

## **LISC FUND MANAGEMENT, LLC**

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New York, NY 10005-1444**

**March 29, 2024**

This “**Brochure**” provides information about the qualifications and business practices of LISC Fund Management, LLC. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Theodore Shen, by email at [TShen@lisc.org](mailto:TShen@lisc.org). 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 LFM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

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The following material changes have been made to this Brochure since the last annual update:

- Item 4: Description of Advisory Business was enhanced. RAUM figures were updated.
- Item 5: Disclosures pertaining to Fund Expenses were enhanced. A description of fixed fee arrangements was added.
- Item 6: Disclosures pertaining to Side-by-Side Management were enhanced.
- Item 7: Disclosures pertaining to Types of Clients were enhanced.
- Item 8: Disclosures pertaining to Risks were added and/or enhanced.
- Item 10: Disclosures pertaining to Industry Affiliations were added.
- Item 11: Disclosures pertaining to Code of Ethics were enhanced.
- Item 13: Disclosures pertaining to Review of Accounts were enhanced.
- Item 14: Disclosures pertaining to Client Referrals were enhanced.
- Item 15: Disclosures pertaining to Custody were enhanced.
- Item 17: Disclosures pertaining to Proxy Voting were updated.
- Other Information: LFM's Privacy Policy Notice was added.

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#### Item 4: Advisory Business

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LISC Fund Management, LLC ("**LFM**") was organized in March 2019 as a Delaware limited liability company with a principal place of business in New York, NY. Local Initiatives Support Corporation, a New York non-profit corporation ("**LISC**") is the sole member of LFM. LFM operates within LISC Strategic Investments, a division of LISC. LFM, a Delaware limited liability company, filed to do business as LISC Strategic Investments and discloses LISC Strategic Investments as another name under which LFM's advisory business is conducted on LFM's Form ADV Part 1A.

Certain employees of LISC perform investment advisory functions for LFM ("**LFM Supervised Persons**"). These individuals are included as employees of LFM for Form ADV Part 1 purposes as the instructions call for including individuals other than employees (e.g., independent contractors) providing investment advisory functions for the investment adviser. Certain other LISC employees provide other than investment advisory function support to LFM and are not included as "employees" or treated as LFM Supervised Persons. All LISC employees are subject to LISC supervision and policies and procedures.

LFM is an investment adviser registered with the SEC under the Investment Advisers Act of 1940 (the "**Advisers Act**"). Registration as an investment adviser does not imply that LFM or LFM Supervised Persons possess a particular level of skill or training in the investment advisory business or any other business.

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles ("**Funds**" or "**Clients**"), the securities of which are offered through a private placement memorandum to accredited investors ("**Fund Investors**"), as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular Fund Investor. Supervised Persons have discretionary authority as part of a team and there is no direct client contact. Accordingly, pursuant to Form ADV instructions, a Form ADV Part 2B, Brochure Supplement has not been prepared.

As of the time of this filing, the following Funds are under LFM's management:

- The Bay's Future Fund LLC, a Delaware limited liability company;
- Black Economic Development Fund LLC, a Delaware limited liability company;
- BFF Preservation Side Car LLC, a Delaware limited liability company;
- Charlotte Housing Opportunity Investment Fund LLC, a Delaware limited liability company;
- Community Housing Fund LLC, a Delaware limited liability company;
- Detroit AHLF-CDFI Fund LLC, a Delaware limited liability company;
- NY Forward Loan Fund Trust, a Delaware statutory trust;
- Southern Opportunity and Resilience Fund LLC, Delaware limited liability company;
- Entrepreneurs of Color Loan Fund LLC, Delaware limited liability company;
- Charlotte Housing Opportunity Investment Fund II LLC, a Delaware limited liability company; and
- Dallas Housing Opportunity Investment Fund LLC, a Delaware limited liability company.

Our investment decisions and advice with respect to the Funds are subject to each Fund's investment objectives and guidelines, as set forth in each Fund's respective "**Offering Documents**", as applicable.

As of December 31, 2023, LFM managed \$ 840 million in regulatory assets under management on a discretionary basis.

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

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The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

### ***Management Fee and Incentive Fee***

LFM is paid an investment management fee ("**Management Fee**") per annum. Pursuant to a Fund's Offering Documents, LFM is entitled to an annual incentive fee or carried interest (the "**Incentive Fee**") if certain performance thresholds are met. The Management Fee ranges from 0.25% to 2.00%, on an annualized basis, of the gross asset value of the capital account balances of each Fund Investor, determined as of the beginning of each monthly period. The Management Fee and Incentive Fee, if any, are subject to additional terms as outlined in the Funds' Offering Documents. Investment valuation policies are included in each Fund's Offering Documents. The Management Fee is deducted from an account on a monthly basis and the Incentive Fee is deducted from an account on an annual basis. LFM, in its sole discretion, has the ability to waive or modify the Management Fee or Incentive Fee, if any, for any Fund Investor. While the Management Fee is generally based on a percentage of assets under management, LFM has historically charged fixed fees and can offer such fee arrangements in the future.

### ***Other Types of Fees or Expenses***

LFM is authorized to incur and pay in the name and on behalf of the Funds all expenses which it deems necessary or advisable. LFM is generally responsible for and shall pay, or cause to be paid, all of its own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses related to rent, furniture, fixtures, equipment, office supplies, clerical expenses and all salaries, bonuses and benefits paid to, or on behalf of, personnel of LFM.

Each Fund bears all of its respective expenses ("**Fund Expenses**"), as set forth in a Fund's Offering Documents. The Funds and each related investment entity, including, without limitation, any parallel fund or alternative investment vehicle, as applicable, shall generally share all Fund Expenses pro rata based on aggregate commitments, or in the case of investments, pro rata based on aggregate commitments or proposed commitments to each such investment, except to the extent that LFM reasonably considers that a specific cost or expense should be allocated solely to one or more of the Funds or applicable related investment entity. In general, each Fund Investor will bear its share of Fund Expenses on a pro rata basis, calculated based on relative gross asset value as of the beginning of each month.

LFM will attempt to allocate expenses on a basis it considers to be equitable, but allocations could not accurately reflect the relative benefits ultimately enjoyed by each Client. As deemed necessary, an expense allocation will be analyzed to ensure allocation decisions are fair and, where not explicitly outlined in each Fund's Offering Documents, not inconsistent with each Fund's Offering Documents. If LFM determines that an allocation is more equitable, LFM will in its discretion and in compliance with the Offering Documents, allocate expenses on another basis, including by allocating certain expenses to certain, but not all, Fund Investors or capital accounts. As deemed appropriate, LFM will consult with a Fund's Advisory Committee (see Item 13 for further discussion of the Advisory Committee) to seek advice regarding the allocation of certain Fund Expenses.

To the extent that Fund expenses are attributable to multiple Funds, such amounts will generally be allocated in accordance with LFM's expense allocation policy. Certain expenses (e.g., broken-deal expenses) will not be shared with co-investors, such amounts instead being borne by a Fund, and such expenses can be significant. From time to time, LFM, and/or its affiliates, can elect to bear certain expenses on behalf of the Funds that would otherwise be Fund expenses. LFM, and/or its affiliates, will not have any obligation to bear such expenses and can elect at any time, in whole or in part, to no longer bear such expenses on behalf of a Fund. LFM can advance funds on behalf of the Funds, and LFM can be reimbursed by the Funds for such advanced amounts.

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

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Upon meeting specific performance thresholds, and as further detailed in the Offering Documents, LFM is entitled to receive an Incentive Fee with respect to certain Funds. As a result, we face certain conflicts of interest that arise when an investment adviser accepts and/or is in a position to earn performance-based fees from some clients, but not from other clients ("**Side-by-Side Management**"). LFM has established appropriate controls to ensure that this conflict of interest is mitigated. Performance-based fee arrangements create an incentive for us to recommend investments which are riskier or more speculative than those which we would recommend under a different fee arrangement.

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

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Our Clients are the Funds, as described in Item 4 above, and LFM owes a fiduciary duty to Clients under the Advisers Act. The Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors. Fund Investors are not Clients of LFM, unless they have separately entered into an adviser-client relationship with LFM. Accordingly, LFM does not owe Fund Investors a fiduciary duty under the Advisers Act.

Currently, the minimum investment in the Funds ranges from \$0 to \$25,000,000. Specific investment requirements are set forth in each Fund's Offering Documents. Such minimum investment can be waived on a case-by-case basis subject to our discretion.

### ***Co-Investment Opportunities***

As deemed appropriate, LFM, at its discretion, provides co-investment opportunities to Fund Investors, other Clients, strategic investors, lenders, other third parties or to LISC. There is no minimum allocation for a Fund before co-investment can be offered and there is no maximum co-investment allocation. Co-investment allocations will depend on the facts and circumstances specific to each unique circumstance. LFM will consider the following, among other factors, in making co-investment allocation decisions:

- a Fund's desired exposure to the investment;
- whether a co-investor adds strategic value, industry expertise or other similar synergies;
- whether a potential co-investor has expressed an interest in evaluating co-investment opportunities;
- whether a potential co-investor has demonstrated long-term and/or continuing commitment to the potential success of LFM, its Clients or other co-investments;
- the ability of a potential co-investor to process and execute on a co-investment decision within the required timeframe of the particular transaction;
- LFM's assessment of a potential co-investor's ability to invest an amount of capital that fits the needs of the investment, taking into account the amount of capital needed as well as the maximum number of investors that realistically participate in the transaction;
- willingness to compensate LFM's services in connection with the co-investment; and
- various other factors.

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

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Defined terms in this section generally have the same meaning as those found in the Offering Documents. In all cases, the descriptions herein are qualified in their entirety by the information found in a Fund's Offering Documents. To the extent there is any inconsistency between this Brochure and a Fund's Offering Documents, the Offering Documents shall control. In certain circumstances, as noted, clarifying language is included in this Brochure to supplement the disclosures in the Offering Documents.

The descriptions in this Brochure set forth specific advisory services that we offer to the Funds, and investment strategies pursued and investments made by us on behalf of the Funds and should not be understood to limit in any way our investment activities. We can offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Fund Investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.

### ***Investment Objective and Strategy***

LFM manages and deploys impact capital into businesses and real estate investments in underinvested communities across the country. We work with impact-focused investors from corporations to philanthropies to governmental entities, helping them to maximize their impact while seeking to achieve financial returns. We are an “Impact First” mission-driven organization with passionate people from the private and public sector. Our investment experts create and deploy innovative investment vehicles that attempt to maximize impact outcomes, minimize risk, and optimize double bottom line returns. The details of each Fund’s investment objectives and strategies and related investment methodologies employed by LFM in furtherance thereof are set forth in a Fund’s Offering Documents.

### ***Risk of Loss Factors***

#### **No Assurance of Investment Return**

The success of a Fund will largely depend on the ability of LFM to identify suitable investments. LFM can be in a position to not be able to execute a Fund’s investment objectives or generate returns to Fund Investors commensurate with the risks of investing in the types of transactions described in a Fund’s Offering Documents.

A subscription to a Fund should only be considered by persons who can afford a loss of their entire investment. The past investment experience of LFM, and/or its affiliates, boards or Supervised Persons is not necessarily indicative of future results, and there can be no assurance that a Fund will be successful in attaining the sought after social impact or financial return or be able to avoid losses.

#### **Risks Relating to Due Diligence of Investments**

Before making investments, LFM will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The due diligence investigation that LFM carries out with respect to any investment opportunity could not reveal or highlight all relevant facts that can be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

#### **Projections**

A Fund will rely upon projections developed by LFM or third parties. Projections are inherently subject to uncertainty and factors beyond the control of LFM. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events can impair the ability of an entity in which a Fund invests to realize projected social impact, monetary values and cash flow.

#### **Need for Significant Capital**

A Fund’s investments generally require significant amounts of additional capital. There can be no assurance that such capital will be available to a Fund. Failure to raise the necessary capital



to fund an investment's operations, capital expenditures or other activities can require, among other things, the sale or liquidation of Fund assets at a loss or reduced valuation from the price paid by a Fund.

#### **Lack of Diversification; Dependence on Performance of Certain Investments**

A Fund intends to participate in a limited number of investments and likely will be concentrated in a limited number of geographical locations. As a consequence, the aggregate return of a Fund can be materially and adversely affected by the unfavorable performance of a single project or geographical location.

#### **Lack of Liquidity of Investments and Long-Term Investments**

Although Fund investments can generate current income, the return on investment and realization of gains, if any, from any Fund investment generally will occur only upon the partial or complete disposition of an investment. Before such time, there could be no current return on the investment. Furthermore, the expenses of operating a Fund can exceed its income, thereby requiring that the difference be paid from a Fund's capital, including, without limitation, unfunded capital commitments of a Fund.

#### **Early Termination**

In the event of the early termination of a Fund, a Fund would have to distribute to Fund Investors their pro rata interests in the assets of a Fund. Certain assets held directly or indirectly by a Fund can be highly illiquid and can have little or no marketable value. It is possible that at the time of such sale or distribution, certain assets held by a Fund would be worth less than the initial cost of such assets, resulting in a loss to the Fund Investors.

#### **Unspecified Investments**

A Fund will begin operations following its initial closing and could not have identified any particular investments prior to such date. A Fund Investor must rely upon the ability of LFM to identify, structure and implement investments consistent with a Fund's investment objectives and policies. LFM could be unable to find a sufficient number of attractive opportunities to meet a Fund's objectives. The success of a Fund will depend on the ability of LFM to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of investments.

#### **Risks upon Disposition of Investments**

In connection with the disposition of a Fund's investments, a Fund can be required to make certain representations and disclosures about such investment and indemnify the purchasers of such investment if such representation or disclosure document turns out to be incorrect, inaccurate, or misleading or with respect to certain potential liabilities. This can result in the incurrence of contingent liabilities for which LFM establishes reserves or escrow accounts. In that regard, Fund Investors can be required to return amounts distributed to them to fund such obligations of a Fund, including indemnity obligations.

### **Impact of Economic Conditions**

The United States has experienced economic recessions. As the result of another such recession, the business, operating results, financial condition and prospects of many of a Fund's investments, loans and assets can be materially and adversely affected. Additionally, a period of deteriorating general economic conditions can negatively impact a Fund's ability to dispose of its investments.

### **Joint Venture Partners; Joint Venture Risks**

A Fund can co-invest in projects with affiliated and unaffiliated third parties through partnerships, joint ventures or other entities. A Fund also can make investments in or loans to projects or operating companies related thereto that are controlled by persons other than LFM. A Fund can share control or have limited control over these investments and, therefore, can have only a limited ability to protect its interests in such investments.

### **Risks of Multi-Step Acquisitions**

In the event a Fund chooses to effect a transaction by means of a multi-step acquisition, there can be no assurance that the remainder (i.e., follow-on steps in such acquisitions) can be successfully acquired. This can result in a Fund having only partial control over the investment or partial access to its cash flow to service debt incurred in connection with the acquisition.

### **Expedited Transactions**

Investment analyses and decisions by LFM can frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to LFM at the time of making an investment decision can be limited, and LFM could not have access to detailed information regarding the investments. Therefore, no assurance can be given that LFM will have knowledge of all circumstances that can adversely affect an investment, and a Fund can make investments that it would not have otherwise made if more extensive due diligence had been undertaken. In addition, LFM expects to rely upon independent consultants, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to a Fund's right of recourse against them in the event errors or omissions do occur.

### **Cybersecurity Breaches and Identity Theft**

A Fund, LFM, and each of their respective affiliates and investments' information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, a Fund, LFM, their respective affiliates and/or an investment can have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason can cause significant interruptions in a Fund, LFM or an investment's operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to Fund Investors, and the beneficial owners of Fund Investors. Such a failure can harm a Fund, LFM or an investment's

reputation, subject the any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

### ***Risks Related to Real Estate Loans and Debt Investments***

#### **Loans to Housing Developments**

Certain Funds invest in entities that make real estate loans to housing developments. The value of the real estate that underlies mortgage loans is subject to market conditions. Changes in the real estate market can adversely affect the value of the collateral and thereby lower the value to be derived from liquidation. In addition, adverse changes in the real estate market can act as a disincentive for the project borrower to retain equity in the project, leading to an increase in the probability of default. Furthermore, the properties securing purchased loans can be suffering varying degrees of financial distress or can be located in economically distressed areas. Loans can become non-performing for a wide variety of reasons and can require a substantial amount of workout negotiations and/or restructuring, which can entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and/or a substantial write-down of the principal of the loan. Moreover, even if such restructuring is successfully accomplished, a risk exists that upon maturity of such mortgage loan, replacement “take-out” financing will not be available.

It is possible that a Fund or the entity through which it invests can find it necessary or desirable to foreclose on certain real estate loans. The real estate foreclosure process is often lengthy and expensive. Borrowers can resist mortgage foreclosure actions by asserting numerous claims, counterclaims, and defenses, including, without limitation, numerous lender liability claims and defenses, even when such assertions can have no basis in fact, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy-out of the borrower’s position. In some states, foreclosure actions can sometimes take several years or more to litigate. At any time prior to or during the foreclosure proceedings the borrower can file for bankruptcy, which can have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure litigation, moreover, tends to create a negative public image of the mortgaged property and can result in disrupting the ongoing leasing, management and operation of the property.

#### **Nature of Debt Investments**

The performance of a Fund’s debt Investments will be impacted by those risks that apply to real property investments on the basis that a Fund will make debt investments in respect of real estate assets and therefore a Fund will be exposed to the risks associated with real estate investments, as further described in a Fund’s Offering Documents.

#### **Credit Risks of Investments in Debt Instruments**

Credit portfolios are subject to credit risk, which is the likelihood that a company will default on the payment of principal and/or interest on its obligations, or that it will fail to comply with other covenants and requirements. Financial strength and solvency of a company are key factors influencing credit risk. Businesses can face intense competition, changing business and economic conditions or other developments that can adversely affect their performance and increase credit risk. In addition, subordination, lack or inadequacy of collateral or credit

enhancement for a debt instrument can affect its credit risk. Credit risk can change over the life of an investment. In addition, companies can contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If any of the above occurred, a Fund's ability to make anticipated distributions to Fund Investors can be delayed or otherwise adversely affected.

### **Bank Loans and Participations Generally**

Bank loans are frequently traded on the basis of standardized documentation, which is used in order to facilitate loan trading. Although this can improve market liquidity, there can be no assurance that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity, that the current level of liquidity will continue or that the same documentation will be used in the future. The settlement of trading in bank loans often requires the consent of the borrower or the involvement of third parties, such as administrative or syndication agents, and there presently is no central clearinghouse or authority that monitors or facilitates the trading or settlement of all bank loan trades. Often, settlement can be delayed due to the actions of a third party or counterparty, and adverse price movements can occur in the time between trade and settlement, which can result in adverse consequences for a Fund. The failure to satisfy certain contractually imposed settlement requirements results in the forfeiture of delayed compensation, as provided for under The Loan Syndications and Trading Association ("LSTA") Standard Terms and Conditions for Par/Near Par Trade Confirmations.

### **Nature of Investment in Senior Loans**

Some of the senior secured loans acquired by a Fund can be rated below investment grade or not be rated by a credit rating agency. In terms of liquidity with respect to such investments, there can be no assurance that levels of supply and demand in senior secured loan trading will provide an adequate degree of liquidity for the investments therein.

### **Mezzanine and Other High Yield Debt, Subordinated Debt, Unsecured Debt, Low/Unrated Debt Risks**

A portion of a Fund's investments can be made in certain high yield securities known as mezzanine investments, which are subordinated debt securities that can be issued together with an equity security (e.g., with attached warrants). Mezzanine investments can be lower rated, unsecured, and generally subordinate to other obligations of the issuer.

Mezzanine investments share all of the risks of other high yield securities and are subject to greater risk of loss of principal and interest than higher-rated securities, especially in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields and prices of those securities can tend to fluctuate more than those for higher-rated securities.

### **Loans to Private Companies**

A portion of a Fund's portfolio can consist of loans to medium-sized, privately owned businesses. Compared to larger, publicly owned firms, such companies generally have limited financial resources and access to capital, as well as higher funding costs. They can be in a

weaker financial position and can need more capital to expand or compete. These companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. There could not be as much information publicly available about these companies as would be available for public companies and such information could not be of the same quality. These companies are also more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of these persons can have a material adverse impact on these companies' ability to meet their obligations. The above challenges increase the risk of these companies defaulting on their obligations.

### **Bankruptcy and Other Proceedings**

When a company seeks relief under the United States Bankruptcy Code, or has a petition filed against it, an automatic stay prevents all entities, including creditors, from foreclosing or taking other actions to enforce claims, perfect liens or reach collateral securing such claims. Creditors who have claims against the company prior to the date of the bankruptcy filing must petition the court to permit them to take any action to protect or enforce their claims or their rights in any collateral.

Such creditors can be prohibited from doing so if the court concludes that the value of the property in which the creditor has an interest will be "adequately protected" during the proceedings. If the bankruptcy court's assessment of adequate protection is inaccurate, a creditor's collateral can be wasted without the creditor being afforded the opportunity to preserve it.

Thus, even if a Fund holds a secured claim, it can be prevented from collecting the liquidation value of the collateral securing its debt, unless relief from the automatic stay is granted by the court. If relief from stay is not granted, a Fund could not realize a distribution on account of its secured claim until a plan of reorganization or liquidation for the debtor is confirmed.

Bankruptcy proceedings can involve substantial legal, professional and administrative costs to the company and a Fund, and during the process the investee company's competitive position can erode, key management personnel can depart and the company could not be able to invest adequately. The debt of companies in financial reorganization will, in most cases, not pay current interest, could not accrue interest during reorganization and can be adversely affected by an erosion of the issuer's fundamental value. Such investments can result in a total loss of principal. Bankruptcy proceedings are inherently litigious, time consuming, highly complex and driven extensively by facts and circumstances, which can result in challenges in predicting outcomes.

The equitable power of bankruptcy judges also can result in uncertainty as to the ultimate resolution of claims. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that bankruptcy courts would decide favorably toward, or consistent with the interests of, a Fund. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and/or functional operating control of a debtor. Additional details related to the risks of bankruptcy and other proceedings are set forth in a Fund's Offering Documents.

**Disposition of Loan Origination Investments**

If a Fund desires to sell or assign a loan that it originates, but is unable to sell, assign or successfully close transactions for assignments or participations in such loan, a Fund will be forced to hold such loan until such time as it can be disposed, during which time a Fund can be “overweighted” with respect to a particular borrower.

**Time Required for Maturity of Investments**

Certain investments can have maturities longer than the maturity of a Fund. Furthermore, a Fund can, in connection with collateral held by it, acquire non-marketable common or preferred equity securities and other illiquid assets with equity participation features, which, to the extent that they have value at all, will likely not have realizable value for a significant period of time.

**Non-Payment of Principal and Interest; Adequacy of Collateral**

Investments are subject to the risk of non-payment of scheduled interest or principal by the issuers with respect to such investments. Such non-payment would likely result in a reduction of income to a Fund and a reduction in the value of the investments, as collateral, experiencing non-payment.

**Prepayment Risk**

The value of a Fund’s assets can be affected by prepayment rates on loans or securities. Generally, voluntary prepayments are permitted and the timing of prepayments cannot be predicted with any accuracy. Prepayment rates are influenced by changes in interest rates, the issuer’s financial condition, competitive market conditions among lenders and a variety of economic, geographic and other factors beyond a Fund’s control.

**Financial Market and Interest Rate Fluctuations; Tightened Loan Underwriting Standards**

Credit portfolios are subject to interest rate risks. General fluctuations in the market prices of securities and interest rates are likely to adversely affect the value of a Fund’s investments and/or increase the risks associated with one or more particular Investment. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable-rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

**New Investments and Acquisitions Fail to Perform as Expected**

In deciding whether to acquire, lend capital to, or invest in a particular organization, LFM will make certain assumptions regarding the expected future performance of such assets. If anticipated acquisitions do not occur as expected, or anticipated partners in such projects do not ultimately co-invest, the financial performance of a Fund can be adversely affected.

## ***Risks Related to Real Estate Investments***

### **General Risks of Real Estate Ownership; Real Estate Industry Considerations**

Because a Fund can invest directly or indirectly in real estate, a subscription to a Fund is subject, directly and/or indirectly, to certain risks associated with the real estate industry in general and the ownership of real property, as further described in each Fund's Offering Documents.

### **Risks Associated with Property Acquisitions**

Acquisitions of real property are subject to many risks. A Fund can support the acquisition of properties that are subject to liabilities or that have problems relating to environmental condition, state of title, physical condition or compliance with zoning laws, building codes or other legal requirements. In each case, such acquisition of a real estate property can be without any recourse, or with only limited recourse, with respect to unknown liabilities or conditions. As a result, if any liability were asserted against a Fund relating to those properties, or if any adverse condition existed with respect to the properties, a Fund can have to pay substantial sums to help settle the claim or cure the deficiency, which can adversely affect the cash flow and operating results of a Fund.

### **Interest Rates**

A Fund's investment strategies can involve the extensive use of leverage (i.e., borrowings to increase investment positions and exposure). Interest costs of borrowings will be an expense of a Fund employing leverage and therefore both borrowing levels and fluctuations in interest rates can affect the operating results of a Fund. In addition, rising interest rates can cause the value of a Fund's investments in real estate assets to decline.

### **Construction Risks**

A Fund can support the acquisition of properties that require development or redevelopment. Real estate development involves the risk that construction could not be completed within budget or on schedule because of cost overruns, work stoppages, shortages of building materials, the inability of contractors to perform their obligations under construction contracts, defects in plans and specifications or in construction or other factors. Any delay in completing a project can result in increased interest and construction costs, the potential loss of purchasers or tenants and the possibility of defaults under project financings. Newly developed projects can be disproportionately affected by fluctuations in demand and supply as they have no existing tenancies and need to be leased in their entirety or otherwise disposed.

### **Risks Associated with Investment in Specific Real Estate Asset Classes**

A Fund can invest in a wide variety of real estate classes, such as land, lodging, multifamily and urban mixed use. The performance of each of these types of properties is subject to many of the risks associated with owning and operating other types of real estate; however, each unique class of property is subject to unique risks.

### **Special Risks Relating to Investments in Multifamily Real Estate Properties**

A Fund can support the development of multifamily real estate properties. Investment in apartments involves certain special risks. Apartment complexes have individual residential tenants with limited net worth and with lease terms that are typically shorter than those of a commercial lease. As a result, apartments are particularly vulnerable to, among other things, competition from new development and to changes in economic conditions or employment conditions in the surrounding geographic area. In addition, tenant turnover at apartment complexes causes the property owner to incur significant fix-up costs in order to prepare units for new tenants.

### **Risks Associated with Commercial Mortgage Loans Specifically**

A Fund can invest in a development that also utilizes commercial mortgage loans. The value of such commercial mortgage loans will typically be influenced by the historical rate of delinquencies, defaults experienced on the commercial mortgage loans and the severity of loss incurred as a result of such defaults, as well as market conditions. Commercial loans generally expose a lender to a greater risk of loss through delinquency and foreclosure since the ability of the borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property, rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets or personal guaranties. Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining debt amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligations. Exercise of foreclosure and other remedies can involve lengthy delays and additional legal and other related expenses on top of potentially declining property values.

### **Risks Associated with Investment in Real Estate Acquired from Distressed or Bankrupt Organizations**

Certain investment opportunities can originate from owners that are insolvent or in serious financial difficulty. As a result, the recourse to the sellers and/or the standards by which such properties are being, or have been, serviced or operated can be adversely affected.

### **Losses Not Covered by Insurance**

A Fund's direct real estate investments are likely to be covered by comprehensive liability, fire, extended coverage and rental loss insurance, with policy specifications and insured limits that LFM believes are adequate and appropriate under the circumstances. Some types of losses can be uninsurable or not economically insurable. In addition, many insurance carriers are excluding certain claims from standard policies. If an uninsured loss or a loss in excess of insured limits occurs on a Fund's investment, a Fund can lose its capital in such investment, as well as the anticipated future revenues from such investment and, in the case of debt that is recourse to a Fund, a Fund would remain obligated for such debt. In addition, all of the assets of such Fund can be at risk in the event of an uninsured liability to third parties. Any loss of this nature can adversely affect a Fund.



**Possible Environmental Liabilities**

Under various laws, ordinances and regulations, an owner or operator of real property can become liable for the costs of removal or remediation of certain hazardous substances released on, about, under or in its property. Environmental laws often impose this liability without regard to whether the owner or operator knew of or was responsible for, placing the hazardous substances on the property and/or the release of hazardous substances and even where the property was contaminated prior to the time the owner took title. The presence of hazardous substances, or the failure to remediate hazardous substances properly, can adversely affect a Fund's ability to sell, use or finance real estate. In addition to clean-up actions brought by governmental agencies and private parties, the presence of hazardous substances on a property can lead to claims of personal injury, property damage or other claims by private plaintiffs.

**Moisture Infiltration**

In addition to the other environmental risks described above, litigation and concern about indoor exposure to certain types of toxic molds has been increasing as the public becomes aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions. Although a Fund will attempt to support the acquisition of properties that do not contain mold, there can be no assurance that it will be successful in this regard. The difficulty in discovering indoor toxic mold growth, which is often latent, can lead to an increased risk of lawsuits by affected persons and the risk that the cost to remediate toxic mold will exceed the value of the property. The acquisition of properties containing mold can negatively affect the performance of a Fund.

**Investments in Regulated Industries**

An investment can be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such investment.

**Reliance on the Management Team**

Although LFM will be responsible for monitoring the performance of each Fund investment and each Fund seeks to invest in developments operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to complete and maintain the development and its operations in accordance with a Fund's plans. The success of each development depends in substantial part upon the skill and expertise of each developer and contractor's management team. There can be no assurance that developers or contractors will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, a Fund can be adversely affected. Instances of fraud and other deceptive practices committed by the management team of developments in which a Fund has an investment can undermine LFM's due diligence efforts with respect to such developments. If such fraud is discovered, it can adversely affect the valuation of a Fund's assets and the social impact of such investments and it can also contribute to overall market volatility that can negatively impact a Fund's portfolio.

**Side Letters**

A Fund or LFM enters into side letters or other similar agreements with Fund Investors that have the effect of establishing rights under, or altering or supplementing the terms of, a Fund Operating Agreement with respect to such Fund Investors. Any rights or terms so established in a side letter with a Fund Investor will govern solely with respect to such Fund Investor, as limited by a Fund's Offering Documents, and will not require the approval of any other Fund Investor notwithstanding any other provision of a Fund's Operating Agreement. See a Fund's Offering Documents for further information.

**Valuations**

Generally, there will be no readily available market for a substantial number of Fund investments and, hence, most of a Fund's Investments will be difficult to value. Valuations of a Fund's investments will be determined pursuant to the terms of the Operating Agreement. When estimating fair value, LFM will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective Investments. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values can differ from values that would have been determined had an active market existed for such securities and can differ from the prices at which such securities ultimately can be sold. The exercise of discretion in valuation by LFM can give rise to conflicts of interest, including in connection with determining the amount and timing of distributions.

**New Developments and Acquisitions Fail to Perform as Expected**

In deciding whether to acquire, lend capital to, or invest in a particular development, LFM will make certain assumptions regarding the expected future performance of such assets. If anticipated acquisitions do not occur as expected, or anticipated partners in such projects do not ultimately co-invest, the financial performance of a Fund can be adversely affected.

**Tenancies-in-Common**

A Fund can invest in or lend capital to development properties that are jointly owned with third parties as tenants-in-common. The bankruptcy, dissolution or action for partition by one or more of a Fund's co-tenants-in-common can require the early repayment of a mortgage loan associated with the related property, or result in a material impairment in property management, and can require a Fund to dispose of the property at a disadvantageous time, resulting in a loss to a Fund. In some cases, the related mortgage loan documents can provide for full recourse to a Fund as a co-tenant-in-common borrower or as the guarantor of the related mortgage loan. Thus, properties that are owned as tenants-in-common generally will increase the risk of loss to a Fund and Fund Investors.

**Property Taxes and Risk of Property Reassessments**

Real property owned by a Fund or real property that secures, directly or indirectly, an investment of a Fund will likely be subject to real property taxes and, in some instances, personal property taxes.

**Litigation at the Property Level**

The acquisition, ownership and disposition of real property carries certain specific litigation risks, which can result in losses to a Fund.

**Public Health Outbreak**

Any public health emergency such as any outbreak of coronavirus, SARS, H1N1/09 flu, avian flu, Ebola or other existing or new epidemic diseases or the threat thereof, can materially and adversely impact the value and performance of a Fund's investments and LFM's ability to manage and divest of the investments and to achieve a Fund's investment objectives and charitable purposes, all of which can result in significant losses to a Fund.

**Additional Risk Factors****Fairness of Investment Allocations**

When allocating investment opportunities among eligible Clients, LFM faces potential conflicts of interest between its own interests and those of a Client, and among different Clients. In facing potential conflicts of interests, as a fiduciary, LFM is required to eliminate or at least expose through full and fair disclosure the conflicts associated with its allocation policies, including how LFM will allocate investment opportunities, such that a Client can provide informed consent.

When allocating investment opportunities, LFM is permitted to consider the nature and objectives of the Client and the scope of the relationship. LFM is not required to have pro rata allocation policies, or any particular method of allocation, but, as with other conflicts, LFM's allocation practices should not prevent it from providing advice that is in the best interest of Clients.

**Allocation of Investment Opportunities**

In allocating investments for Funds, it is possible that:

- investment opportunities will be sold, wholly or in part, for one Fund and not another, or
- investment opportunities will be added, new or additional, for one Fund and not another.

To ensure that LFM will fairly allocate investment opportunities among the Funds, LFM's Investment Committee (see further information under Item 13) will consider the following factors, among other considerations, in allocating investment opportunities among Funds:

- Fund requirements for underlying liquidity;
- Fund requirements for specific asset allocation;
- cash flows, inflows and outflows, and available cash balances;
- time of entry of such an investment opportunity;
- portfolio construction constraints;

- materiality of position;
- geographic location of opportunity; and
- status of a Fund's investment period.

In circumstances where there is limited availability of investment opportunities and more than one Fund is eligible for an investment opportunity, LFM's Chief Compliance Officer will be consulted for review of the potential conflicts of interest and to ensure that the allocation is fair and appropriate. As deemed appropriate, LFM will consult with a Fund's Advisory Committee (see Item 13 for further discussion of the Advisory Committee) to seek advice regarding the allocation of certain investment opportunities. LFM's Chief Compliance Officer will also review co-investor allocations that present the potential for a conflict of interest. On a periodic basis, LFM's Chief Compliance Officer shall review a transaction allocation report which will note any potential conflicts of interest in investment allocations during the given period to confirm that fair allocations were made and LFM's Chief Compliance Officer approval was given in the event of a potential for conflict. Any questions as to the fairness of allocations will be escalated to the General Counsel for review.

All of the foregoing procedures can in certain circumstances adversely affect the price paid or received by a Fund or the size of the position purchased or sold by a Fund, including prohibiting a Fund from purchasing a position or effecting a disposition, or can limit the rights that a Fund can exercise with respect to an investment.

#### **Affiliate Purchases and Sales**

Any origination companies used by a Fund can transfer loans they have originated or acquired to one or more securitization vehicles, a successor fund, LISC or other Clients in exchange for cash and/or debt or equity securities issued by such affiliated counterparty. Similarly, a Fund or its related entities can acquire loans originated or acquired by such affiliated counterparty in exchange for cash and/or debt or equity securities issued by a Fund or its related entities; however, such affiliated counterparties can, in such circumstances, retain any closing fees or payments for their own account and as compensation for the additional risk they accept at the inception of the transaction.

A Fund can also sell other assets to, or buy other assets from, affiliated counterparties at fair value. Such purchase or sale arrangements can allow a Fund to acquire assets it can otherwise be unable to acquire or allow a Fund to reduce its exposure to assets while continuing to be able to participate in additional transactions in the future.

There is a risk, however, that the value of the assets in question can drop, with the result that a Fund will have a greater exposure to the assets than it would otherwise desire. There is also the risk of undervaluing or overvaluing an asset, with the potential that a Fund can pay too much for an asset it purchases or receive too little for an asset it sells. If an asset is undervalued or overvalued, an affiliated counterparty can benefit at the expense of a Fund. Fund Investors, by acquiring interests in a Fund, are, to the extent permitted by applicable law, consenting to these purchases, sales, and loan arrangements pursuant to a Fund's Offering Documents.

It is anticipated that there will be circumstances in which LISC makes loans from its own account to borrowers who are also borrowers of a Fund and/or to entities in which a Fund will hold an equity interest. In these circumstances, LFM, acting on behalf of a Fund, will abide by its asset allocation policy, which would allocate to a Fund any and all loans that:

- a Fund has adequate liquidity in which to invest and
- (2) meet a Fund's investment strategies, including without limitation exposure limits.

Loans allocated to LISC are typically those that a Fund does not have adequate liquidity in which to invest and/or do not meet a Fund's investment strategies.

It is also anticipated that LISC and a Fund will make loans to the same borrower or otherwise invest in loans of the same borrower ("**Side-by-Side Investments**"). For any such Side-by-Side Investments, a Fund will generally receive terms that are equivalent to or preferential to those received by LISC except in limited circumstances where the terms received by a Fund will vary from those received by LISC, if LFM determines in good faith that it is commercially reasonable to do so. Further, for any such Side-by-Side Investments, there can be circumstances where LISC would be senior to a Fund with respect to a Fund's primary collateral securing its loans if LFM determines the potential investment by a Fund fits within a Fund's strategy and that the risk return of the potential investment is acceptable.

LISC can sell certain assets to a Fund in the form of loans or notes similar to those that a Fund will otherwise originate and hold. A Fund will only purchase an asset from LISC upon obtaining consent to such purchase required by law, pursuant to a Fund's Offering Documents. Consent to such purchases can be obtained on a negative consent basis where there is no objection to a transaction within thirty (30) days of having received a written summary of the transaction from LFM or LISC. Certain assets that LISC sells to a Fund will be loans or notes that are unrated because credit rating agencies do not have evaluation methods in place to rate such loans or notes. Because the credit rating that LISC receives from certain credit rating agencies can be impaired when it holds these unrated loans or notes, LISC has an incentive to sell these assets to a Fund to seek to increase LISC's credit rating. A Fund and LISC typically will use the same valuation processes with respect to investments. There can be circumstances where LISC has significant exposure to a borrower that a Fund also has exposure to and, because of LISC's exposure, there is an incentive to not reduce the value of an asset.

Except to the extent limited by applicable law, LFM can effect client cross transactions in which LFM causes a transaction to be effected between Funds or a Fund and an affiliated counterparty. A Fund can purchase an investment from or sell an investment to another Fund or an affiliated counterparty. Although the Funds intend to comply with applicable law by obtaining consent, as necessary, as well as LFM's internal policies and a Fund's Offering Documents with respect to cross transactions, there can be no assurance that a conflict will not arise with respect to the interests of LFM, a Fund, another client or another counterparty to such a cross transaction. A cross transaction is deemed to occur post settlement of the transaction as noted by SEC staff in Investment Advisers Act Release No. IA-1732. Accordingly, any reallocations of investment opportunities and related expenses prior to settlement of transactions are not deemed to be cross transactions.

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

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To the best of our knowledge, there are no current legal or disciplinary events that are material to a Fund Investor's or prospective Fund Investor's evaluation of our advisory business or the integrity of our management.

## Item 10: Other Financial Industry Activities and Affiliations

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LFM's affiliates, LISC, Broadstreet Impact Services ("**Broadstreet**") and National Equity Fund sponsor and manage certain pooled investment vehicles that are not Funds. Thus, the affiliates are not registered or required to register as investment advisers. Broadstreet, serves as fund administrator to the Funds.

Neither we, nor our Supervised Persons, are registered as broker-dealers, and neither has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

Certain related persons are not included here or in Section 7.A. of Schedule D of Form ADV Part 1A, as we do not:

- have business dealings with the related person in connection with advisory services we provide to our clients;
- conduct shared operations with the related person;
- refer clients or business to the related person, and the related person does not refer prospective clients or business to us;
- share supervised persons or premises with the related person; and
- have reason to believe that our relationship with the related person otherwise creates a conflict of interest with our clients.

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

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### ***Code of Ethics***

In compliance with Rule 204A-1 under the Advisers Act (the "**Code of Ethics Rule**"), LFM has adopted a code of ethics ("**LFM Code of Ethics**") that establishes the high standard of conduct that we expect of LFM Supervised Persons and procedures regarding the personal trading of securities by certain LFM Supervised Persons deemed to have access to certain non-public information ("**LFM Access Persons**"). LFM Supervised Persons are required to certify their adherence to the terms set forth in the LFM Code of Ethics upon commencement of employment and in quarterly certifications of compliance thereafter.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- LFM Supervised Persons must at all times place the interests of the Funds first;
- LFM Access Persons must ensure that all personal securities transactions are conducted consistent with the LFM Code of Ethics personal trading provisions; and
- LFM Supervised Persons should not take inappropriate advantage of their position at LFM.

Among other requirements, the LFM Code of Ethics places restrictions on personal trades by LFM Access Persons and mandates that LFM Access Persons disclose their personal securities holdings and transactions to LFM on a periodic basis. LFM Access Persons are required to obtain pre-approval from the Chief Compliance Officer before: (1) investing in Initial Public

Offerings, (2) engaging in certain outside business activities, or (3) making certain private investments.

We generally do not recommend that Clients invest in securities for which LFM or a related person has a material financial interest without appropriate disclosures of the conflict of interest. LFM acts as Manager for Funds in which Fund Investors are solicited to invest which present a conflict of interest. LFM's role as Manager is disclosed to Fund Investors. We will provide a copy of LFM's Code of Ethics to our Fund Investors, or any prospective Fund Investor, upon request, to be viewed on the premises.

#### **Item 12: Brokerage Practices**

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LFM does not select or recommend broker-dealers for Client transactions.

#### **Item 13: Review of Accounts**

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We continuously monitor and analyze the transactions, positions, and investment levels of each Fund to ensure that they conform with the investment objectives and guidelines that are stated in a Fund's Offering Documents. In these reviews, LFM pays particular attention to material changes in the investment's fundamentals, overall risk management and in the securities markets.

#### ***Investment Committee***

The LFM Board of Managers established a standing committee (the "**Investment Committee**") that among other things:

- evaluating new investments and products;
- reviewing and approving exceptions to existing product guidelines;
- consulting on the development, assessment, and monitoring of impact metrics; and
- advising on such other matters that might require its consent pursuant to a Fund Offering Documents.

#### ***Advisory Committee***

Each Fund has an "**Advisory Committee**," consisting of representatives of the Fund Investors appointed by LFM, that serve to provide advice, completely at the discretion and request of LFM, regarding certain Fund matters and to act on behalf of Fund Investors, such as:

- approving certain expenses, as requested by LFM;
- reviewing potential conflicts of interests;
- extending a Fund's term;

- reviewing an annual notice of the percentage breakdown of each type of Fund investment; and
- reviewing and objecting to Fund valuations.

In reviewing potential conflicts of interest, the Advisory Committee could:

- review the potential conflict of interest;
- consult regarding the conflict of interest;
- provide a waiver of the conflict; and
- approve standards or procedures with respect to such conflict.

### ***Account Reporting***

We perform various periodic reviews of each Fund's portfolio. Such reviews are conducted by LFM officers. We will distribute an audited financial report with respect to the previous fiscal year to all Fund Investors within 120 days of fiscal year end. We generally also distribute unaudited net asset value statements on at least a quarterly basis, quarter-end performance reports, and a quarterly investor letter to Fund Investors.

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

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We do not receive economic benefits from non-Clients for providing investment advice and other advisory services to Clients. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not an LFM Supervised Person for Client referrals. Certain LISC employees provide marketing support services to LFM. LFM Supervised Persons and other LISC employees supporting LFM do not receive transaction-based compensation for marketing activities.

LFM and the Funds engage third parties to assist with the provision of certain services (e.g., deal sourcing, prospective Fund Investor lead origination and marketing material preparation). Compensation for such services are generally fixed fee arrangements and is not transaction-based compensation. Services provided with respect to lead origination for prospective Fund Investors is disclosed in Form ADV Part 1A, Section 7.B. for the respective Funds.

### **Item 15: Custody**

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We are deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing or having the ability to withdraw funds from a Client's account. We comply with Rule 206(4)-2 under the Advisers Act (the "**Custody Rule**") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the



relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board ("PCAOB"), we distribute a Fund's audited financials to Fund Investors within 120 days of such Fund's fiscal year end.

#### **Item 16: Investment Discretion**

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We have full discretionary investment authority with respect to the Funds, including the authority to make decisions with respect to which investments to be bought and sold, as well as the amount and price of those investments. Our investment discretion and authority are subject to the limitations set forth in the Client's investment management agreement and a Fund's Offering Documents.

#### **Item 17: Voting Client Securities**

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LFM does not invest in any publicly traded securities that require the voting of proxy proposals, amendments, consents or resolutions.

#### **Item 18: Financial Information**

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We are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients and have not been the subject of a bankruptcy petition at any time during the past ten years.

## Other Information: Privacy Policy Notice

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Financial companies choose how they share your personal information. Federal law gives our clients and private fund investors the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this “**Privacy Policy Notice**” carefully to understand what we do. LISC Fund Management, LLC does not disclose non-public personal information about its prospective, existing or former clients or private fund investors to third parties other than for business purposes, as described below.

*Personal Information We Collect.* We collect personal information about you in connection with providing advisory services to you. This information includes your social security number and can include other information such as your:

- assets;
- investment experience;
- transaction history;
- income; and
- wire transfer instructions.

*How We Collect this Information.* We collect this information from you through various means. For example, when you give us your contact information, enter into an investment advisory contract with us, invest in a private fund under our management, tell us where to send money, or make a wire transfer. We also collect your personal information from other sources. We maintain physical, electronic, and procedural safeguards that comply with federal standards to safeguard your non-public personal information which we believe are adequate to prevent unauthorized disclosure of such information.

*How We Use this Information.* All financial companies need to share customers’ personal information to run their everyday business and we use the personal information collected from you for everyday business purposes. These purposes include, for example, to:

- provide advisory services to you;
- open an account for you;
- process a transaction for your account;
- market products and services to you; and
- respond to court orders and legal investigations.

*Disclosure to Others.* We do not disclose your nonpublic personal information to anyone other than our affiliates and service providers (e.g., our attorneys, accountants), except as permitted or required by law. This means, most importantly, that we do not sell investor information - whether it is your personal information or the fact that you are our investor - to anyone. We also do not transfer or license your information to any third party, or permit any third party to use your information, for their own marketing purposes, or the marketing purposes of any

other third party. Instead, we use your information primarily to complete transactions that you request or to make you aware of other investment opportunities that we offer. We provide your personal information to firms that assist us in servicing your account and have a need for such information, (e.g., a fund administrator). The Adviser can also disclose such information to service providers and financial institutions with whom the Adviser has joint marketing arrangements (i.e., a formal agreement between financial companies that together market financial products or services to you, such as placement agents). The Adviser requires third-party service providers and financial institutions with which the Adviser has joint marketing arrangements to protect the confidentiality of your information and to use the information only for the purposes for which the Adviser discloses the information to them. These sharing practices are consistent with federal privacy and related laws, and in general, you cannot limit our use of your personal information for these purposes under such laws. We note that the federal privacy laws only give you the right to limit certain types of information sharing that we do not engage in (e.g., sharing any personal information with others in order for them to market to you).

Reasons we can share your personal information	Do we share?	Can you limit this sharing?
For our everyday business purposes - such as to process your transactions, maintain your account, respond to court orders, regulatory examinations, and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes - to offer our products and services to you	Yes	No
For joint marketing with other financial companies	Yes	No
For our affiliates' everyday business purposes—information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes—information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

*How We Protect your Personal Information.* To protect your personal information from unauthorized access and use, we maintain physical, electronic, and procedural safeguards that comply with federal law to safeguard non-public personal information which we believe are adequate to prevent unauthorized disclosure of such information. These measures include computer safeguards and secured files and buildings. We train our employees to protect customer information. We require independent contractors and outside companies who work with us to adhere to strict privacy standards through their contracts with us. We continually seek to enhance our security tools and processes.

*Information for California Residents:* We will not share information we collect about you with companies outside of LISC Fund Management, unless the law allows. For example, we can share information with your consent or to service your accounts.

*Information for Vermont Residents:* If your account has a Vermont billing address, we will automatically treat your account as if you have directed us not to share information about your creditworthiness with our Affiliates.

*Who to Contact with Questions.* If you have any questions about this Privacy Notice, please contact Ted Shen by email at [TShen@lisc.org](mailto:TShen@lisc.org).