

**Item 1. Cover Page.**

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**Part 2A of Form ADV: Firm Brochure**

**New China Capital Management Corp.**

**March 31, 2024**

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This brochure (this “**Brochure**”) provides information about the qualifications and business practices of New China Capital Management Corp. If you have any questions about the contents of this Brochure, please contact us at (203) 328-1800. 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 New China Capital Management Corp. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

New China Capital Management Corp. is registered with the SEC as an investment adviser. New China Capital Management Corp’s registration as an investment adviser does not imply any level of skill or training.

**Item 2. Material Changes.**

None.

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#### Item 4. Advisory Business.

New China Capital Management Corp. (“**NCCM**” or the “**Adviser**”) provides investment advice to private equity funds. NCCM is directly and indirectly 50% owned by each of Paul S. Wolansky and S. Donald Sussman. NCCM is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”).

NCCM was formed as a Delaware corporation in 2013. The Adviser, along with its affiliates and predecessors have, since 1992, implemented a core strategy of providing growth capital to middle-market companies in the fast growing private sector of the Chinese economy.

NCCM acts as the investment adviser to Cathay Capital Holdings III, L.P. (“**CCH III**”) and Cathay Opportunity Fund, L.P. (“**COF**”) (together, the “**Cathay Funds**”). NCCM Corp. indirectly provides investment advisory services to Cathay Capital Holdings III Corp. Ltd. (which invests substantially all of its assets in CCH III) and Cathay Opportunity Fund Corp. Ltd. (which invests substantially all of its assets in COF) (together, the “**Overseas Funds**”). The Cathay Funds are pooled investment vehicles that are not registered under the Investment Company Act of 1940, as amended (the “**ICA**”), and whose securities are not registered under the Securities Act of 1933, as amended (the “**Securities Act**”). The investors in the Cathay Funds are primarily “qualified purchasers” as defined in the ICA. Investors in the Overseas Funds must be “accredited investors” as defined under Regulation D under the Securities Act, “qualified purchasers” as defined in the ICA and “qualified eligible persons” as defined in regulations promulgated by the U.S. Commodities Futures Trading Commission. An affiliate of NCCM previously acted as the investment adviser to Cathay Capital Holdings, L.P. (“**CCH**”) and Cathay Capital Holdings II, L.P. (“**CCH II**”). In 2022, CCH was liquidated and the remaining assets of CCH II were transferred to a liquidating trust.

As the investment adviser of CCH III, NCCM, along with Cathay Capital III Master GP, Ltd., the general partner of CCH III (“**Cathay Capital III Master GP**”), selects and disposes of investments of CCH III. As the investment adviser of COF, NCCM, along with Cathay Capital IV Master GP, Ltd., the general partner of COF (“**Cathay Capital IV Master GP**”), selects and disposes of investments of COF. Each of Cathay Capital III Master GP and Cathay Capital IV Master GP are referred to herein individually as a “**General Partner**” and collectively as the “**General Partners**”. In making decisions for or on behalf of the Cathay Funds, including with respect to the nature or structuring of investments, the General Partners and the Adviser consider the interests of each of the Cathay Funds, as applicable, and not the particular interest of investors individually. Thus, any such decision may be more or less beneficial for one investor than for another investor, in respect of their individual tax situations, investment objectives or otherwise.

The Adviser provides investment advisory services to the Cathay Funds pursuant to investment management agreements (each, an “**Investment Management Agreement**”). The terms of the investment advisory services provided by NCCM to a Cathay Fund, including specific investment guidelines and restrictions, are set forth in each Cathay Fund’s Investment Management Agreement, offering documents and/or governing documents. Such investment guidelines and restrictions limit the focus of the Adviser’s investment advisory activity primarily to the development of a portfolio of direct and other investments in companies operating in or affected

by economic activity in the People's Republic of China (the "**PRC**") and securities reasonably related to such investments. Investors in the Cathay Funds cannot impose any additional investment guidelines or restrictions on the Cathay Funds.

As of December 31, 2023, NCCM managed a total of approximately \$279 million client assets on a discretionary basis. The Adviser does not manage client assets on a non-discretionary basis.

## **Item 5. Fees and Compensation.**

A. As compensation for investment advisory services, NCCM receives from CCH III and COF, during a specified investment commitment period, a semi-annual management fee payable less than six months in advance (the "**Management Fee**"), generally equal to 1% (2% per annum) of the aggregate investments committed to such Cathay Fund. After the expiration of the relevant investment commitment period, the Management Fee is generally equal to 1% (2% per annum) of aggregate capital contributions in respect of outstanding portfolio investments. The applicable General Partner may, in its sole and absolute discretion, reduce, waive or calculate differently all or a part of the Management Fee with respect to any investor in the relevant Cathay Fund, including any investors that are affiliates or employees of the Advisers, members of the immediate families of such persons and trusts or other entities for their benefit.

B. The Management Fee is billed to each of CCH III and COF.

C. Each Cathay Fund typically bears all of the expenses relating to such Cathay Fund's activities (to the extent not reimbursed by a portfolio company), including, without limitation:

- legal, accounting, consulting, audit and tax preparation expenses (including costs of reports to investors, financial statements, tax returns and K-1s);
- expenses related to the advisory board of such Cathay Fund;
- fees of the administrator;
- investment expenses (*i.e.*, expenses which are related to the acquisition, holding, monitoring, supervision and disposition of such Cathay Fund's proposed or actual portfolio investments);
- third party and out-of-pocket expenses in connection with transactions not consummated;
- all expenses of liquidating such Cathay Fund;
- premiums for insurance for protecting such Cathay Fund, the applicable General Partner and applicable Adviser, and any of their respective affiliates;

- expenses related to organizing companies through or in which portfolio investments will be made;
- extraordinary expenses (such as litigation);
- taxes or other governmental or regulatory charges payable by such Cathay Fund;
- certain indemnity obligations of such Cathay Fund to the applicable General Partner; and
- certain expenses incurred in connection with defaulting investors.

Brokerage fees and other transaction expenses that are incurred by the Cathay Funds are disclosed in the offering documents and/or governing documents of the Cathay Funds under the caption “Transaction Costs” and are also discussed in Item 12 – Brokerage Practices below.

To the extent the Adviser, the General Partners or their respective affiliates pay any of the expenses outlined in this Item 5.C. on behalf of the Cathay Funds, the relevant Cathay Fund is or will be required to reimburse the Adviser, such General Partner or such affiliate, as the case may be, upon request. These expense reimbursements are in addition to the advisory fees described in Item 4 – Advisory Business and are disclosed to investors in the relevant offering documents and/or governing documents.

D. Pursuant to the Investment Management Agreement of CCH III and COF, any payment of the Management Fee for a period of less than six months is reduced on a *pro rata* basis according to the actual number of days during the period, and the excess is refunded by NCCM to CCH III and COF, as applicable.

E. Other than as stated above, neither the Adviser nor any of its supervised persons accepts or otherwise receives directly or indirectly any compensation for the sale of securities or other investment products.

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

Cathay Capital III Master GP and Cathay Capital IV Master GP each receive a “carried interest” allocation equal, in the aggregate, to 20% of the cumulative realized net profits on the interests of each investor in the applicable Cathay Fund, subject to certain hurdles, which carried interest is distributed to such General Partner upon the realization of specific investments of such Cathay Fund. Upon termination of a Cathay Fund, if the amount of the carried interest previously distributed to its General Partner in respect of any investor in such Cathay Fund exceeds 20% of the cumulative net profits on such investor’s interests in all investments of such Cathay Fund in which such investor had an interest, then such General Partner will return to such Cathay Fund such excess, less income taxes attributable thereto.

Performance-based compensation may in certain instances encourage portfolio managers to overvalue assets in order to increase the amount of that performance-based compensation. In the

case of the Cathay Funds, the carried interest received by the General Partners is or will be payable only after a specific investment is realized. Neither Cathay Capital III Master GP nor Cathay Capital IV Master GP receives an incentive allocation based on valuations that it makes. However, the General Partners' incentive allocation arrangement may create an incentive for the Advisers to make investments that are riskier or more speculative than would be the case if such an arrangement were not in effect.

#### **Item 7. Types of Clients.**

As described in Item 4 – Advisory Business above, NCCM provides investment advisory and management services to CCH III and COF.

The minimum capital commitment to CCH III and COF is \$5 million, subject to the sole and absolute discretion of Cathay Capital III Master GP. The board of directors of each Overseas Fund may authorize the acceptance of commitments in such Overseas Fund from investors for any amount.

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

Below is a summary of methods of analysis and investment strategies employed by the Adviser and the material risks associated therewith.

The offering documents and/or governing documents of each Cathay Fund include additional information on these risks, and should be reviewed by any participating investor. An investment in a Cathay Fund involves a degree of risk. There can be no assurance that the investment objectives of any Cathay Fund will be achieved, or that investment in any Cathay Fund will receive a return of capital. Investors in any Cathay Fund should be prepared to bear the loss of their investment.

#### **Methods of Analysis and Investment Strategies.**

The Adviser believes that certain “developed” industries elsewhere in the world are growth industries in China. These include, but are not limited to, fast-moving consumer goods, financial services, data services, logistics, cybersecurity and clean energy. As Chinese consumers become more sophisticated, the markets that service those consumers evolve in much the same ways as similar markets in now developed countries developed. The Adviser believes that these industries generally provide more attractive investment opportunities on a “risk/reward” basis than investments in companies with unproved technology such as new cancer drug and business models.

The Adviser believes that the Chinese economy is in a historical pivotal moment amid the ongoing trade war with the US and emerging from a worldwide pandemic and that there are fundamental changes in the direction and structure of the Chinese economy which are extremely positive to our long-term belief in the future of a domestic demand-driven economy in China. Among other things, the SINO-US trade war and the US sanction of certain Chinese technology companies have forced a decoupling of the Chinese and US economies in many high-tech industries, creating a natural protective environment for domestic Chinese emerging players to

replace once-dominant foreign players in the Chinese market. Additionally, the disruption in the global supply chain during the pandemic and the US' intention to reduce reliance on China have expedited the Chinese government's initiatives to "upgrade" its manufacturing capabilities to high value-added processes and services. Companies that take advantage of these trends may offer attractive investment opportunities.

The Adviser believes that the future growth of the Chinese economy will continue to be fueled by domestic demand created by increasing personal disposable income and continued urbanization. China is losing its low-cost manufacturing advantage as inputs costs such as land, energy, and especially labor increase, partly as a result of economic development and partly as the government phases out subsidies originally designed to encourage exports. This development has also been supported by the Chinese government's desire to move the Chinese industries up the value chain to produce more value-added services and products which support higher wage levels. Consequently, most of the companies selected by the Adviser likely will focus on expansion in the domestic Chinese market, rather than export.

The Adviser generally advises the Cathay Funds to take minority interests in portfolio companies (with appropriate controls and safeguards), but may deem it beneficial to take control positions in certain circumstances.

Over time, the universe of exit opportunities available to financial investors in China has expanded dramatically. The Adviser expects that the most likely exits for the Cathay Funds' investments are (1) IPOs on the Stock Exchange of Hong Kong, NASDAQ, NYSE, London's AIM or other overseas exchanges, (2) trade sales to international industrial companies looking to enter or expand operations in China, (3) trade sales to Chinese industrial companies looking to expand their product lines or market share, (4) trade sales to domestic A-Share listed companies looking to capture arbitrage opportunities between valuations of non-listed companies and the valuation of their listed shares; (5) IPOs on the Chinese domestic exchanges (including the Shanghai STAR Board), and (6) sales to larger overseas or Chinese private equity funds. Over the course of the experience of the Adviser and its affiliates in China, exits have been achieved in all six of the categories listed above.

Each potential investment project is subjected to evaluation and due diligence. The Adviser is presented with a very large number of potential projects each year. The evaluation process helps the Adviser narrow down the potential projects, so that staff resources are concentrated on the projects which show the most promise. The Adviser pursues a due diligence process prior to each investment by a Cathay Fund. This due diligence process generally includes, among other things, analysis of both the company's operations and the competitive market, interviews with management, customers and industry experts, and financial and legal due diligence. The Adviser spends considerable time studying local legal and regulatory issues. The due diligence process will vary, however, from investment to investment as deemed appropriate by the applicable General Partner.

Most investments advised by the Adviser are made in companies which are not publicly traded at the time of investment; however, some investments may be in securities of certain listed companies, some of which lack significant liquidity. In advising the Cathay Funds, the Adviser implements the following investment strategies:



***Focus on the Private Sector of the Chinese Economy.*** The Adviser generally targets companies in the private as opposed to state-owned sector of the economy. This is the fastest growing segment of the Chinese economy and, given the inefficiencies in the Chinese system of capital allocation, presents very attractive opportunities for private equity investments, which often consist of providing working capital in return for private equity returns.

***Focus on Proven Industries, Products and Services.*** The Adviser generally targets companies in industries whose potential has been already proved elsewhere in the world, which the Adviser believes provide better opportunities (on a “risk/reward” basis) than untried areas of the economy.

***Focus on Established, Well Managed Companies.*** The Adviser generally targets companies with a record of operation, a strong management team and the willingness to adopt appropriate corporate governance procedures. By investing in established but growth stage companies, as opposed to “concept plays,” the Adviser believes that they will be able to reduce the execution and market risks associated with early-stage investments.

***Focus on the Domestic Market.*** The Adviser generally targets companies that seek to take advantage of the development of the domestic markets rather than export markets. The PRC’s cost advantage in manufacturing has been diminishing and, the Adviser believes, will continue to diminish over time as labor, energy and land costs continue to rise. At the same time, the Advisers believe that the domestic economy will continue to grow along with the consumer base.

***Focus on Building Partnerships with Portfolio Companies.*** When the size and structure of the investment so permit, the Adviser uses its role as both investor and adviser to enable it to build a true partnership with their portfolio companies. This in turn will allow the Adviser not only to monitor better the progress of the company in fulfilling its development plan, but also to influence that progress and provide assistance where necessary.

### **Certain Risk Factors.**

The methods of analysis and investment strategies described above involve a substantial degree of risk, and a Cathay Fund may lose all or a substantial portion of the value of its investment. Material risks relating to the investment strategies and methods of analysis described above include the following, each of which is described in more detail in the applicable Cathay Fund’s offering document.

***Nature of Investment.*** An investment in a Cathay Fund requires a long-term commitment, with no certainty of return. There is likely to be little or no near-term cash flow available to the investors. Many of the Cathay Funds’ investments will be highly illiquid, and it is expected that the investors will achieve liquidity on their investments only when they receive interim distributions and upon termination of a Cathay Fund. Moreover, there can be no assurance that the Cathay Funds will be able to realize on such investments in a timely manner. Dispositions on such investments may require a lengthy time period or may result in a distribution in kind to the investors.

***Dependence on Key Personnel.*** The success of the Cathay Funds will depend in large part upon the ability of the Cathay Funds’ investment team (including the Adviser) to develop and implement

investment strategies that achieve each Cathay Fund's investment objective. If a number of senior employees of such investment team were to become unable to participate in the management of the Cathay Funds, the consequences to the Cathay Funds could be material and adverse. For example, if such an event occurred, the performance of the Cathay Funds could be materially adversely impacted or the Cathay Funds could be prematurely terminated.

***No Limited Partner Participation in Management.*** Investors in any Cathay Fund generally will have no opportunity to participate in the conduct of the business or in the operations, including investment decisions, of such Cathay Fund and must rely entirely on the Adviser and the applicable General Partner of such Cathay Fund to conduct and manage the affairs of the Cathay Fund.

***Limited Liquidity.*** An investment in a Cathay Fund provides limited liquidity. Interests in the Cathay Funds are not registered under the Securities Act or any other securities laws and, therefore, cannot be resold unless they are subsequently registered under such laws or registration thereunder is not required pursuant to an exemption from registration or otherwise. Interests are also subject to substantial restrictions on transferability under the relevant fund documents. There is no market for any interests in the Cathay Funds and none is expected to develop. Also, an investor generally may not elect to withdraw all or any part of its capital account during a specified period, and investors may not be able to liquidate their investments prior to the end of such period.

***Availability of Suitable Investments.*** Investors must rely on the Adviser's ability to identify, structure, and implement investments consistent with the Cathay Funds' investment program. While the applicable General Partner may believe that suitable investment opportunities of the type in which the Cathay Funds intend to invest are currently available, there can be no assurance that such investment opportunities will continue to be available for the Cathay Funds' investment activities, that there will be a sufficient number of such investment opportunities to enable the Cathay Funds to invest all committed amounts, or that such investment opportunities will satisfy the Cathay Funds' investment criteria or lead to completed investments by the Cathay Funds.

***Competition for Investment Opportunities.*** There may be competition for investments from numerous other potential investors, many of which will have significant financial resources. As a result, there can be no guarantee that a sufficient quantity of suitable investment opportunities for any Cathay Fund will be found, that investments on favorable terms can be negotiated, or that any Cathay Fund will be able to fully realize the value of such Cathay Fund's investments. Competition for investments may have the effect of increasing any Cathay Fund's costs and expenses, thereby reducing investment returns to such Cathay Fund.

***Unspecified Use of Proceeds.*** As of the date of investments by investors, each Cathay Fund may not have selected the investments that it will make. Purchasers of interests in a Cathay Fund will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Cathay Funds and, accordingly, will be dependent upon the judgment and ability of the Adviser and applicable General Partner in investing and managing the capital of the Cathay Funds. No assurance can be given that the Cathay Funds will be successful in obtaining suitable investments, or that if such investments are made, the investment objectives of the Cathay Funds will be achieved.

***Minority Investments.*** The Cathay Funds may make minority investments in portfolio companies where the Cathay Funds may not have the right to appoint a director or otherwise be able to control or influence effectively the business or affairs of such entities. The entity in which a Cathay Fund's investment is made may have economic or business goals that are inconsistent with those of such Cathay Fund, and such Cathay Fund may not be in a position to limit or otherwise protect the value of its investment in the portfolio company. In addition, although such Cathay Fund may seek board representation in connection with its investments, there is no assurance that such representation, if sought, will be obtained. In all such cases, such Cathay Fund will rely significantly on the existing management and boards of directors of portfolio companies, which may include representatives of investors with whom such Cathay Fund is not affiliated and whose interests may conflict with the interests of such Cathay Fund.

***Exit Difficulties.*** The Cathay Funds' investments will be subject to various risks, particularly the risk that the Cathay Funds will be unable to realize their respective investment objectives by sale or other disposition at attractive prices or be unable to complete any exit strategy. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any dissolution thereof. There can be no assurance that a public market will develop for any of the Cathay Funds' investments or that the Cathay Funds will be able to realize such investments. Although these securities may be resold in privately negotiated transactions, the prices on these sales could be less than the investment's cost basis. Further, companies whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities. Therefore, there can be no assurance that the Cathay Funds will realize net profits or achieve returns commensurate with the risks associated with their respective investments, or that the Cathay Funds will not experience losses in their investments, which may be substantial.

***Risks Upon Disposition of Investments.*** In connection with the disposition of an investment in a portfolio company, the Cathay Funds may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. The Cathay Funds 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 incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which may ultimately have to be funded by the investors to the extent of their investments or to the extent that the investors have received prior distributions from the relevant Cathay Fund.

***Risks Arising from Provision of Managerial Assistance.*** Each Cathay Fund on occasion may obtain contractual rights to participate substantially in and to influence substantially the conduct of the management of its portfolio companies. In such instances, such Cathay Fund typically will designate directors to serve on the boards of directors of portfolio companies. The designation of representatives, observers, directors and other measures contemplated could expose the assets of such Cathay Fund to claims by a portfolio company, its security holders, creditors and regulators, including the claims that such Cathay Fund is a controlling person and thus is liable for securities laws violations of a portfolio company. These measures could also result in certain liabilities in the event of the bankruptcy or reorganization of a portfolio company; could result in claims,

including claims for indemnity, against such Cathay Fund if the designated directors violate their fiduciary or other duties to a portfolio company or fail to exercise appropriate levels of care under applicable corporate or securities laws, environmental laws or other legal or regulatory principles or regimes; and could expose such Cathay Fund to claims that it has interfered in management to the detriment of a portfolio company. While the General Partners and Adviser intend to manage the Cathay Funds in a way that will minimize the Cathay Funds' exposure to these risks, the possibility of successful claims cannot be precluded.

***Risk of Portfolio Companies.*** Certain of the Cathay Funds' investments may be in portfolio companies with little or no operating history, unproven technology, untested management, and unknown future capital requirements. These companies may face intense competition, often from established and more experienced companies with greater financial and technical resources, more marketing and service capabilities, and greater number of qualified personnel. Of that portion of each Cathay Fund's portfolio that will consist of liquid securities, it is expected that all or a portion of those holdings may be in the stocks of micro- or small- to medium-sized companies rather than larger, "blue chip" companies. While such investments might provide significant potential for appreciation, such stocks, particularly micro- and smaller-capitalization stocks, involve higher risks than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some micro- and small-capitalization stocks, an investment in those stocks may be illiquid.

***Legal and Regulatory Environment for Private Investment Funds and their Managers.*** The legal, tax and regulatory environment worldwide for private offered investment funds (such as the Cathay Funds) and their managers (such as the Adviser) is evolving, and changes in the regulation of private investment funds, their managers, and their investing activities may have a material adverse effect on the value of any Cathay Fund's investments and on its abilities to pursue its investment program. There has been an increase in scrutiny of the alternative investment industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of any Cathay Fund to pursue its investment program or employ counterparties could have a material adverse effect on such Cathay Fund and its investors' investments therein. For example, such legislation and regulations may, directly or indirectly, (i) require the Adviser to provide reports and other disclosure to investors, counterparties, creditors and regulators, (ii) cause the Adviser to alter management of the Cathay Fund, including for the purposes of avoiding increased regulatory burdens, (iii) limit the types and structures of the investments available to such Cathay Fund including limitations on the use of leverage, or (iv) otherwise change or restrict the operations of such Cathay Fund. In particular, recently, there has been significant discussion regarding greater governmental scrutiny and/or potential regulation of the private equity industry, as private equity firms become more significant participants in the global economy. It is uncertain what form such enhanced scrutiny and/or regulation on the private equity industry ultimately may take and in what jurisdictions such measures may be implemented. Therefore, there can be no assurance as to whether any such regulatory scrutiny or initiatives will have an adverse impact on the private equity industry, including the ability of the Adviser to achieve its objectives. In the past, legislation has been proposed to treat a substantial portion of any carried interests as ordinary income for U.S. federal

income tax purposes. Enactment of similar proposals could adversely affect employees or other individuals performing services for any Cathay Fund who hold direct or indirect interests in the applicable General Partner and benefit from carried interest, which could make it more difficult for the Adviser and its affiliates to incentivize, attract and retain individuals to perform services for such Cathay Fund. In addition, the Adviser may, in its sole discretion, cause any Cathay Fund to be subject to certain laws and regulations if it believes that an investment or business activity is in such Cathay Fund's interest, even if such laws and regulations may have a detrimental effect on one or more of its investors.

***Increased Regulatory Oversight.*** The financial services industry generally, and the activities of private investment funds and their managers, in particular, have been subject to intense and increasing regulatory oversight. Such scrutiny may increase any Cathay Fund's, the Adviser's and the applicable General Partner's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may impose administrative burdens on the Adviser and applicable General Partner, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Adviser and applicable General Partner's time, attention and resources from portfolio management activities. In addition, regulatory investigations could harm such Cathay Fund's reputation, which could adversely affect its ability to consummate transactions. The extent to which the underlying causes of recent regulatory events are pervasive throughout global financial markets and have the potential to cause further instability is not yet clear. Regulation generally, as well as regulation more specifically addressed to the alternative investment fund industry, including tax laws and regulation, whether in the United States, the European Union or elsewhere, could increase the cost of acquiring, holding or divesting investments and the cost of operating any Cathay Fund. Any such increase in the costs and expenses of operating any Cathay Fund may adversely affect the returns that investors might otherwise have received from such Cathay Fund.

***AIFMD.*** In Europe, the Alternative Investment Fund Managers Directive 2011/61/EEA (as amended or recast from time to time and including any relevant implementing rules and regulations) entered into force on July 21, 2011 (the "**AIFM Directive**"). European Union Member States were obliged to implement the AIFM Directive into their national laws by July 22, 2013. The AIFM Directive regulates managers of alternative investment funds that are not Undertakings for the Collective Investment of Transferable Securities, but which are marketed or managed in the European Economic Area ("**EEA**"). It is not currently intended that any Cathay Fund interests will be marketed within the meaning of the AIFM Directive (as implemented in the relevant member states of the EEA) to investors domiciled or with a registered office in the EEA ("**EEA Investors**"). Accordingly, it is expected that the Adviser should have no obligations pertaining to or arising out of the AIFM Directive. To the extent that any interests in a Cathay Fund are ever marketed to EEA Investors, the Adviser would be the AIFM of such Cathay Fund for the purposes of the AIFM Directive. However, the precise impact of the AIFM Directive on such Cathay Fund will be depend upon whether the Cathay Fund is marketed to EEA-based investors. In relation to marketing any Cathay Fund to potential investors who are located in the EEA, a Cathay Fund may be obliged (as may be required under the AIFM Directive) to provide certain additional information in the annual report of such Cathay Fund, certain information about such Cathay Fund and its investments to applicable European Union regulator(s) and certain further information to its investors. To the extent that any General Partner, any Cathay Fund or the Adviser are required to comply with the AIFM Directive, the applicable Cathay Fund may be

subject to additional costs, as well as operational and administrative constraints, which could have the effect of reducing potential returns to investors.

***Financial Choice Act.*** In 2017, the Financial Choice Act, a proposed amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “*Dodd-Frank Act*”), was voted on by the U.S. House of Representatives but not the U.S. Senate. The act’s proposed changes to the Dodd-Frank Act include new exemptions from registration under the Investment Advisers Act for private investment fund managers (such as the Adviser), the elimination of the “Volcker Rule,” a change in the definition of “accredited investors” and a change in the definition of general solicitation. Notwithstanding the foregoing, implementation of the Dodd-Frank Act, and potentially the Financial Choice Act, would require extensive rulemaking over several years by multiple regulators, and uncertainty remains about the final details, impact and timing of those rules.

***Systemic Risk.*** Credit risk may arise through a default by or because of one of several large institutions that are dependent on one another to meet their liquidity or operational needs. A default by or because of one institution may cause a series of defaults by the other institutions. This is sometimes referred to as a systemic risk and may adversely affect financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which any Cathay Fund interacts. A systemic failure could have material adverse consequences on any Cathay Fund and on the markets for the investments in which such Cathay Fund seeks to invest.

***Recent Regulatory Developments regarding Certain Issuers in China; Political Tensions between the United States and China.*** Political tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 pandemic, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the central government of the PRC and the executive orders issued by U.S. President Donald J. Trump in August 2020 that prohibit certain transactions with ByteDance Ltd., Tencent Holdings Ltd. and the respective subsidiaries of such companies. More recently, the U.S. White House issued an executive order on November 11, 2020 titled “Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies” (“**E.O. 13959**”). E.O. 13959 prohibits the purchase of certain publicly traded securities of issuers identified therein as well as of certain securities that are derivative of, or are designed to provide investment exposure to, the prohibited securities listed in E.O. 13959. In addition, on December 2, 2020, the U.S. House of Representatives passed the Holding Foreign Companies Accountable Act (the “**HFCAA**”) (which had been passed by the U.S. Senate in May of 2020) which is aimed at delisting from U.S. securities exchanges certain non-U.S. issuers including issuers in China. Other restrictions and executive orders limiting both investment in and commerce with certain Chinese companies are expected to follow. While E.O. 13959 (including the list of prohibited securities listed therein) and HFCAA in their current form are not expected to have a material adverse impact on the investment opportunities available to any Cathay Fund and the performance of the its investments, it is possible that amendments or other modifications to these regulations, or future restrictions imposed through either legislation or executive orders, could impact or limit the types of investments held by, and the investment opportunities available to, such Cathay Fund which could have a material adverse effect on its investment performance. Violations of E.O. 13959 could result in significant civil and criminal penalties. The U.S. Department of Treasury’s Office of Foreign Assets Control (“**OFAC**”) issued guidance on December 28, 2020 regarding the

prohibitions in E.O. 13959 through a series of “frequently answered questions” or “FAQs”. Based on the text of E.O. 13959 itself and the related FAQs, the Advisers believe that such prohibitions do not apply to an investor’s purchase of interests in any Cathay Fund, as such interests are not in publicly traded securities. However, there can be no assurance that OFAC or any other agency or court with jurisdiction to enforce the prohibitions of E.O. 13959 would agree with such interpretation. Furthermore, rising political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on the Adviser’s business, prospects, financial condition and results of operations. There have also been recent media reports on deliberations within the U.S. government regarding potentially further limiting or restricting China-based companies from accessing U.S. capital markets. If any such other legislation were to be enacted or any regulations were to be adopted along these lines, it could inhibit the ability of a portfolio company of a Cathay Fund to raise capital or restrict the ability of a Cathay Fund to dispose of an investment through the U.S. capital markets. In addition, any such legislation or regulations (including the HFCOA and E.O. 13959) could negatively affect the attitudes of investors towards China-based issuers listed in the United States in general, which also could have a material and adverse impact on the exit potential of investments in any Cathay Fund.

***“Bad Actor” Restrictions for Private Placements Conducted Under Rule 506 of Regulation D.***

An issuer is precluded from conducting offerings that rely on the exemption from registration under the Securities Act provided by Rule 506 of Regulation D (“*Rule 506 Offerings*”) if a “covered person” of the issuer has been the subject of a “disqualifying event” (each as defined below). “Covered persons” include, among others, the issuer, affiliated issuers, any investment manager or solicitor of the issuer, any director, executive officer or other officer participating in the offering of the issuer, any general partner or managing member of the foregoing entities, any promoter of the issuer and any beneficial owner of 20% or more of the issuer’s outstanding voting equity securities, calculated on the basis of voting power. A “disqualifying event” includes, among other things, certain (a) criminal convictions and court injunctions and restraining orders issued in connection with the purchase or sale of a security or false filings with the SEC, (b) final orders from the CFTC, U.S. Federal banking agencies and certain other regulators that bar a person from associating with a regulated entity or engaging in the business of securities, insurance or banking or that are based on certain fraudulent conduct, (c) SEC disciplinary orders relating to investment advisers, brokers, dealers and their associated persons, (d) SEC cease-and-desist orders relating to violations of certain anti-fraud provisions and registration requirements of the U.S. Federal securities laws, (e) suspensions or expulsions from membership in a self-regulatory organization (“SRO”) or from association with an SRO member, and (f) U.S. Postal Service false representation orders. A disqualification will occur only in the case of a disqualifying event of a covered person that occurs on or after September 23, 2013, although issuers must disclose to potential investors in a Rule 506 Offering disqualifying events of covered persons that occurred before September 23, 2013. The rule provides an exception from disqualification if the issuer can show that it did not know and, in the exercise of reasonable care could not have known, that the issuer or any other covered person had a disqualifying event, although an issuer will not be able to establish that it has exercised reasonable care unless it has made, in light of the circumstances, factual inquiry into whether any disqualifications exist. The Adviser and each General Partner have made, and on a periodic basis will continue to make, inquiries into whether any persons that either the Adviser or such General Partner has determined to be affiliated issuers have been subject to any disqualifying

events; however, in some circumstances the Adviser's or such General Partner's ability to determine whether the applicable Cathay Fund would be disqualified from relying on Rule 506 may depend on cooperation of third parties over whom the Adviser or such General Partner may have limited control and influence. If any of the Adviser's covered persons is subject to a disqualifying event, an applicable Cathay Fund could lose the ability to raise capital in a future Rule 506 offering for a significant period of time and such Cathay Fund's business, financial condition and results of operations could be materially and adversely affected.

***Supervisory Risk and Misconduct of Employees and of Third-Party Service Providers.*** Although the Adviser plans to use reasonable efforts to supervise its personnel, it is possible that any such person may take an action that is outside the scope of their employment or fail to perform an action that is required by the scope of their employment. Any such action or failure to act may have a material adverse effect on any Cathay Fund. No guarantee or representation is made that the Adviser will be able to avoid occurrences of such events. Misconduct by the Adviser's employees or by third-party service providers to any Cathay Fund could cause significant losses to such Cathay Fund. Employee misconduct may include unauthorized activities or concealing unsuccessful activities (which, in either case, may result in unknown and unmanaged risks or losses). In addition, employees and service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting any Cathay Fund's business prospects. Although the Adviser will adopt measures reasonably designed to prevent and detect employee misconduct, such measures may not be effective in all cases. No assurances can be given that the due diligence performed by the Adviser will identify or prevent any such misconduct. In addition to the foregoing, losses could also result from actions by service providers alone, including, without limitation, failing to record transactions or improperly performing their responsibilities. Each Cathay Fund is dependent upon its counterparties and certain third-party service providers, including the administrator, accountants, auditors, legal counsel and other service providers as described elsewhere herein. Errors are inherent in the business and operations of any business and although the Adviser will adopt measures reasonably designed to prevent and detect errors by, and misconduct of, counterparties and service providers, and will only transact with counterparties and service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on any Cathay Fund and its investors' investments therein.

***Expedited Transactions.*** Investment analyses and decisions by the Adviser may be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time of an investment decision is made may be limited, and such parties may not have access to detailed information regarding the investment opportunity. Therefore, no assurance can be given that the Adviser will have knowledge of all circumstances that may adversely affect an investment. In addition, the Adviser may rely upon independent consultants in connection with its evaluation of proposed investments; however, no assurance can be given that these consultants will have sufficient time to perform such evaluations nor that they will accurately evaluate such investments.

***Allocation Arrangements.*** Each General Partner may receive an incentive allocation based upon the net capital appreciation allocated to each investor in the applicable Cathay Fund. This incentive allocation arrangement may create an incentive for the Adviser, an affiliate of such General



Partner, to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect.

**Cybersecurity.** As part of its business, the Adviser processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the applicable Cathay Funds and personally identifiable information of investors. Similarly, service providers may process, store and transmit such information. The Adviser has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Adviser may be susceptible to compromise, leading to a breach of the Adviser's network. The Adviser's systems or facilities may be susceptible to employee error or malfeasance, government surveillance or other security threats. On-line services provided by the Adviser to the investors, if any, may also be susceptible to compromise. Breach of the Adviser's information systems may cause information relating to the transactions of the Cathay Funds and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

**Side Letters; Other Agreements.** Each General Partner or the Adviser may enter into side letters or other similar agreements with an investor in a Cathay Fund without the approval of the other investors in such Cathay Fund, which may have the effect of establishing rights under, or altering or supplementing the terms of, the applicable governing documents with respect to such investor in a manner more favorable to such investor than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement may include (i) different notice periods, minimum investment amounts, or fees, (ii) the agreement of the applicable General Partner to extend certain information rights or additional diligence, valuation or reporting rights to such investor, including to accommodate special regulatory or other circumstances of such investor, (iii) consent of the applicable General Partner to certain transfers by such investor or other exercises by the applicable General Partner of its discretionary authority under the governing documents of the applicable Cathay Fund in certain respects for the benefit of such investor, or (iv) other rights or terms in light of particular legal, regulatory, public policy or other characteristics of such investor. While any rights or terms so established in a side letter or other similar agreement with an investor will govern solely with respect to such investor, the terms of any such side letter or agreement will not be disclosed to other investors, unless the applicable General Partner in its discretion determines otherwise. In general, neither the Cathay Funds nor the General Partners will be required to notify any investor of the existence of any additional or different terms applicable to any other investor or group of investors, nor will the Cathay Funds or the General Partners be required to offer such additional and/or different terms to any or all of the other investors. Such rights may be granted to any investor as determined by the Cathay Funds and the General Partners in their discretion, and other investors will have no recourse against the Cathay Funds, the General Partners and/or any of their affiliates as a result thereof.

**Other Classes or Series.** Investors that hold certain classes, series, tranches or groups of interests in any Cathay Fund may have certain special rights with respect to co-investment opportunities in investments alongside such Cathay Fund. In addition, the applicable General Partner may in its

discretion, from time to time, create and issue additional classes, series, tranches or groups of interests in a Cathay Fund for any reason, upon such terms and with such rights, preferences and privileges as such General Partner may determine and without the approval of the investors; *provided* that such creation and issuance does not adversely affect the rights of existing investors in such Cathay Fund. Any classes, series, tranches or groups of interests may have terms that differ from the terms of any other classes, series, tranches or groups of interests, including, without limitation, voting rights, minimum commitment requirements, distribution policies, currency denominations, and management fees. The applicable General Partner shall determine, in its sole discretion, a person's eligibility to subscribe for interests in a Cathay Fund. The applicable General Partner may, in its sole discretion, close any classes, series, tranches or groups of interests to new investment at any time. If new classes of interests are created, then, to the extent determined by a General Partner, (i) debts, liabilities and obligations with respect to a particular class will be met from the assets of such class only and not from the assets of the applicable Cathay Fund generally or any other class, and (ii) none of the debts, liabilities, obligations or expenses with respect to the applicable Cathay Fund generally or any other class will be met from the assets of such class, except, in the case of each of clause (i) and (ii) as provided for by applicable law and the governing documents of such Cathay Fund. In the event that the assets of any class prove insufficient to meet the liabilities of such class, creditors of the applicable Cathay Fund may have the right to claim against the assets of such Cathay Fund generally (including against the assets of other classes). In such circumstances, the applicable General Partner will arrange for the liabilities to be met from the assets of such other classes as such General Partner determines is appropriate in good faith. If new classes of interests are created, then general expenses of the applicable Cathay Fund may be borne by each class *pro rata* based on capital commitments.

***Highly Volatile Markets.*** Price movements of securities in which the Cathay Funds assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets such as currency markets. Such intervention often is intended directly to influence prices and may, together with other factors, cause markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Moreover, since there is generally less government supervision and regulation of foreign stock exchanges and clearinghouses than in the United States, the Cathay Funds' investments also are subject to the risk of the failure of the exchanges on which their positions trade or of their clearinghouses, and there may be a higher risk of financial irregularities and/or lack of appropriate risk monitoring and controls. Highly volatile markets may affect the value of the securities purchased by and the number of investments made by the Cathay Funds.

***Risks Relating to the People's Republic of China.*** As the investment strategy of the Adviser is to make substantially all of the Cathay Funds' investments in companies operating, or affected by economic activity, in the PRC, the performance of these investments and the success of this strategy is subject to a significant degree to developments in the economy and conditions generally in the PRC.

- *Risk of slowdown or decline of the rapidly growing PRC economy.* While the PRC economy has grown rapidly in many recent years and certain economic commentators have

projected continued future growth, a slowdown or even decline of the PRC economy could have a material adverse impact on (i) the companies invested in by the Cathay Funds and thus the performance of the relevant investments and (ii) the availability of suitable or attractive investment opportunities for the Cathay Funds. In particular, the ongoing trade war with the US may have a negative impact on China's growth.

- *Risks related to the evolving economic and political structure of the PRC.* Various reform efforts by the PRC government since 1978, including the PRC's formal entry into the World Trade Organization in 2001, have resulted in significant restructuring of the PRC economy, government, legal and regulatory systems and society generally. These ongoing reforms have resulted in rapid economic growth, particularly in the private sector, and increasing emphasis on market mechanisms. Nevertheless, the PRC's economy continues to differ from the economies of developed countries in a number of important respects, including structure, level of government ownership and involvement, level of development, maturity of institutions, governmental control of foreign exchange and foreign investment and role, maturity and soundness of financial institutions. Moreover, while certain commentators expect reforms to continue, any change in or even reversal of the trend could have a material adverse impact on (i) the companies invested in by a Cathay Fund and thus the performance of the relevant investments and (ii) the availability of suitable or attractive investment opportunities for the Cathay Funds.

- *Risks related to currency exchange controls and the Renminbi.* The investment strategy of the Adviser may result in all or a substantial portion of the Cathay Funds' investments being denominated, directly or indirectly, in Renminbi. The Renminbi currently is not a freely convertible currency and conversion, where allowed, is at a rate fixed by the PRC government. PRC foreign exchange regulations currently generally permit without prior regulatory approval current account foreign exchange transactions, including payment of dividends, but significant limitations and prior governmental approvals continue to apply with respect to foreign exchange transactions on the capital account, including on repatriation of foreign currency proceeds from the PRC. Such restrictions may result in barriers or difficulties to the Cathay Funds in their successfully pursuing the investment strategy, as to any particular investment or generally.

Moreover, any future devaluation of the Renminbi by the PRC government would have an adverse impact on the value in foreign currency terms on the Renminbi denominated investments of the Cathay Funds.

- *Risks related to the legal system in the PRC.* The PRC government has in recent years been developing a comprehensive system of commercial laws and generally reforming the PRC legal system. While significant progress has been made and reforms are ongoing, foreign investors remain subject to significant risks from the PRC legal system, including as a result of significant aspects of the PRC legal infrastructure (including as to protection of shareholder rights) being relatively new, the volume of published cases and judicial interpretations being limited, and continuing weaknesses in the PRC courts and legal institutions, particularly as to legal enforcement of foreign interests.

- *PRC Taxes.* The PRC, unlike the United States, has neither a unified federal taxation scheme like the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), nor a

central taxing authority like the United States Internal Revenue Service. Instead, tax policy is generally promulgated through any number of governmental departments and notices, and the actual effect of any particular tax promulgation is highly dependent on local practice. There can be no assurance that the respective tax regimes, rules and regulations in the PRC, or the accepted interpretations thereof, will not change or be amended.

***Investments May Be Leveraged.*** The Cathay Funds may, from time to time, utilize leverage in connection with their investment programs, either on a margin or “project” basis, and may utilize short-term borrowings for operating and investing purposes. The use of leverage can, in certain circumstances, substantially increase the adverse impact to which a Cathay Fund’s investment portfolio may be subject. Trading securities on margin will result in interest charges and, depending on the amount of trading activity, such charges could be substantial. A high degree of leverage necessarily entails a high degree of risk and a Cathay Fund may become subject to claims by financial intermediaries that extended “margin” loans in respect of such managed account. Such claims could exceed the value of the assets in such Cathay Fund’s portfolio. The risks involved in the use of leverage are increased to the extent that a Cathay Fund itself leverages its capital.

***Hedging Transactions.*** Each Cathay Fund may utilize a variety of financial instruments such as derivatives, options, swaps, repurchase and reverse purchase agreements, forward contracts and futures contracts for risk management purposes in order to, among other things, protect against possible changes in the market value of such Cathay Fund’s investment portfolio resulting from fluctuations in the securities markets and changes in interest rates or protect such fund’s unrealized gains in the value of its investment portfolio.

The success of a Cathay Fund’s hedging strategy will depend, in part, upon the Adviser’s ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as the markets change or time passes, the success of a Cathay Fund’s hedging strategy will also be subject to the Adviser’s ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While a Cathay Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance than if they had not entered into such hedging transactions. In addition, the Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high to justify the cost of the hedge, or because it does not foresee the occurrence of the risk.

***Currency Trading.*** A portion of each Cathay Fund’s assets may be invested by the Adviser in securities denominated in PRC currency. Each Cathay Fund will, however, value its investments and other assets in U.S. dollars. To the extent unhedged, the value of a Cathay Fund’s net assets will fluctuate with U.S. dollar exchange rates as well as with price changes of investments in the PRC currency. Forward currency contracts and options may be utilized on behalf of a Cathay Fund to hedge against currency fluctuations, but the Adviser neither expects nor is required to hedge against currency fluctuations. There can be no assurance that the failure to hedge against currency fluctuations will not materially adversely affect the value of a Cathay Fund’s net assets or that such hedging transactions, even if undertaken, will be effective.

Furthermore, each Cathay Fund may incur costs with conversions between various securities. Currency exchange dealers realize a profit based on the difference between prices at which they are buying and selling various securities. Thus, a dealer normally will offer to sell currency to the Cathay Funds at one rate, while offering a lesser rate of exchange should a Cathay Fund desire immediately to resell that currency to the dealer. Each Cathay Fund will conduct its currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-U.S. securities.

***Short Selling.*** Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which a Cathay Fund engages in short sales will depend upon the Adviser's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to a Cathay Fund of buying those securities to cover the short position. There can be no assurance that a Cathay Fund will be able to maintain the ability to borrow securities sold short. In such cases, a Cathay Fund can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

#### ***Certain Tax Risks.***

- ***Partnership Status of the Cathay Funds.*** United States investors in a Cathay Fund will only receive the benefit of the "pass-through" treatment of gains and losses from the sale of portfolio investments as capital gains and losses if such Cathay Fund is a "partnership" for United States federal income tax purposes. Under current United States tax law, most legal entities, including the Cathay Funds, will qualify for pass-through treatment by default or on an elective basis without regard to the actual terms of the governing partnership agreement, so long as the entity has more than one partner. Even if a Cathay Fund qualifies as a partnership under the so called "check-the-box" regulations, it may nevertheless be subject to tax as a corporation if it is considered a "publicly traded partnership" under Section 7704 of the Code. A Cathay Fund will be treated as a publicly traded partnership if it is either traded on an "established securities market" or is readily tradable on a "secondary market or substantial equivalent thereof". The publicly traded partnership provisions include a number of special exceptions and safe harbors, including a safe harbor for entities that earn so-called "qualifying income". For this purpose, qualifying income includes most categories of interest, dividends and capital gains. If it were later determined that such Cathay Fund should be treated as an association or a publicly traded partnership taxable as a corporation for U.S. Federal income tax purposes (as a result of a successful challenge by the U.S. Internal Revenue Service ("**IRS**"), changes in the Code, United States Treasury Regulations (the "**Regulations**") or judicial interpretations thereof, a material adverse change in facts, or otherwise), the taxable income of such Cathay Fund could be subject to corporate income tax when recognized by such Cathay Fund; distributions of such income, other than in certain redemptions of interests in the Cathay Fund, would be treated as dividend income when received by the partners

of such Cathay Fund to the extent of the current or accumulated earnings and profits of such Cathay Fund; and partners of the Cathay Fund would not be entitled to report profits or losses realized by such Cathay Fund.

- *Phantom Income.* A limited partner in a Cathay Fund that is a U.S. taxpayer will receive a Form K-1 setting forth the limited partner's share of such Cathay Fund's income and realized gains, if any. Those items must be included in the limited partner's U.S. federal income tax return whether or not the limited partner receives any distributions from such Cathay Fund and whether or not the limited partner's investment has increased in value; and there can be no assurance that any Cathay Fund will have sufficient cash flow to permit it to make annual distributions in the amount necessary for its limited partners to pay all tax liabilities resulting from their ownership of interests in such Cathay Fund. As a result, a limited partner in a Cathay Fund that is a U.S. taxpayer may be required to utilize its own funds to satisfy any U.S. federal income tax liability attributable to the investment in such Cathay Fund.

- *Non-U.S. Taxes.* The Cathay Funds may be subject to withholding and other taxes imposed by, and investors in the Cathay Funds might be subject to taxation and reporting requirements in, jurisdictions in which the Cathay Funds make investments, including, without limitation, the PRC. It is possible that tax conventions between such countries and the United States (or another jurisdiction in which a non-U.S. investor in a Cathay Fund is a resident) might reduce or eliminate certain of such taxes. It is also possible that in some cases taxable investors in the Cathay Funds might be entitled to claim foreign tax credits or deductions with respect to such taxes, subject to limitations under applicable law. The governing documents of CCH III and COF treat any such tax withheld or otherwise payable with respect to income allocable to CCH III or COF, as applicable, as cash received by such Cathay Fund and will treat each investor therein (including any Overseas Fund) as receiving a distribution of the portion of such tax that is attributable to such investor. Similar provisions apply in the case of taxes required to be withheld from the Cathay Funds.

- *Changes in Tax Law.* Many changes to tax law have been made pursuant to tax reform legislation signed into law on December 22, 2017 (the "**Tax Reform Act**") and on March 27, 2020 (the "**CARES Act**"). The ultimate impact that the Tax Reform Act and the CARES Act will have on the Cathay Funds and on each prospective investor is uncertain. Further changes to tax law could be made and Treasury Regulations and other IRS guidance are expected to be issued with respect to the Tax Reform Act and the CARES Act which could have unexpected effects on the tax treatment of an investment in the Cathay Funds, including potentially with retroactive effect.

- *Allocation of Tax Items.* The governing documents of each Cathay Funds generally provide for the allocation among the partners of the Cathay Fund of items of income, deduction, gain, loss and credit for U.S. federal income tax purposes, for each fiscal year, in such a manner as to equitably reflect amounts credited or debited to each partner's capital account for current and prior fiscal years. Whether such allocations will be respected for U.S. federal income tax purposes is determined, in large part, by Section 704(b) of the Code and the Regulations promulgated thereunder. In short, these allocations will not be challenged by the IRS if they have "substantial economic effect". No legal opinion will be rendered as to whether the allocations among the partners of such Cathay Fund have substantial economic effect or will otherwise be respected for

U.S. federal income tax purposes. There can be no assurance that the IRS will not challenge the allocations of items of income, deduction, gain, loss and credit among the partners of such Cathay Fund on the grounds that such allocations lack substantial economic effect, or on some other grounds. Any such challenge, if successful, could adversely affect the tax consequences of an investment in such Cathay Fund and could subject its investors to income tax deficiencies, together with interest and penalties thereon.

- *Controlled Foreign Corporation (“CFC”) Status for Foreign Portfolio Companies.* Capital gains allocated to the investors of a Cathay Fund upon a sale of a portfolio company investment may be converted to ordinary income under the Code if such Cathay Fund invests in CFCs. Also, investors that are United States Shareholders (as defined by the CFC regulations) must include in income their allocable share of any subpart F income of CFCs. Investors will be deemed to own a proportionate share of a Cathay Fund’s interest in an investment in a portfolio company for purposes of the CFC rules. A foreign corporation is a CFC if more than 50% of the total combined voting power of all classes of voting stock or more than 50% of the total value of the stock of the entity is owned by “United States Shareholders”. A United States Shareholder is defined as any U.S. person who owns, directly or by attribution, stock possessing 10% or more of the voting power of the foreign corporation. Additionally, special rules provide that U.S. persons having a controlling interest in a foreign general partner of a foreign limited partnership having a controlling interest in a foreign corporation may cause such foreign corporation to be considered a CFC as a result of the attribution of control to the U.S. persons’ having the controlling interest in the foreign general partner. There can be no guarantee that a portfolio company investment will not be a CFC resulting in the adverse tax consequences described above.

- *Potential Taxation on Offshore Indirect Transfer of Chinese Taxable Assets.* An offshore indirect transfer of Chinese taxable property, including assets of a Chinese establishment or place of business, immovable property in China and equity investment in PRC resident enterprises etc., may be subject to reporting to the PRC tax authorities and accordingly PRC withholding tax on capital gains may be assessable, unless the relevant PRC tax authority with competent authority determines such indirect transfer to have “reasonable business purposes.” The determination of whether such an indirect transfer has reasonable business purposes is a comprehensive analysis of all relevant facts and circumstances. Typically, with respect to a sale by an offshore investor of an offshore special purpose vehicle (or “SPV”) that lacks economic substance, if the value of such SPV is primarily comprised directly or indirectly of Chinese taxable property, or if the assets of the SPV primarily consists of direct or indirect investments in China, or the income of the SPV is derived mainly, either directly or indirectly, from China, such sale would be taxable under the Chinese offshore indirect transfer taxation regime. Each Cathay Fund will generally endeavor to structure its investments so as to allow an offshore sale that is not assessable under the Chinese offshore indirect transfer taxation regime. There can be no assurances that any Cathay Fund will be successful in this endeavor, or that current law will not be modified, expanded or differently interpreted, or that the Chinese government would agree with such Cathay Fund’s view of “reasonable business purposes” or economic substance. Moreover, some transactions, typically real estate investments, may not be suitable for structuring to avoid assessment under the Chinese offshore indirect transfer taxation regime.

In addition to the tax risks outlined above, there are a number of other tax risks involved in investing in any private investment fund, including any Cathay Fund. Each prospective investor in any Cathay Fund should consult with and must depend on its own tax advisors regarding the tax risks and consequences of investing in such Cathay Fund.

***Purchase of New Issues.*** To the extent permitted by applicable law, from time to time, a Cathay Fund may invest in “new issue” securities as defined under the Financial Industry Regulatory Authority, Inc. (“**FINRA**”) Rule 5130, as amended, supplemented and interpreted from time to time (the “**FINRA Rule**”). Generally, members of the FINRA and persons associated with members of the FINRA may not, subject to certain exceptions provided in the FINRA Rule, sell a “new issue” to, or purchase a “new issue” from, an account in which a “restricted person” has a beneficial interest. Under the FINRA Rule, “restricted persons” include, among others, most broker-dealers, owners of broker-dealers, and their affiliates. Therefore, an investor in such Cathay Fund that is a “restricted person” may not be able to participate in “new issues.”

***Assumption of Business, Terrorism and Catastrophe Risks.*** The Cathay Funds may be subject to the risk of loss arising from exposure that they may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events. Any Cathay Fund could also be materially and adversely affected by public health emergencies, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus, Ebola virus, COVID-19 or other local health epidemics in China and worldwide. If any of the Advisers’ employees is suspected of having contracted any contagious disease, the applicable Adviser may under certain circumstances be required to quarantine such employees and the affected areas of its premises. As a result, such Adviser may have to temporarily suspend part of or all its operations. Furthermore, authorities may impose restrictions on travel and transportation and implement other preventative measures in affected regions to contain a disease outbreak, which may lead to the temporary closure of our facilities and declining economic activity at large. A prolonged outbreak of any of these illness or other adverse public health developments in China or elsewhere in the world could have a material adverse effect on our business operations. These risks of loss can be substantial and could have a material adverse effect on the Cathay Funds and the investors’ investments therein.

***Amortization of Organizational Costs.*** Each Cathay Fund’s financial statements will be prepared in accordance with U.S. generally accepted accounting principles (“**GAAP**”). Each Cathay Fund’s organizational and offering expenses, to the extent the applicable General Partner deems appropriate, may be, for accounting purposes, amortized by such Cathay Fund for up to a 60-month period from the date on which such Cathay Fund commences business. Amortization of such expenses over a period that is up to 60 months is a divergence from GAAP, which may, in certain circumstances result in a qualification of such Cathay Fund’s annual audited financial statements. If a Cathay Fund is terminated within 60 months of its commencement, any unamortized expenses will be recognized.

## **Item 9. Disciplinary Information.**

None.



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

A. 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 supervised persons of the Adviser are registered representatives of a broker-dealer.

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

C. The Adviser is an affiliate of the General Partners. Paul S. Wolansky and S. Donald Sussman are the sole directors of each General Partner.

The Adviser is an affiliate of New China Investment Management, Inc. (“**NCIM**”). NCIM was the investment manager of The Cathay Investment Fund, Limited (“**CIF**”), a private investment fund formerly engaged in making private equity and related investments in greater China which was liquidated in 2022. Paul S. Wolansky and S. Donald Sussman each have a 50% interest in, and are the sole directors of, NCIM. Certain supervised persons of the Advisers also provide services to NCIM. Paul S. Wolansky and S. Donald Sussman were members of the board of directors of CIF.

Each Adviser is an affiliate of New China Capital Advisors (HK) Ltd., a Hong Kong limited company, which is beneficially owned by Paul S. Wolansky, S. Donald Sussman and Hermann Leung, and which provides administrative and other services to the Advisers.

S. Donald Sussman is the sole beneficial owner of Paloma Partners Advisers L.P. (“**Paloma Advisers**”), which provides investment advisory services to other private investment funds on a discretionary basis. S. Donald Sussman is also a director of Paloma Partners Management Company (“**PPMC**”). PPMC, an SEC-registered adviser (SEC File Number 801-72796) and a Paloma Advisers affiliate, provides investment advisory services to other investment funds on a discretionary basis. Paloma Advisers is a “relying adviser” in respect of PPMC’s investment adviser registration with the SEC. Each of Paloma Advisers and PPMC is a member of the National Futures Association (“**NFA**”), a registered commodity pool operator and a swap firm. S. Donald Sussman is registered with the NFA as a principal and an associated person of both Paloma Advisers and PPMC.

Certain inherent conflicts of interest arise from the fact that the Adviser, the General Partners, and their respective affiliates will provide management and investment management services to multiple Cathay Funds. In addition, the Adviser and its affiliates may in the future carry on investment activities for other clients, including other investment funds, client accounts and proprietary accounts in which the Cathay Funds will have no interest and where respective investment strategies may or may not be substantially similar.

Depending on the circumstances, a Cathay Fund may co-invest with other funds affiliated with the Adviser and the General Partners. The applicable General Partner will seek the advice of an advisory board consisting of unaffiliated investors in the relevant Cathay Fund (the “**Advisory Board**”) prior to consummating (a) any transaction between such Cathay Fund and any such affiliate in which one party causes another party to purchase or sell securities or other property to or from the other party, (b) any co-investment in a portfolio company by the relevant Cathay Fund and any such affiliate and (c) any investment in a portfolio company in which any such affiliate has a pre-existing investment.

The Adviser may in the future in its sole and absolute discretion offer any co-investment opportunities that may be available to strategic investors, lenders and/or one or more investors in a Cathay Fund and may receive compensation from such persons in connection with such co-investment opportunities. Co-investment opportunities may be made available through entities formed for such purpose. In determining whether any co-investment opportunity exists and the allocation thereof, the Adviser takes into account all relevant factors, including the size of the investment required by the relevant portfolio company, the size of the investment made or proposed to be made by a Cathay Fund, the size of the investment of an investor in such Cathay Fund considered for co-investment and whether providing such opportunity to any other investors that are not investors in the Cathay Funds could potentially benefit such Cathay Fund in any way, at the time of the relevant investment or in the future.

In addition, the Adviser may organize one or more co-investment funds for the Adviser and its employees to co-invest with the Cathay Funds. The employee co-investment funds, if any, will pay no Management Fee and no carried interest and will invest in portfolio companies at the same time and on terms no more favorable than those of the relevant Cathay Fund.

During the investment commitment period for CCH III, NCCM generally had the obligation to present suitable investment opportunities to CCH III ahead of any other Cathay Fund. The investment commitment period for CCH III has expired. During the investment commitment period for COF, NCCM generally has the obligation to present suitable investment opportunities to COF ahead of any other Cathay Fund.

The Adviser and any of its respective partners, directors, members, officers and employees (collectively, “**Investment Persons**”) may engage directly or indirectly in any business or other activities, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities for their own accounts, for the accounts of family members, and for the accounts of individual and institutional clients. These activities may conflict with Investment Persons’ activities on behalf of their clients. For example:

- Investment Persons may individually or on behalf of clients invest in the same securities in which the Cathay Funds may invest or trade (or in the Cathay Funds themselves), and may invest the assets of the Cathay Funds in a security while withdrawing (or recommending the withdrawal of) the same investment held by the Cathay Funds; and

- Investment Persons may give advice and take action in the performance of their duties to one account which may differ from the timing and nature of action taken with respect to another account.

These other activities may affect the prices and availability of the securities and other financial instruments in which the Cathay Funds invest.

The Adviser and its affiliates may in the future form new investment funds with investment objectives and targeted investments which are substantially similar to those of the Cathay Funds. However, the constitutive documents of the Cathay Funds prohibit Paul S. Wolansky and S. Donald Sussman from forming any such new investment funds during the relevant investment commitment period unless otherwise approved by the requisite number of investors in each Cathay Fund. However, the Adviser and Paul S. Wolansky and S. Donald Sussman are not prohibited from organizing, sponsoring or otherwise being involved with any (a) fund or program that the applicable General Partner reasonably determines that the principal purposes of such fund or program is to make investments that would not be suitable for the relevant Cathay Fund or (b) publicly traded acquisition companies and vehicles.

In the event the Adviser carries on investment activities for other clients (other than the Cathay Funds or New Fusion (as defined below), including other investment funds, client accounts, proprietary accounts and sponsorship of publicly-traded acquisition companies and vehicles in which the Cathay Funds will have no interest, the investment strategies employed for such accounts could conflict with transactions and strategies employed in managing the Cathay Funds' portfolios and affect the prices and availability of the securities in which the Cathay Funds invest. Conversely, participation in specific investment opportunities may be appropriate, at times, for both the Cathay Funds and such other accounts. In such cases, participation in such opportunities will be allocated on an equitable basis, taking into account such factors as the relative amounts of capital available for new investment and the respective investment programs and portfolio positions of the Cathay Funds, on the one hand, and the other accounts, on the other hand. Such considerations may result in allocations of certain investments among the Cathay Funds, on the one hand, and the other accounts, on the other hand, on other than a *pari passu* basis.

An affiliate of NCCM has for a number of years been a minority shareholder of, and has provided investment advice to, New Fusion Capital, Ltd. and its affiliates ("**New Fusion**"). New Fusion generally advises clients with respect to investments in China made in Renminbi or large transactions (exceeding \$100 million) typically involving state-owned enterprises. New Fusion has represented to an affiliate of NCCM that the entities managed by NCCM would have certain non-exclusive co-investment rights for any projects developed by it which may be legally invested by foreign investors. Any such potential investment opportunity may be available to the Cathay Funds. In the event that NCCM deems any such project to be suitable and appropriate for the Cathay Funds, Cathay Master GP will seek the advice of the relevant Advisory Board prior to consummation by such Cathay Fund of any such potential investment.

The conflicts and potential conflicts described above are disclosed to investors in the Cathay Funds in the relevant offering documents and/or governing documents, and are further addressed through (a) the good faith judgments and actions of the Investment Persons to treat their clients fairly and

in their best interests in accordance with applicable laws and duties, (b) the above mentioned undertakings and restrictions in the operative documents for the Cathay Funds, for example regarding investment opportunities, and (c) applicable compliance policies and procedures of the Adviser and the General Partners.

D. The Adviser does not select or recommend other investment advisors for its clients and does not receive, directly or indirectly, any compensation from other investment advisors.

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

The Adviser adopted a code of ethics (the “**Code of Ethics**”) in accordance with Rule 204A-1 of the Advisers Act. The Code of Ethics covers such matters as (a) disclosure of personal securities trading, (b) insider trading, (c) personal conflicts of interests such as providing investment advice to persons other than the Cathay Funds, accepting gifts and commissions and (d) compliance with applicable anti-corruption and anti-bribery statutes. The Code of Ethics is distributed to each employee at the time of hire. The Code of Ethics is also available to clients and prospective clients upon request by contacting the Chief Compliance Officer, Robert Stillman, at the telephone number or address listed on the Cover Page of this Brochure.

Investment Persons may have multiple advisory, transactional, financial and other interests in securities, instruments, companies or investment vehicles that may be purchased or sold for the Cathay Funds, with potentially different economic beneficial interests and in some cases with fiduciary obligations for different investor constituencies. The Adviser has established a variety of procedures and disclosures designed to address conflicts of interest arising between the Cathay Funds, on the one hand, and the Adviser or the other Investment Persons, on the other. Please see also Item 10 – Other Financial Industry Activities and Affiliations above.

#### **Item 12. Brokerage Practices.**

While the Adviser does not typically use broker-dealers to effect portfolio transactions on behalf of the Cathay Funds, in instances where the Adviser does select broker-dealers on behalf of the Cathay Funds, the Adviser does not adhere to any rigid formulas, but weighs a combination of factors or criteria in its selection process. For example, in selecting broker-dealers to effect portfolio transactions, the determination of what is expected to result in best execution on an overall basis involves a number of factors, including: price, the ability of the broker-dealers to effect the transaction, their facilities, reliability and financial responsibility and any products or services provided by such broker-dealers. In placing orders for the purchase and sale of securities for clients, the Adviser’s policy is to seek the best execution of orders on an overall basis, which means that it seeks to ensure that the client’s total cost or proceeds is the most favorable under the circumstances. Accordingly, if the Adviser determines in good faith that the amount of transaction costs (*e.g.*, commissions, markups and markdowns) imposed by a broker-dealer is reasonable in relation to the value of the products or services provided by such broker-dealer, the Adviser may incur transaction costs to such broker-dealer in an amount greater than the amount that might be incurred if another firm was used. The Adviser does not have any obligation to use execution-only broker-dealers in effectuating transactions on behalf of its clients. Research products or

services may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities and other products or services (*e.g.*, quotation equipment and computer related costs and expenses) providing lawful and appropriate assistance to the Adviser in the performance of its investment decision-making responsibilities. “Soft dollar” payments or rebates of amounts paid to broker-dealers may arise from over-the-counter principal transactions, as well as exchange traded agency transactions. In addition, such payments or rebates may be made by futures brokers in connection with futures transactions.

By directing trades to particular broker-dealers, the Adviser may generate “credits” (which may be redeemed for products and services provided by those broker-dealers). The use of soft dollars may cause clients to effectively pay compensation higher than otherwise would be paid in the absence of a soft dollar arrangement. To the extent the Adviser receives soft dollar products and services, it is saving money of its own that it would otherwise have to spend (unless those expenses would otherwise be paid for or reimbursed by a fund).

Products and services may be used by the Adviser for itself and/or in servicing some or all of its clients. Some products and services may not necessarily be used for the Cathay Funds even though their compensation dollars provided for those products and services. The Cathay Funds, therefore, may not, in any particular instance, be the direct or indirect beneficiaries of the products and services provided. Further, the relationships with broker-dealers that provide soft dollar products and services to the Adviser may influence its judgment in allocating brokerage business and create a conflict of interest in using the services of those broker-dealers to execute the relevant Cathay Fund’s brokerage transactions. The use of client commissions for soft dollar products and services is subject to the Adviser’s policies and procedures, which include the pre-approval and documentation of soft dollar products and services, and a periodic evaluation of the performance and execution capabilities of the broker-dealers that provide products and services to the Adviser.

The Adviser currently has no formal arrangement with specific brokers or dealers to receive research or other services beyond transaction execution for brokerage commissions from client transactions, but may enter into one or more such arrangement in the future.

### **Item 13. Review of Accounts.**

The portfolio investments of the Cathay Funds are reviewed by the Adviser not less frequently than monthly. The employees of the Adviser monitoring the portfolio investments of the Cathay Funds include the Chief Executive Officer, Managing Directors and other investment professionals.

The Adviser typically provides to the Cathay Funds monthly financial statements, economic allocation schedules and a schedule of portfolio investments. In addition, the Adviser furnishes to investors of the Cathay Funds as soon as practicable after the end of each taxable year (or as otherwise required by law) annual reports containing financial statements audited by such funds’ independent public accountants, as well as such tax information provided in writing as is necessary for each investor to complete federal and state income tax or information returns, along with any other tax information required by tax law.

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

- A. No persons other than the Cathay Funds provide an economic benefit to the Adviser for providing investment advice or other advisory services to their clients.
- B. Neither the Adviser nor any related person directly or indirectly compensates any person who is not a supervised person of the Adviser for client referrals.

#### **Item 15. Custody.**

Cathay Capital III Master GP, an affiliate of NCCM, is deemed, as the general partner of CCH III, to have custody of CCH III's assets. NCCM provides account statements to CCH III directly.

Cathay Capital IV Master GP, an affiliate of NCCM, is deemed, as the general partner of COF, to have custody of COF's assets. NCCM provides account statements to COF directly.

Please refer to Item 13 – Review of Accounts above for a description of reports that are provided to investors in the Cathay Funds.

#### **Item 16. Investment Discretion.**

NCCM has been appointed as the investment manager of CCH III and COF with discretionary trading and investment authorization. The Adviser and the General Partners have or will have discretionary authority with respect to investment decisions, and their advice with respect to each applicable Cathay Fund is made in accordance with the investment objectives and guidelines as set forth in such Cathay Fund's Investment Management Agreement, offering documents and/or governing documents. Please refer to Item 4 – Advisory Business and Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for a description of the investment criteria of the Cathay Funds.

#### **Item 17. Voting Client Securities.**

As a fiduciary, an investment adviser with proxy voting authority has a duty to monitor corporate events and to vote proxies, as well as a duty to cast votes in the best interest of clients and not subrogate client interests to its own interests. Rule 206(4)-6 under the Advisers Act (the “**Proxy Voting Rule**”) places specific requirements on registered investment advisers with proxy voting authority. Because NCCM has discretionary authority over the securities held by CCH III and COF, NCCM is viewed as having proxy voting authority over such securities. Accordingly, the Adviser is subject to the Proxy Voting Rule. To meet its obligations under this rule, the Adviser has adopted written Proxy Voting Policies and Procedures, which are available to clients and prospective clients upon request. These policies and procedures are reasonably designed to ensure that the Adviser votes proxies in the best interest of the Cathay Funds and addresses how the Adviser will resolve any conflict of interest that may arise when voting proxies.

**Item 18. Financial Information.**

The Adviser is not aware of any financial conditions reasonably likely to impair its ability to meet contract commitments to its clients.

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

Not applicable.