbreaks of disease in Asia, Europe, North America and/or globally or regionally, such as COVID-19, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, and/or other epidemics, pandemics, outbreaks of disease, viruses and/or public health issues. Specifically, COVID-19, has spread around the world since its initial emergence in China in December 2019 and has severely negatively affected (and may continue to materially adversely affect) the global economy and equity markets (including, in particular, equity markets in Asia, Europe and the United States). Although the long-term effects or consequences of COVID-19 and/or other epidemics, pandemics and outbreaks of disease cannot currently be predicted, previous occurrences of other pandemics, epidemics and other outbreaks of disease, such as H5N1 flu, H1N1 flu, SARS and the Spanish flu, had a material adverse effect on the economies and markets of those countries and regions in which they were most prevalent. Any occurrence or recurrence (or continued spread) of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally (or cause the global economy to enter into a recession or depression), which would adversely affect the business, financial condition and operations of the Adviser and the Funds. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to spread or materially impact the day to day lives of persons around the globe), the Adviser and the Funds could be adversely affected by more stringent travel restrictions, additional limitations on the Adviser's operations or business and/or governmental actions limiting the movement of people between regions and other activities or operations (or to otherwise stop the spread or continued spread of any disease or outbreak). The effects of a public health emergency may materially and adversely impact the value and performance of a Fund's investments, a Fund's ability to source, manage and divest investments, a Fund's ability to repay the borrowing due to volatility of commodity prices, and a Fund's ability to achieve its investment objectives, all of which could result in significant losses to a Fund.

- **Force Majeure**: Funds' investments may be affected by force majeure events (i.e. events beyond the control of the party claiming that the event has occurred, including without limitation, acts of God, fire, flood, earthquakes, war, terrorism and labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes government macroeconomic policies, social instability). Some force majeure events may adversely affect the ability of any such parties to perform their obligations until they are able to remedy the force majeure event. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally.

## **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of adviser's management.

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of management.

## Item 10 - Other Financial Industry Activities and Affiliations

The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no staff of the Adviser are registered representatives of a broker-dealer.

Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

In connection with sponsoring any limited partnership or other pooled investment vehicle, the Adviser will also sponsor an affiliated general partner for such limited partnerships, which will receive the compensation described in Item 5. Other than these affiliated general partner entities, the Adviser has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to its Funds. However, the Adviser does have relationships or arrangements with the related persons listed below.

### **Willow River, LLC**

The Adviser is affiliated with Willow River, LLC through its parent company M3&G Investments 2, LLC which own 100% of the entity. Willow River, LLC provides a full-service loan portfolio management system and individualized loan servicing strategy. The GP, on behalf of the Funds, has the right to engage Willow River, LLC for loan servicing and other ancillary services. SAM will compensate Willow River, LLC in a manner similar to the Funds other unaffiliated operating partners. Please see Item 5 or the Fees and Compensation section for further discussions on the compensation paid to Willow River, LLC.

### **Willow River Senior Living LLC**

SAM is affiliated with Willow River Senior Living LLC through its parent company M3&G Investments, LLC which own 100% of the entity. Willow River Senior Living LLC has been engaged to serve as the Funds primary operator of senior living facilities and other assets, although the Funds may engage other operators in its discretion.

SAM and its employees do not have any relationships or arrangements with other financial services companies that can pose material conflicts of interest.

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

**Commented [RB13]:** This change happened August 2023

**Commented [CC14R13]:** Noted

**Commented [RB15]:** This relationship was terminated

**Commented [CC16R15]:** Noted

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

### **Code of Ethics**

The Adviser has adopted and implemented a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest pursuant to Rule 204A-1 of the Advisers Act, which requires the Adviser and its employees to put the interests of the Adviser’s clients before its own interests and to act honestly and fairly in all respects in its dealings with its clients. The Code also requires all employees to comply with applicable federal securities laws.

The Code contains policies and procedures that ensure that all personal securities trading by staff of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility. To mitigate potential conflicts of interest, SAM requires pre-clearance of personal transactions in any initial public offerings, private placements, as well as other Reportable Securities as defined in Rule 204A-1 under the Advisers Act. The Adviser will provide a copy of the Code to any investor or prospective investor upon written request made to Richard Buckland, the Chief Compliance Officer.

It is the Adviser’s general policy (with the exception of below) that the firm will not affect any principal or agency cross securities transactions for client accounts. SAM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with SAM, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Affiliates of the Adviser serve as the GPs to the Funds, which issue partnership interests to third party investors. Other than with respect to these structures, neither the Adviser nor any of its related persons generally recommend to the Funds, or buy or sell for Funds, investments in which the Adviser or any related persons have a material financial interest. However, should SAM seek to acquire or sell Funds’ investments to any entity in which SAM or its affiliates hold a material investment or have control over the entity, SAM is required to obtain a consent through a majority vote of the Funds’ Limited Partners. Please see the respective Funds’ Limited Partnership Agreements for more detailed discussions on the required consent.

### **Insider Trading Policy**

While the Adviser does not anticipate having access to non-public information related to public companies, as part of its Code, the Adviser has established procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non- public information, and, therefore, may not trade on the basis of that information. Under applicable law, SAM and its employees may be prohibited from improperly disclosing or

using such information for their personal benefit or for the benefit of any other third party. Accordingly, should SAM and/or its employees come into possession of material non-public or other confidential information (“MNPI”) with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of, SAM’s private funds and their underlying investors.

SAM has adopted a policy in accordance with Section 204A of the Advisers Act, which establishes procedures to prevent the misuse of MNPI by SAM and its employees.

The Adviser has a privacy policy that explains the manner in which the Adviser collects, utilizes and maintains non-public personal information about investors, as required under federal legislation. The Adviser will provide a copy of the Code to any investor or prospective investor upon request.

Other than any investments by the GP in a respective Fund, neither the Adviser nor any of its related persons invest in the same or related securities that either the Adviser or its related persons recommend to the Funds.

The Adviser and its related persons do not recommend to the Funds, or buy or sell for the Funds account, securities in which they hold a material financial interest.

### **Potential Conflicts of Interest**

Prospective limited partners should be aware that there will be occasions when the Adviser and its respective affiliates will encounter potential conflicts of interest in connection with a Funds activities, including certain conflicts of interest. The following discussion enumerates certain potential conflicts of interest that should be carefully evaluated by investors. The potential conflicts of interest below are not intended to be exhaustive. Prospective limited partners in a Fund should carefully review the risks described in the applicable Fund’s Offering Documents.

### **Allocation of Investment Opportunities; Other Investment Vehicles**

The Adviser, may from time to time, raise, sponsor, manage, otherwise provide discretionary investment management and/or advisory services to, or source investments for, other investment vehicles (including, without limitation, other funds, investment vehicles, separately managed account arrangements, special purpose vehicles and co-investment vehicles), some of which may have investment objectives that overlap with (but are not substantially similar to) those of an existing Fund and/or engage in transactions similar to the types of investments as an existing Fund. Although the funds may have the ability to make a wide variety of types of investments, a fund, account, vehicle, or other similar product will not be considered to have a substantially similar investment objective as such fund(s), including for purposes of the restrictions on formation of a “Successor Fund” under the governing documents of such fund, unless such fund, account, vehicle or other similar product has as its primary investment objective a substantially similar investment profile to that of the original fund, including the same target markets. Such other investment vehicles may be sponsored by the Adviser individually or through joint venture arrangements with other private equity sponsors or others. Such other investment vehicles may invest primarily in investments located in the United States. The Adviser (or the applicable affiliate, associate, director, officer, stockholder, member or other related party



thereof) will independently determine in its sole discretion in the first instance (in accordance with such fund's governing documents) whether an investment opportunity that would be appropriate to present to the investment committee for potential investment by a particular fund will be allocated instead to other investment vehicles, and vice versa. In light of the foregoing, each investor acknowledges that there can be no assurance that any given opportunity will be allocated to the fund in which such investor participates.

Each fund may invest directly or indirectly in companies or other entities in which other funds may have a different principal investment or vice versa. In such situations, such funds may have conflicting interests. The financial terms of any affiliate investment being made by a fund will, in the good faith judgment of the GP, be fair to such fund and on terms no less favorable to such fund than the terms on which an unaffiliated third party would be willing to invest. Actions may be taken for any other Funds that may be adverse to such fund, and conflicts may arise in determining the amount of an investment, if any, to be allocated among the potential investors and the respective terms thereof. There can be no assurance that the return on a fund's investment will be equivalent to or better than the returns obtained by the other participants in such investment. It is possible that in a bankruptcy proceeding, a fund's interest may be subordinated or otherwise adversely affected by virtue of the involvement and actions of an affiliate of the Adviser relating to its investment.

#### Allocation of Expenses

The GP will have a conflict of interest in allocating certain expenses among potential limited partners as well as among the funds. Among other approaches, the Adviser's allocation policy may provide for allocation of such expenses across the Adviser's platform based solely on capital commitments, invested capital or available capital, as applicable, without regard to the specific services provided to any fund, vehicle and/or account, but in certain circumstances may allocate such expenses in a different manner if the GP of the respective fund determines in good faith that doing so is more equitable or appropriate under the circumstances. Additionally, to the extent a potential investment has been preliminarily allocated to one fund and the Adviser ultimately determines that the potential investment is more appropriate for another fund, such other fund may incur and be responsible for expenses relating to such potential investment that were incurred by the original fund prior to it being allocated to the other fund (and such other fund may reimburse the original fund with respect to any such expenses). The funds may, in accordance with their respective governing agreements, also bear as partnership expenses the costs of preliminary activities related to the sourcing of investments (such as prospecting for investments), which will include any costs or expenses incurred in connection with attending asset management or infrastructure industry conferences and the costs and expenses of market data and research. Each GP will make expense allocation judgments in its fair and reasonable discretion, notwithstanding its interest in the outcome, and may make corrective allocations should it determine that such corrections are necessary or advisable. A different manner of allocation may result in a fund, vehicle, or account bearing less (or more) expenses.

#### Valuation Matters

The fair value of all investments or of property received in exchange for any investments will be determined by each GP in accordance with the governing agreements of the respective fund and the valuation policy. The valuation methodologies used to value any asset will involve subjective

judgments and projections and such subjective judgments and projections may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. It may be the case that the carrying value of an investment may not reflect the price at which the investment is ultimately sold in the market, and the difference between carrying value and the ultimate sales price could be material. There will be no retroactive adjustment in the valuation of any investment or the management fees, carried interest and/or other fees paid to the Adviser or a GP to the extent any valuation proves to not accurately reflect the realizable value of an investment. The valuation of investments may affect the amount and timing of each GP's carried interest and, under certain circumstances and following the commitment period, the amount of management fees payable to the Adviser. There may be circumstances where a GP is incentivized to determine valuations that are higher than the actual fair value of investments. The ultimate realization of the value of an investment will also depend on economic, political, regulatory, market and other conditions beyond the GP's control, including the type of market volatility characterizing the current economic environment. As such, the resulting valuations of securities or financial instruments will likely differ from values that would have been determined had an active market existed for such securities or had there been less market volatility.

#### *Related Party Transactions*

The Adviser is expected, in its discretion, to contract with related persons to perform services in connection with the Adviser's provision of services to the funds. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost. The Adviser has in place protocols and practices that are designed to mitigate any conflicts of interest with respect to the above recommendations, but there can be no assurances that such protocols and practices will be effective.

The Adviser may recommend to the funds an entity with which the Adviser or its personnel has a relationship or with which the Adviser or its personnel otherwise derive financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost. The compensation paid to a related person will not result in an offset of the management fee payable by the funds.

## **Item 12 - Brokerage Practices**

The Adviser primarily focuses on making investments that do not require a broker-dealer to act on the Adviser's behalf in making the investments, and therefore, the Adviser does not have any soft dollar arrangements with any broker-dealers. In the event that the Adviser is called upon to select and/or recommend broker-dealers or other counterparties to clients in the future, the Adviser will implement and adopt policies and procedures reasonably designed to ensure that such brokers are selected in a fair and equitable manner and will promptly amend this brochure to disclose such policies and procedures. In selecting broker-dealers to execute securities transactions, the Adviser's primary consideration will be to obtain the most favorable result for the Funds.

Funds' transactions may involve specialized services or distinctive sourcing considerations on the part of the broker, resulting in potentially higher commissions than would be the case with transactions requiring more routine services. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates and other services that will assist the Adviser in providing investment management services to the Funds. The limited availability of a particular investment may also impact the selection of a broker-dealer and the related commission. On an infrequent basis, the Adviser may receive research from broker dealers through whom Fund transactions are placed; however, the Adviser does not "pay up" for any such research and does not factor the receipt of research into its decision-making with respect to Funds transactions.

The Adviser does not aggregate the purchase or sale of securities for various client accounts.

### **Item 13 - Review of Accounts**

The Adviser regularly monitors its investment portfolio holdings. The investment team generally meets at least on a quarterly basis to review portfolio positions and individual loan matters. The Adviser continues to evaluate each of the Funds' investments once they are made, including continued liquidity analysis, assessment of return profile and further development or revision of potential exit opportunities. This analysis typically includes, an income statement analysis, a balance sheet analysis, cash flow or liquidity review and a macro risk evaluation.

Annually, each Fund will furnish all limited partners with (i) audited financial statements prepared in accordance with generally accepted accounting principles, accompanied by the report of its independent certified public accountants, and (ii) tax information necessary for the completion of tax returns. The Adviser may also provide other reports and statements to investors on a periodic basis. Please see Item 15 for additional information with respect to custody of assets.

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

Except as otherwise disclosed herein, the Adviser does not currently maintain any solicitation relationships with placement agents on behalf of the Funds. Furthermore, SAM has not entered into any arrangement under which it receives any economic benefit, including sales awards or prizes, from a person who is not a client for providing advisory services to clients. The Adviser's affiliates may also receive such fees and compensation in connection with a transaction that is not ultimately consummated.

SAM may enter into a referral arrangement with an unaffiliated entity (the "Placement Agent") for introducing and referring investors to invest in future funds managed by SAM. If SAM hired a Placement Agent, it would be responsible for compensating the Placement Agent, which would be charged at a percentage of the aggregate principal amount of any capital commitment that a referred investor subscribed or agreed to subscribe. Such payment may either be paid directly by SAM or by the Funds on behalf of SAM. Such Placement Agent fees that any future funds may pay will offset the management fees that the future funds have to pay.

## **Item 15 - Custody**

Due to the Adviser's affiliation with the GP, the Adviser may be deemed under Rule 206(4)-2 under the Advisers Act to have custody of the assets of the Funds. To the extent required pursuant to Rule 206(4)-2 under the Advisers Act, each Fund's cash and securities are maintained and held at one or more qualified custodians. The GPs are responsible for selecting qualified custodians and they may change custodians at any time and from time to time. Qualified custodians do not provide account statements directly to investors. The Adviser has engaged an independent public accounting firm to conduct an annual audit of each of the Funds. Audited financial statements (prepared in accordance with generally accepted accounting principles) generally are provided to each investor in the Funds within 120 days after the end of each fiscal year.

## **Item 16 - Investment Discretion**

The Adviser has discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of our clients. In connection with this discretionary authority, the Adviser selects investments for each Fund.

Each investor in a Fund generally grants the GP thereof a limited power of attorney to enable the GP to execute the applicable partnership agreement and perform certain other activities in connection therewith on its behalf. Please refer to the governing documents of the Funds for any limitations on the Adviser's investment authority.

## **Item 17 - Voting Client Securities**

While the Adviser technically has proxy voting authority on behalf of the Funds, it generally does not expect to be called upon to vote proxies with respect to securities owned by the Funds, as the Funds do not acquire or hold publicly traded securities. Nevertheless, in the event that the Adviser is called upon to vote proxies, it will vote such proxies in accordance with its proxy voting policy, which is reasonably designed to ensure that the Adviser votes proxies in a manner that furthers the best interests of each Fund. In general, proxy proposals, amendments, consents and/or resolutions are required to be voted in a manner that serves the best interests of the applicable Fund, as determined in the discretion of the Adviser.

The Adviser generally will attempt to identify actual or potential conflicts of interest that could compromise or be deemed to compromise the independence of the voting decisions when voting proxies on behalf of a Fund. In the event that a material conflict of interest is identified, the Adviser generally will attempt to resolve, mitigate or disclose such conflict before voting any proxy. To address or resolve a potential material conflict, the Adviser will follow the procedures outlined in its proxy voting policy. In some instances, the Adviser may determine that it is in a Fund's best interest for the Adviser to "abstain" from voting or not to vote at all and will do so accordingly.

Proxy voting reports, identifying how proxies were voted in the past and the Adviser's proxy voting policy are available upon written request to SAM at the address set forth on the cover page to this firm brochure.



## **Item 18 - Financial Information**

SAM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Funds.