

Item 1. Cover Page

i80 Group LP

**1330 6th Avenue
Suite 8C
New York, NY 10019**

March 2024

This “**Brochure**” provides information about the qualifications and business practices of i80 Group LP (hereinafter “**i80 Group**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Warren Sckolnick, by email at **compliance@i80group.com**. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

i80 Group is a Registered Investment Adviser with the SEC. Registration as an investment adviser does not imply that i80 Group or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about i80 Group is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Since the last annual amendment in March 2023, the only material update to i80 Group's Form ADV Part 2A has been a change to the Firm's principal address to 1330 6th Avenue, Suite 8C, New York, New York, 10019 as indicated in Item 1: Cover Page.

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Item 4: Advisory Business

i80 Group LP and its affiliate i80 Group Vintage LLC (hereinafter “**i80 Group**”, “**we**”, “**us**”, “**our**” or the “**Firm**”) is organized as a Delaware limited partnership with a principal place of business New York, New York. i80 Group LP and its affiliate are wholly owned by Marc Helwani. The Firm also has an office in San Francisco, CA.

i80 Group provides investment management services on a discretionary basis to private pooled investment vehicles (“**Funds**”) and separately managed accounts (“**SMA**s”) to qualified investors (collectively “**Clients**”).

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited 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 investor.

i80 Group Specialty Finance II GP LLC and i80 Group Vintage GP LLC serve as general partners to certain Funds (each a “**General Partner**” and collectively the “**General Partners**”). i80 Group Vintage LLC serves as an investment manager to certain Funds the (“**Relying Adviser**”). The Relying Adviser relies on i80 Group LP’s investment adviser registration with the SEC to operate as an investment manager.

The Funds “**Limited Partners**” are hereinafter collectively referred to as the “**Investors**” where appropriate.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**,” which include each Fund’s subscription documents, Limited Partnership Agreements (“**LPA**”), Private Placement Memorandum (“**PPM**”) and any other legal documents set in place when an Investor decides to invest within an i80 Group Fund.

We do not currently participate in any Wrap Fee Programs.

As of December 31st, 2023, i80 Group has approximately \$1,586,500,000 in Regulatory Assets Under Management (“**RAUM**”). i80 Group currently manages \$836,500,000 on a discretionary basis. i80 Group currently manages \$750,000,000 on a non-discretionary basis.

Item 5: Fees and Compensation

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

i80 Group is paid an investment management fee (“**Management Fee**”) per annum of the net invested capital of the Funds.

i80 Group’s fee schedule is omitted because this brochure is only being delivered to qualified purchasers as defined in the Investment Company Act of 1940. i80 Group receives

Management Fees from the Funds (outlined in Item 4) for the advisory services it provides to each Fund through the corresponding investment management agreements between i80 Group and each Fund. For all Funds, the Management Fee shall be adjusted pro rata for capital contributions and distributions of capital proceeds (if any) made to the Limited Partners during the calendar quarter.

The Firm, in its sole discretion, may waive or modify the Management Fee for any Investor. The Management Fee shall be reduced (i) by the net amount of any investment-related fees or (ii) as otherwise provided in each Fund's Offering Documents. For the avoidance of doubt, the Management Fee in respect of any particular invested capital shall accrue from and after the date that the Capital Contributions which are the subject of the relevant capital call notice issued by the Firm, or any of its affiliates, are due.

Other Types of Fees or Expenses

i80 Group is authorized to incur and pay in the name and on behalf of the Funds all expenses which they deem necessary or advisable.

The Firm is responsible for and shall pay, or cause to be paid, all of their 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 the Firm.

The Funds bear all other expenses, which include, without limitation, the following expenses incurred by or allocable to the Funds: fees, costs, expenses and liabilities that are incurred by or arise out of the operation and activities of a Fund (and, for the avoidance of doubt, not included in Fund organizational expenses or any General Partner expenses), including, without duplication: (a) fees, costs and expenses relating to investments and potential investments (whether or not consummated), including fees, costs and expenses relating to the evaluation, acquisition (including legal, regulatory, tax and/or compliance costs incurred in connection with structuring such acquisition), financing, developing, sourcing, bidding on, holding, monitoring and disposing of investments, including travel, entertainment and other related fees, costs and expenses associated therewith; (b) interest on, and fees and expenses and principal payments related to or arising from, any indebtedness of Fund; (c) premiums (and other fees, costs and expenses) for insurance protecting a Fund and any i80 Group Related Parties from liabilities to third parties in connection with a Fund's investment and other activities, including, for the avoidance of doubt, premiums for directors and officers, errors and omissions, fidelity and ERISA bond(s), cybersecurity, and title, casualty and liability insurance premiums relating to Investments; (d) third-party fees, costs and expenses in respect of legal, custodial (including record storage and destruction costs), depositaries, administration (including any direct application service costs), reporting, printing, information technology related to investments or potential Investments, research (including news and quotation equipment and services) related to investments or potential investments, market data, auditing, accounting, regulatory, asset management, portfolio and risk management, and compliance services, including compliance services fees, costs and expenses associated with (i) the preparation of a Fund's financial statements, tax returns and Schedule K-1s and the fees, costs and expenses of a Fund's "partnership representative" or other designated individual with the authority to resolve a Fund audit and (ii) any applicable U.S. or non-U.S. registrations, applications, filings, reports, disclosures and notices (and ongoing reporting requirements relating thereto), in each case as it relates to a Fund and its investments, but excluding, for the avoidance of doubt, the costs of the General Partner's or the Firm's

customary overhead or operating expenses; (e) fees, costs and expenses relating to acquisition, disposition, valuation, appraisal, financing, lending, loan servicing, banking, investment banking, advisory, consulting, brokerage and prime brokerage services, and fees, costs and expenses relating to experts (including networks thereof), operating partners and third-party professionals and other service providers; (f) fees, costs and expenses incurred by any entities through or in which a Fund directly or indirectly participates in Investments (including, a pro rata share of any such fees, costs and expenses, in circumstances in which Other i80 Funds participate in such Investment) provided such fees, costs and expenses are associated with Investments, including fees, costs and expenses in connection with organizing and the related administration of such entities; (g) fees, costs and expenses that are classified as extraordinary expenses under U.S. GAAP; (h) domestic and foreign entity level taxes imposed on a Fund (as determined by the General Partner), other taxes and other governmental charges, fees and duties payable by a Fund, and all fees, costs and expenses of any tax audit, examination or investigation; (i) claims, damages, liabilities, costs and expenses, including legal fees and other costs and expenses, relating to the indemnification of indemnitees pursuant to this Agreement (including advancement of expenses); (j) fees, costs and expenses of any litigation or settlement involving a Fund or its Investments and the amount of any judgements, fines or settlements paid in connection therewith (excluding, however, litigation, judgments, fines and settlements to the extent arising from the General Partner's or the Firm's Disabling Conduct); (k) fees, costs and expenses of reporting to the Investors and to governmental authorities with respect to the Investors, a Fund or a Fund's activities and investments (including any reports prepared upon the request of a Limited Partner); (l) fees, costs and expenses of the Advisory Committee (including the costs of Advisory Committee meetings and travel, entertainment and other related fees, costs and expenses related thereto, and fees, costs and expenses of any advisors that are retained by the Advisory Committee); (m) costs of winding up and liquidating a Fund; (n) all annual registration fees and registered office fees and expenses; (o) fees, costs and expenses relating to hedging positions; (p) fees, costs and expenses associated with any third-party examinations or audits (or other similar services) of the Fund, the General Partner and the Firm that are attributable to the operation of the Fund; (q) Broken Deal Expenses; (r) Placement Fees; and (s) the Management Fee.

In addition, travel (including the cost of using private aircraft or other private air travel at a cost not exceeding the cost of first class commercial airfare if the Firm or General Partner determines in good faith that substantially similar first class (or equivalent) commercial air travel was unavailable, not feasible or unsafe due to a public health emergency (including the ongoing COVID-19 pandemic)), ground transportation (including car service) and incidental travel expenses), meals entertainment, printing, legal, capital raising, accounting, regulatory compliance (including expenses associated with the initial registrations, filings, compliance and other offering obligations contemplated by the AIFMD or any similar law, rule or regulation), and any administrative or other filings) incurred in connection with the structuring, organization, negotiating, funding and start-up of a Fund, a General Partner, any parallel funds, including the preparation of, and negotiations with respect to, a Fund's Offering Documents, investor presentations and other marketing materials, LPA, subscription agreements, any side letters or similar agreements, agreements with placement agents and any other similar agreements, and out-of-pocket costs and expenses incurred by placement agents, finders or other persons performing similar services in connection with the foregoing, but not including any placement fees.

In general, each Investor will bear its proportionate share of the Fund expenses on a pro rata basis with respect to the size of such Investor's capital account(s) or with respect to the relative net asset value of the shares held by such Investor, as applicable.

Notwithstanding the foregoing, the Fund General Partner and/or the Firm, as applicable, may specially allocate the expenses described herein in any other manner, including by allocating certain expenses to certain (but not all) Investors, if the Fund General Partner and/or the Firm, as applicable, reasonably determines, in its discretion, that it is more equitable to do so.

To the extent that expenses to be borne by the Funds are paid by the Firm or its affiliates, the Funds will reimburse the Firm or its affiliates for such expenses. We may waive any such reimbursement with respect to any Fund expenses. Any waiver by us for reimbursement of any Fund expenses shall not serve as a waiver of reimbursement for any future Fund expenses to be paid by us or our affiliates.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

We and our affiliates are entitled to a performance-based compensation. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

Item 7: Types of Clients

Our clients are the Funds and the SMA, as described in Item 4 above. The Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth qualified purchasers, financially sophisticated, and other sophisticated investors.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may 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. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

Investment Objective

The Firm's investment objective is to generate attractive risk-adjusted returns primarily by making debt or equity investments in asset-backed transactions, which may be in any

specialty-finance asset class and may be made directly or indirectly through new originations, secondary purchases or joint venture platforms, all in the Firm's discretion.

Risk Management

The Firm seeks to minimize risk through its investment strategy. The Firm's investment objective, and implementation of its risk-adjusted strategy build an extra layer of risk management into its investment process. Due to bankruptcy-remote structures, structural protections exist to help limit the corporate credit risk. Similarly, shorter duration facilities limit duration risks, a limited correlation to public markets mitigates a broad market risk, due to self-amortizing facilities there is limited refinancing risk, and a limited interest rate risk due to floating rate structures.

Risk of Loss Factors

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

An investment involves significant risks, and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly-traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with i80 Group LP.

General Risks

Potential Loss of Investment. As is true of any investment, there is a risk that an investment in a Fund will be lost entirely or in part. i80 Group Funds alone are not a complete investment program and should represent no more than a portion of an investor's portfolio management strategy.

Lack of Operating History. The Funds have little to no operating history upon which prospective investors can evaluate their performance. Each Fund's investment program should be evaluated on the basis that there can be no assurance that the Firm's assessment of the short-term or long-term prospects of investments will prove accurate or that the Fund will achieve its investment objective.

Dependence on the General Partner and the Firm. The success of each Fund is significantly dependent upon the ability of the General Partner and the Firm, and in particular, Mr. Helwani, to develop and effectively implement the Funds' investment objectives.

Possibility of Additional Government or Market Regulation. Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during the past decade have led to increased governmental as well as self-regulatory scrutiny of the private fund and financial services industries in general. Certain legislation proposing greater regulation of the industry, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**"), is considered periodically by the U.S. Congress, as well as the

governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Funds, the General Partner, the Firm, the markets in which they invest or the counterparties with which they do business may be instituted in the future. Any such laws or regulations could have a material adverse impact on the profit potential of the Funds, as well as require increased transparency as to the identity of the Investors.

Potential Inability to Invest or Report Due to Systems Failure. The Firm's strategies are dependent to a significant degree on the proper functioning of its internal and external computer systems. Accordingly, systems failures, whether due to third-party failures upon which such systems are dependent or the failure of the Firm's hardware or software, could disrupt investing or make investing impossible until such failure is remedied. Any such failure, and consequential inability to invest (even for a short time), could, in certain market conditions, cause the Funds to experience significant losses or to miss opportunities for profitable investing. Any such failures also could cause a temporary delay in reports to investors.

Investment Risks

General Investment Risks. An investment in any Fund involves risks, including the risk that the entire amount invested may be lost. The Funds will invest in investments using investment techniques with risk characteristics, including risks arising from the volatility of the credit markets, the risks of incurring indebtedness and short sales, the risks of collateral insufficiency, the potential illiquidity of investments, the risks of adverse regulatory changes and the risk of loss from counterparty defaults. No guarantee or representation is made that the Funds' investment objectives will be achieved. The Funds may utilize such investment techniques as incurring debt, option transactions, margin transactions, short sales, limited diversification and derivatives trading, which practices can, in certain circumstances, increase the adverse impact to which the Funds may be subject.

Illiquid Portfolio Instruments. The Funds expect to invest in investments which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid investments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of investments eligible for trading on national securities exchanges or in the over-the-counter ("**OTC**") markets. Restricted investments may sell at a price lower than similar Investments that are not subject to restrictions on resale.

Investments in Distressed Securities. The Funds may invest in unrated and "below investment grade" loans, securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These loans, securities and obligations are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate

movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to a Fund's investment in any instrument, and a significant portion of the obligations and securities in which a Fund invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in unrated and below investment grade loans, securities or companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Firm will correctly evaluate the value of the assets collateralizing the Funds' loans or the prospects for a successful reorganization or similar action. In any enforcement of remedies, restructuring, reorganization or liquidation proceeding relating to a company in which a Fund invests, that Fund may lose its entire investment, may be required to accept cash or securities with a value less than that Fund's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from a Fund's investments may not compensate the Investors adequately for the risks assumed.

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

Generally, a Fund will not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Bank Loans. The Funds' investment programs may include investments in bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Funds to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, the Firm compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Fund.

Bankruptcy Claims. The Funds may invest in bankruptcy claims which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest, and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by federal securities laws or the Securities and Exchange Commission (the "**SEC**"). Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances, payments and distributions may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

Risks Associated with Bankruptcy Cases. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of the

Funds. 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 functional operating control of a debtor.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Funds and is subject to unpredictable and lengthy delays. Further, during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. Although the Funds intend to invest primarily in debt, the debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Funds' influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such when they take over management and functional operating control of a debtor. In those cases where the Funds, by virtue of such action, is found to exercise "domination and control" of a debtor, the Funds may lose its priority if the debtor can demonstrate that its business was adversely impacted or other creditors and equity holders were harmed by the Funds.

The General Partners, on behalf of the Funds, may elect to serve on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of the Funds' position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the General Partner concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Funds, it will resign from that committee or group, and the Funds may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if the Funds are represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group.

The Funds may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the

undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (i) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). The Funds do not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, the Funds may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.

Contingent Liabilities. From time to time, the Funds may incur contingent liabilities in connection with an investment. For example, the Funds may purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Funds would be obligated to fund the amounts due. The Funds may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to the Funds.

In addition, although it is anticipated that indebtedness incurred by the Funds or its subsidiaries will be recourse only to the specified collateral assets that are subject to the respective security agreements and nonrecourse to the Funds, under certain circumstances, such as fraud, filing a voluntary petition for bankruptcy or other acts, there is an exception to the nonrecourse nature of such indebtedness under which the Funds would become liable for the repayment of the indebtedness in whole or in part.

Litigation. Litigation, including with respect to workouts, restructurings and reorganizations can be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. The Firm anticipates that during the term of the Funds, the Firm, the General Partners, and perhaps certain of its larger Investors may be named as defendants in civil proceedings. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Funds and would reduce net assets or could require Limited Partners to return to the Funds distributed capital and earnings.

Purchasing or Lending Against Litigation Claims. The Funds may purchase, or may make loans based on, anticipated future payments to be received as the result of favorably determined litigation, settlement or mass tort claims. The results of pending litigation and/or settlements are inherently uncertain. Purchasing or lending against pending litigation and/or settlements entails unique risks because there is no guarantee that the relevant litigation will be favorably determined, or that the relevant case settlement will be upheld and consummated, and consequently that the Funds' investment objectives will be achieved. If the relevant litigation is determined (in a court or in an out-of-court settlement) in a manner that is adverse to a Fund interest, or if the relevant settlement is not approved or is overturned, a Fund may lose some or all of its investment. In some instances, the purchase of litigation or settlements have been challenged as loan transactions, champerty laws in some states may limit the ability to engage in certain of these transactions and some states have enacted or may enact legislation regulating these transactions, all of which may affect the ability of the Funds to engage in this activity.

Fraud. Of paramount concern in lending (and in acquiring loans on the secondary market) is the possibility of material misrepresentations or omissions or fraud on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Funds to perfect or effectuate a lien on the collateral securing the loan. The Funds will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Funds may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Small Business Lending. The Funds may make loans to small businesses and newly-formed “startup” companies. Lending to small businesses and startups presents unique risks. Small businesses and startups generally have limited borrowing and operating histories, making it more difficult to assess their creditworthiness. In addition, small businesses and startups may have fewer assets available to use as collateral, leaving the Funds with little recourse in the event of default on the loan.

Lending to High-Risk Borrowers. There are no restrictions on the credit quality of the Funds’ loan investments. Loans arranged by the Funds may have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans which the Funds may own may have large uncertainties or major risk exposures to adverse conditions and may be considered to be predominately speculative. While such loans may generally offer a higher return potential in comparison to better quality loans, in exchange for increased risks, such borrowers are generally more likely to default on a loan, which will increase the risk of loss of income and principal and may lead to significant losses by the Funds.

In addition to lending to small businesses and startups, the Funds may make loans to other high-risk borrowers, such as individuals with poor credit histories, low FICO (or other) credit scores or past legal troubles (including prior bankruptcy). The Funds or their affiliates may originate loans to borrowers that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financing may result in significant financial returns to the Funds, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to borrowers experiencing significant business and financial difficulties is unusually high. There is no assurance that the Firm will correctly evaluate the value of the assets collateralizing the Funds’ loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a borrower that the Funds fund, the Funds may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the loan advanced by the Funds or their affiliates to the borrower.

Merchant Cash Advances. For a variety of reasons, many small- and medium-sized merchants, retailers and businesses may have difficulties securing loans from traditional lenders. Companies that have gone through financial difficulties, bankruptcy or have had their debt “charged-off” by creditors may also have difficulty in securing financing. These difficulties are due in part to the fact that, when a bank makes a loan, it tends to focus on the credit history of the borrower and the past performance of the business, together with the value of a business’ total assets. In contrast, merchant cash advances are made largely based on factors such as the value of a business’ account receivables. The Funds may provide merchant cash advances in exchange for a share of a business’ future sales and/or a fixed fee. The Funds’ remittances from the borrower will generally be drawn from the borrower’s customer debit- and credit-card purchases until the advance is repaid. Such cash advances come with the

additional risks associated with small business lending (described above under “—*Small Business Lending*”), which may lead to significant losses to the Funds.

Since the cash advances are technically sales of future assets, rather than direct loans or credit, when making such advances, the Funds are not believed to be currently subject to state usury laws or other requirements to lenders. However, there have been discussions of increasing regulation of merchant cash advances and other alternative lending. Any such increased regulation may have a material adverse effect on the Funds by increasing the cost of executing merchant cash advances, or making the strategy economically unfeasible or unlawful. There have also been claims that certain merchant cash advances should be re-characterized as loans. Any such claims, if successful, could result in an inability to collect on the merchant cash advances, as well as a potential for fines, penalties, and required refunds of amounts previously collected.

Non-Performing Nature of Debt. It is anticipated that certain debt instruments purchased by the Firm for the Funds will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to these types of loans.

Investing in High Yield Securities. The Funds may invest in high-yield securities. Such securities are generally not traded on an exchange and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, the Funds may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. Investing in high yield debt securities involves risks which are greater than the risks of investing in higher quality debt securities. These risks include: (i) changes in credit status, including weaker overall credit conditions of issuers and risks of default; (ii) industry, market and economic risk; (iii) interest rate fluctuations; and (iv) greater price variability and credit risks of certain high yield securities such as zero coupon and payment-in-kind securities. While these risks provide the opportunity for maximizing return over time, they may result in greater upward and downward movement of the value of the Funds’ portfolio. Furthermore, the value of high yield securities may be more susceptible to real or perceived adverse economic, company or industry conditions than is the case for higher quality securities. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates and tend to be more sensitive to economic conditions than are higher-rated securities. Adverse market, credit or economic conditions could make it difficult at certain times to sell certain high yield securities held by the Funds.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by the Funds are called for redemption, the Funds will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Funds’ ability to achieve its investment objective.

Preferred Stock. Preferred stock generally has a preference as to dividends and upon the event of liquidation over an issuer’s common stock, but it ranks junior to debt securities in an issuer’s capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer’s board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer’s common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Non-U.S. Investments. The Funds may invest in non-U.S. investments including investments and credit originations related to consumer finance, commercial finance, real estate, aircraft, ships and physical assets, as well as securities of non-U.S. corporations and non-U.S. countries (collectively, “**Non-U.S. Investments**”). Investing in Non-U.S. Investments involves certain considerations not usually associated with investing in assets located in the U.S. or securities of U.S. companies or the U.S. government, including possible adverse political and economic developments, foreign regulatory regimes or other economic regulations, changes in fiscal and monetary policies, repatriation of profits, possible seizure or nationalization of Non-U.S. Investments and possible adoption of governmental restrictions that might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. In addition, there may be less publicly available information about issuers or assets in non-U.S. countries which are generally not subject to uniform accounting, auditing and financial reporting standards and other disclosure requirements comparable to those applicable to U.S. issuers. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by the Funds from some Non-U.S. Investments may be reduced by changes in policy with regard to taxation, withholding

and other taxes imposed by such countries. Any such taxes paid by the Funds will reduce its net income or return from such Non-U.S. Investments. While the Firm will take these factors into consideration in making investment decisions for the Funds, no assurance can be given that the Firm will be able to fully avoid these risks.

Additional costs could be incurred in connection with the Funds' international investment activities. Non-U.S. brokerage commissions generally are higher than in the United States. Expenses also may be incurred on currency exchanges when the Firm changes investments from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of non-U.S. laws to non-U.S. custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in non-U.S. jurisdictions.

Concerns Regarding the European Union and Brexit. Global markets and economic conditions have recently been affected by the ability of certain European Union ("EU") member states to service their sovereign debt obligations. There is continued uncertainty over the outcome of the EU governments' financial support programs and the possibility that other EU member states may experience financial troubles that could further disrupt global markets. Such uncertainty has and could in the future disrupt equity markets and result in volatile bond yields on the sovereign debt of EU members. These factors could have an adverse effect on the Funds. It may be possible for a member state that has adopted Euro as its currency to opt out of it and return to a national currency. The effects of the exit of one or more countries from the euro zone are impossible to predict but are likely to be negative and may include flight of capital from perceived weaker countries to stronger countries in the EU, default on the exiting states' domestic debt, collapse of the exiting states' domestic banking system, seizure of cash or assets, imposition of capital controls that may discriminate in particular against foreigners' asset holdings, redenomination and revaluation of obligations of obligors in exiting countries and political or civil unrest. Any such exit and any consequent redenomination and revaluation would cause significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and lead to complex, lengthy litigation. The resulting uncertainty and market stress could also cause, among other things, severe disruption to equity markets, significant increases in bond yields generally, potential failure or default of financial institutions, including those of systemic importance, a significant decrease in global liquidity, a freeze-up of global credit markets and worldwide recession.

The United Kingdom (the "**UK**") ceased to be a member of the EU on January 31, 2020 ("**Brexit**"). During a prescribed period (the "**Transition Period**"), which ended on December 31, 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the "**TCA**"). The TCA is limited in its scope primarily to the trade of goods, transport, energy links and fishing; in particular, the TCA does not make any meaningful provision for the financial services sector. Uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries.

The effect of such events on the Funds is difficult to predict, but they may adversely affect the return of the Funds and their investments. There may be detrimental implications for the value of certain of the Funds' investments and/or the Funds' ability to enter into transactions, to value or realize its investments or to otherwise implement its investment program. It is

possible that certain of the Funds' investments may need to be restructured to enable the Funds' objectives to be pursued fully. This may increase costs or make it more difficult for the Funds to pursue its investment objective.

LIBOR being Discontinued, and Other Floating Rate Benchmarks being Developed and Substituted for LIBOR. Interest rates and indices which are deemed to be "benchmarks" (including the London Interbank Offered Rate ("LIBOR")) are the subject of recent national and international regulatory reform. The discontinuation of LIBOR, and general increased regulatory scrutiny of interest rate "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations. LIBOR has been the principal floating rate benchmark in the financial markets, and its discontinuation has affected and will continue to affect the financial markets generally and may also affect our operations specifically.

The FCA, which regulates LIBOR, has announced that LIBOR settings will cease to be provided by any administrator or will no longer be representative after June 30, 2023 (in the case of the principal U.S. dollar LIBOR tenors – overnight and one, three, six and 12 months) and December 31, 2021 (in the case of all other LIBOR currencies and tenors). As to any particular LIBOR-based obligation, the actual transition from LIBOR to another reference rate may occur inconsistently across various instruments held by the Funds. These reforms may cause LIBOR and other "benchmarks" to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Fund and their investments.

The FCA and certain U.S. regulators have stated that, despite expected publication of U.S. dollar LIBOR through June 30, 2023, no new contracts using U.S. dollar LIBOR should be entered into after December 31, 2021. Regulators have also stated that, for certain purposes, market participants should transition away from U.S. dollar LIBOR sooner.

The Funds may undertake transactions in instruments that are valued using LIBOR. Accordingly, the termination of LIBOR presents related risks to the Funds. It is not possible at this point to identify those risks completely, but they include the risk that an acceptable transition mechanism may not be found or may not be suitable for the Funds. In addition, any alternative reference rate and any pricing adjustments required in connection with the transition from LIBOR may impose costs on the Funds or may not be suitable to close out positions and enter into replacement trades.

Risks Relating to Use of SOFR. Floating rates based on Secured Overnight Financing Rate ("SOFR") are expected to replace U.S. Dollar LIBOR for many purposes. In addition, U.S. Dollar floating rates that are not based on SOFR may also develop in response to the discontinuation of U.S. Dollar LIBOR.

SOFR is intended to be a broad measure of the cost of borrowing funds overnight in transactions that are collateralized by U.S. Treasury securities. SOFR is calculated and published by the Federal Reserve Bank of New York based on transaction-level repo data collected from various sources. If data used to calculate SOFR is unavailable for any day, then the most recently available data for that segment will be used, with certain adjustments. If errors are discovered in the transaction data or the calculations underlying SOFR after its initial publication on a given day, SOFR may be republished at a later time that day. Rate revisions will be effected only on the day of initial publication and will be republished only if the change in the rate exceeds one basis point.

SOFR has a limited history, having been first published in April 2018. The future performance of SOFR, and SOFR-based reference rates, cannot be predicted based on SOFR's history or otherwise. Levels of SOFR in the future, including following the discontinuation of LIBOR, may bear little or no relation to historical levels of SOFR, LIBOR or other rates. Financial markets, particularly the trading markets for floating rate obligations, may be adversely affected by the change from LIBOR to one or more of the SOFR-based rates, the other rates described below or other rates that develop in response to the LIBOR discontinuation. There is uncertainty as to such development and the effects thereof.

Because SOFR is a financing rate based on overnight secured funding transactions, it differs fundamentally from U.S. Dollar LIBOR. U.S. Dollar LIBOR is intended to be an unsecured rate that represents interbank funding costs for different short-term maturities or "tenors." It is a forward-looking rate reflecting expectations regarding interest rates for those tenors. Thus, U.S. Dollar LIBOR is intended to be sensitive, in certain respects, to bank credit risk and to term interest rate risk. In contrast, SOFR is a secured overnight rate reflecting the credit of U.S. Treasury securities as collateral. Thus, it is largely insensitive to credit-risk considerations and to short-term interest rate risks. SOFR is a transaction-based rate, and it has been more volatile than other benchmark or market rates, such as three-month U.S. Dollar LIBOR, during certain periods. Different SOFR-based rates are expected to develop in the financial markets in connection with the U.S. Dollar LIBOR discontinuation, which may result in market inefficiencies.

For these reasons, among others, there is no assurance that SOFR, or rates derived from SOFR, will perform in the same or similar way as U.S. Dollar LIBOR would have performed at any time, and there is no assurance that SOFR-based rates will be a suitable substitute for U.S. Dollar LIBOR.

Currency and Exchange Rate Risks. The Funds may make investments in securities denominated in currencies other than the U.S. dollar and in securities that are determined with references to currencies other than the U.S. dollar. The Firm may seek to hedge the currency exposure of the Funds. However, the Funds will value its assets in U.S. dollars. To the extent unhedged, the value of the Funds' assets will fluctuate with U.S. dollar exchange rates as well as with price changes of their investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Funds may make investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of such investments in their local markets. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Funds' non-U.S. dollar securities. The Funds may also utilize various hedges, including forward currency contracts and options, to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Risks of Investing in Europe. The Funds may make investments in Europe. There is often a high degree of government regulation in European economies, including in the securities and consumer finance markets. Action by such governments may directly affect foreign investment in those countries and may also have a significant indirect effect on the market prices of securities and other assets and of the payment of dividends and interest. European economies may differ favourably or unfavourably from the U.S. economy with regard to the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments. Governments in certain of the countries in Europe participate to a significant degree, through ownership interests or regulation, in their respective economies. Action by these governments could have a significant adverse effect on

market prices of securities and other assets and payment of dividends. Many countries in Europe have undergone a substantial political and social transformation and there can be no assurance that the economic, educational and political reforms necessary to complete political and economic transformation will continue. The state of development of certain political systems in Europe makes them susceptible to changes and potential weakening from economic hardship and social instability. In certain European countries, the extent of the success of economic reform is difficult to evaluate. Information on these economies is often contradictory or absent. In certain countries, much of the workforce remains under-employed or unemployed. Continued unemployment could hinder the ability of various governments to keep deficit spending in check. Changing political environments, regulatory restrictions and changes in government institutions and policies in Europe could adversely affect private investments. Civil unrest, ethnic conflict or regional hostilities may contribute to instability in some countries of Europe. Such instability may impede business activity and adversely affect the environment for foreign investments. The Funds do not intend to obtain political risk insurance. Actions in the future of one or more European governments could have a significant effect on the various economies, which could affect market conditions, prices and yields of securities and other assets in the Funds' portfolio. Political and economic instability in any of the countries in Europe in which the Funds invest could adversely affect the Funds' investments.

The economies of the countries in Europe are, to varying degrees, interrelated and are influenced by the prevailing political, economic and market conditions in the region. Although political and economic conditions may differ in each country, investors' reactions to developments in one country can have an effect on the economies of other countries, both directly and indirectly. Accordingly, adverse developments in other countries, particularly those in Europe, could adversely affect the Funds' investments.

Structured Finance Securities. A portion of the Funds' investments may consist of equipment trust certificates, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations ("CLOs"), collateralized debt obligations ("CDOs") or other asset-backed securities ("ABS") or similar instruments. Structured finance securities may present risks similar to those of the other types of debt obligations in which the Funds may invest and, in fact, such risks may be of greater significance in the case of structured finance securities. Moreover, investing in structured finance securities may entail a variety of unique risks. Among other risks, structured finance securities may be subject to prepayment risk. In addition, the performance of a structured finance security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, and the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets.

The Funds may also invest in CLOs and CDOs. The portfolio may consist of CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO mezzanine debt. CDOs are subject to credit, liquidity and interest rate risks. The CDO equity purchased by the Funds will most likely be unrated or non-investment grade, which means that a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative. In addition, as a holder of CDO equity, the Funds will have limited remedies available upon the default of the CDO.

The value of the CDOs owned by the Funds generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO ("**CDO Collateral**"), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs must rely solely on distributions on the CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CDO Collateral are insufficient to make payments on the CDOs, no other assets will be available for payment of the deficiency and following realization of the CDOs, the obligations of such issuer to pay such deficiency generally will be extinguished.

The performance of CDOs will be adversely affected by macroeconomic factors, including (i) general economic conditions affecting capital markets and participants therein, (ii) the economic downturns and uncertainties affecting economies and capital markets worldwide, (iii) recent concern about financial performance, accounting and other issues relating to various publicly traded companies and (iv) recent and proposed changes in accounting and reporting standards and bankruptcy legislation.

Issuers of CDOs may acquire interests in loans and other debt obligations by way of sale, assignment or participation. The purchaser of an assignment typically becomes a lender under the credit agreement with respect to the loan or debt obligation; however, its rights can be more restricted than those of the assigning institution. In purchasing participations, an issuer of CDOs will usually have a contractual relationship only with the selling institution and not the borrower. The CDO generally will not have the right directly to enforce compliance by the borrower with the terms of the loan agreement, any rights of set-off against the borrower or the right to object to certain changes to the loan agreement agreed to by the selling institution. The CDO may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof, the CDO may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the CDO may be subject to the credit risk of the selling institution as well as of the borrower.

Further, CDOs (particularly the subordinated interests) may provide that, to the extent funds are not available to pay interest, such interest will be deferred or paid in kind and added to the outstanding principal balance of the related security. Generally, the failure by the issuer of a CDO to pay interest in cash does not constitute an event of default as long as a more senior class of CDOs of such issuer is outstanding and the holders of CDOs that have failed to pay interest in cash (including the Funds) will not have available to them any associated default remedies.

The manager of a CDO is typically not under any obligation to share any investment opportunity, idea or strategy with the issuer of the CDO or with CDO tranche-holders. As a result, a manager of a CDO may compete with the issuer of a CDO or with CDO tranche-holders for appropriate investment opportunities and will be under no duty or obligation to share such investment opportunities. Furthermore, a manager of a CDO, its agents and advisors and their respective affiliates, investment partnerships and clients may invest in securities that are senior to, or have interests different from or adverse to, the securities owned or entered into by the CDO. In addition, a manager of a CDO who also holds one or more debt or equity tranches of the CDO may not act in accordance with the best interests at the CDO as a whole and instead, may act in a manner designed to favour its particular economic interests as CDO holder.

In the recent past, the market for CDOs has become highly illiquid resulting in severe declines of the prices of such instruments.

ABS and MBS. The investment characteristics of ABS and mortgage-backed securities (“**MBS**”) differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying MBS and ABS will be affected by a variety of factors including the prevailing level of interest rates as well as the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the mortgage loans, possible changes in tax laws, other opportunities for investment, homeowner mobility and other economic, social, geographic, demographic and legal factors. In general, any factors that increase the attractiveness of selling a mortgaged property or refinancing a mortgage loan, enhance a borrower’s ability to sell or refinance or increase the likelihood of default under a mortgage loan, would be expected to cause the rate of prepayment in respect of a pool of mortgage loans to accelerate. Particular investments may experience outright losses, as in the case of an interest only security in an environment of faster actual or anticipated prepayments. Also, particular investment may underperform relative to hedges that a portfolio manager may have constructed for these investments, resulting in a loss.

In contrast, any factors having an opposite effect would be expected to cause the rate of prepayment of a pool of mortgage loans to slow. At any one time, a portfolio of MBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Mortgage loans on commercial properties underlying MBS often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and saleability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Most commercial mortgage loans underlying MBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower’s assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property.

Especially in the case of an MBS related to commercial mortgage loans, the rate of principal payments on the loans in the related pool will also be affected by the nature and extent of any restrictions on prepayments that are set forth in the mortgage loans, and the extent to which such provisions may be enforced. Such restrictions may include a prohibition on prepayments for specified periods of time and/or requirements that principal prepayments

be accompanied by the payment of prepayment penalties or be subject to yield maintenance premiums.

The rate of prepayment on a pool of mortgage loans is likely to be affected by prevailing market interest rates for mortgage loans of a comparable type, term and risk level. When the prevailing market interest rate is below a mortgage coupon, a borrower generally has an increased incentive to refinance its mortgage loan. Even in the case of adjustable rate mortgage loans, as prevailing market interest rates decline, and without regard to whether the mortgage rates on such loans decline in a manner consistent therewith, the related borrowers may have an increased incentive to refinance for purposes of either (i) converting to a fixed rate loan and thereby “locking in” such rate or (ii) taking advantage of a different index, margin or rate cap or floor on another adjustable rate mortgage loan. Therefore, as prevailing market interest rates decline, prepayment speeds would be expected to accelerate.

In the case of an MBS related to multifamily or commercial loans, prevailing market interest rates, the outlook for market interest rates and economic conditions generally may cause some borrowers to sell their properties in order to realize their equity therein, to meet cash flow needs or to make other investments. In addition, some borrowers may be motivated by U.S. federal and state tax laws (which are subject to change) to sell their properties prior to the exhaustion of tax depreciation benefits.

ABS which represent an interest in a pool of assets such as credit card receivables, automobile loans or home equity loans, have yield and maturity characteristics corresponding to their underlying assets. The risk of each ABS depends both on the underlying assets and the legal structure of such security. For example, credit card receivables are generally unsecured and the debtors entitled to the protection of a number of state and federal consumer credit laws. Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are securitized in pass-through structures. Through CDOs, the Funds may invest in these and other types of ABS that may be developed in the future. ABS present certain risks that are not presented by MBS.

Primarily, these securities do not have the benefit of the same security interest in the related collateral. There is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. Further, unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain ABS include both interest and a partial payment of principal. This partial payment of principal may be composed of a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of ABS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and the Funds would be required to reinvest the proceeds at the lower interest rates then available. Prepayments of loans that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of ABS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option.

The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor. The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with MBS, ABS are often backed by a pool of

assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Equipment Leasing. The Funds may engage in equipment leasing, which may expose the Funds to considerable risk. In cases of a non-performing lessee, there are considerable costs associated with terminating leases and retrieving hard assets that can disrupt and reduce cash flow. These risks may be exacerbated in the case of lessee bankruptcy. Further, it may be difficult to re-lease or sell retrieved equipment, depending on market conditions, especially if such equipment is outdated or has been misused. Financing leases in which the lessee pays the value of the leased equipment over the lease term and has the option to purchase the equipment for no or nominal consideration can be considered commercial loans and present additional compliance risks for the Funds.

Lending Against Equipment. In a loan against equipment transaction, also known as a sale leaseback, equipment is sold on paper by the seller and leased back. The seller obtains working capital and keeps the equipment on seller's property. As with equipment leasing, there are considerable costs associated with terminating such loans and retrieving hard assets in the event that a borrower fails to make timely payments on the loan. Further, the value of the subject equipment will decline over time as a result of use by the borrower, reducing the value of the collateral backing the loan and increasing the risk that the Funds will lose money in the event of borrower default.

Risks of Aviation Investments. Airline business and results of operations are significantly impacted by general economic and industry conditions. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and global economies. Robust demand for air transportation services depends on favourable economic conditions, including the strength of the domestic and foreign economies, low unemployment levels, strong consumer confidence levels and the availability of consumer and business credit. In addition, airlines are subject to extensive regulatory oversight. Compliance with U.S. and international regulations imposes significant costs and may have adverse effects on an airline.

In addition to factors linked to the aviation industry, other factors that may affect the value of an aircraft and/or related airframe and engines, at any time include: (i) the particular maintenance and operating history of the related airframe and engines; (ii) manufacture and type or model of aircraft or engines, including the number of operators using such type or model; (iii) whether the aircraft is subject to a lease and, if so, whether the lease terms and credit worthiness of the lessee are favourable to the lessor; (iv) the age of the aircraft and/or engine; (v) the advent of newer models of such aircraft and/or engine or aircraft or engine types competing with such aircraft and/or engine; (vi) any tax, customs, regulatory and legal requirements that must be satisfied when an aircraft and/or engine is purchased, sold or re-leased; (vii) compatibility of aircraft configurations or specifications with other aircraft operated by operators of that type of aircraft; (viii) regulatory actions, including mandatory grounding of the aircraft; (ix) any renegotiation of a lease on less favorable terms; (x) decreases in creditworthiness of lessees; and (xi) the availability of spare parts. Any decrease in values of and lease rates for used commercial aircraft which may result from the above factors or other unanticipated factors may have a material adverse effect on the Funds' investments.

Risks of Shipping Investments. The maritime shipping industry is both cyclical and volatile in terms of charter rates and profitability. A worsening of the current global economic conditions may adversely affect the Funds' ability to charter or recharter its vessels or to sell them on the expiration or termination of their charters and the rates payable in respect of its currently operating vessels, or any renewal or replacement charters that the Funds enter into may not be sufficient to allow it to operate its vessels profitably. Fluctuations in charter rates and vessel values result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the products that such vessels carry. The factors affecting the supply and demand for vessels are outside of the Funds' control, and the nature, timing and degree of changes in industry conditions are unpredictable.

Derivatives in General. The Funds may use various derivative instruments, such as options, futures, forwards, commodities, swaps and swaptions (including interest rate and credit default swaps). The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Commodities and Derivative Investments. The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. The Funds may buy or sell (write) both call options and put options, and when it writes options, it may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Funds' option transactions may be part of a hedging strategy (*i.e.*, offsetting the risk involved in another securities position), in which the Funds have the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

The Funds may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. Credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. In addition, credit default swaps can be used to implement the Firm's view that a particular credit, or group of credits, will experience credit improvement. The credit default swap market in high-yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views.

Because the master and credit support agreements for over-the-counter swap transactions are individually negotiated with a specific counterparty, there exists the risk that the parties may interpret contractual terms (*e.g.*, the definition of default) differently when the Funds seeks to enforce its contractual rights. If that occurs, the Funds may be forced to seek to enforce its contractual rights through legal proceedings, which may be costly and time consuming.

Over-the-Counter Derivatives Markets. Dodd-Frank, enacted in July 2010, included provisions that comprehensively regulated the OTC derivatives markets for the first time. Dodd-Frank, and the rules promulgated thereunder, mandates that a substantial portion of OTC derivatives be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as margin requirements mandated by the Commodity Futures Trading Commission (the “**CFTC**”), the SEC and/or federal prudential regulators. OTC derivatives dealers also typically demand the unilateral ability to increase each Fund’s collateral requirements for cleared OTC trades beyond any regulatory and clearinghouse minimums. The regulators also have imposed margin requirements on non-cleared OTC derivatives and requirements regarding the holding of customer collateral by OTC derivatives dealers. These requirements may increase the amount of collateral each Fund is required to provide and the costs associated with providing it. OTC derivative dealers also are required to post margin to the clearinghouses through which they clear their customers’ trades instead of using such margin in their operations, as was widely permitted before Dodd-Frank. This has increased and will continue to increase the OTC derivative dealers’ costs, and these increased costs are generally passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the imposition of new or increased fees, including clearing account maintenance fees.

With respect to cleared OTC derivatives, each Fund will not face a clearinghouse directly but rather does so through an OTC derivatives dealer that is registered with the CFTC or SEC and that acts as a clearing member. Each Fund may face the indirect risk of another clearing member customer failing to meet its obligations to its clearing member. Although in the United States cleared OTC derivatives are not generally subject to the same “fellow customer risk” as cleared futures contracts due to the operation of the CFTC’s “legally segregated, but operationally commingled” customer protection rules, if a clearinghouse through which a Fund clears OTC derivatives fails for any reason, including due to a default by a cleared swaps customer of any futures commission merchant, that Fund will suffer losses to the extent that such failure causes that Fund’s futures commission merchant to default or the Fund’s futures commission merchant is no longer obligated to perform on the cleared OTC derivative following the failure of the clearinghouse.

The CFTC also requires certain derivative transactions that were previously executed on a bilateral basis in the OTC markets to be executed through a regulated futures exchange or swap execution facility. The SEC is also expected to impose similar requirements on certain security-based derivatives in the future, though it is not yet clear when these parallel SEC requirements will go into effect. Such requirements may make it more difficult and costly for investment funds, including the Funds, to enter into highly tailored or customized transactions. They may also render certain strategies in which the Firm might otherwise engage impossible or uneconomic to implement. If the Funds decide to execute derivatives transactions through such exchanges or execution facilities — and especially if it decides to become a direct member of one or more of these exchanges or execution facilities — the Funds would be subject to the rules of the exchange or execution facility, which would bring additional risks, liabilities, and regulatory requirements.

OTC derivative dealers are required to register with the CFTC and will soon be required to register with the SEC. Registered swap dealers will also be subject to minimum capital and margin requirements and are subject to business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements further increase the overall costs for OTC derivative dealers, which costs may be passed along to market participants as market changes continue to be implemented.

Reverse Repurchase Agreements. The Funds may enter into reverse repurchase agreements. In a reverse repurchase transaction, the Funds “buy” securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Funds, plus interest at a negotiated rate. The use of reverse repurchase agreements by the Funds involves certain risks. For example, if the seller of securities to the Funds under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Funds will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Funds’ ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Funds may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Funds may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Use of Leverage. The Funds may utilize leverage with respect to its Investments and to provide short term liquidity and a capital draw facility, as described in “*Principal Terms — General — Leverage.*” While the use of leverage may magnify returns, it also makes the Funds’ performance more volatile and more susceptible to losses. Losses incurred on the Funds’ leveraged investments will increase in direct proportion to the degree of leverage employed. To the extent that the Funds borrow funds, the costs of borrowing and the rates at which it can borrow will affect the operating results of the Funds.

Additionally, the Funds may borrow money to reduce its need to hold cash or short-term investments in order to invest in Investments, pending the receipt of required Capital Contributions from Limited Partners or available cash from other investments. Any such borrowings are expected to be secured by the Limited Partners’ Unfunded Commitments. In the event of a default by the Funds in connection with any such borrowings, the Limited Partners will be obligated to fund up to their Unfunded Commitments to repay any outstanding amounts regardless of whether such default occurred during or after the Investment Period.

The greater the total borrowings of the Funds relative to its investments, the greater will be its risk of loss and possibility of gain due to fluctuations in the values of its investments.

Valuation. Investments which the Firm believes are fundamentally undervalued or overvalued may not ultimately be valued in the capital markets at prices and/or within the time frame the Firm anticipates. In particular, purchasing Investments at prices which the Firm believes to be distressed or below fair value is no guarantee that the price of such Investments will not decline even further. The valuations of Investments are made in good faith, but may or may

not reflect the realizable value of any given position which may be materially lower than the Firm's calculations.

As market dynamics shift over time, what may have been a highly successful valuation model may become outdated or inaccurate. There can be no assurance that the Firm will be successful in maintaining effective valuation models, and the necessity of continuously updating these models demonstrates that the Firm's past successful results may not be representative of each Fund's future performance.

Uncertain Exit Strategies. Due to the illiquid nature of many of the positions which the Funds are expected to acquire, as well as the uncertainties of the reorganization and active management process, the Firm is unable to predict with confidence what the exit strategy will ultimately be for any given core position or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

Short Selling. The Funds' investment portfolio may include short positions. A short sale involves the sale of a security that the Funds do not own in order to hedge related risks. To make delivery to the buyer, the Funds must borrow the security, and the Funds are obligated to pay the lender of the security any dividend or interest payable on the security until it returns the security to the lender. When the Funds make a short sale in the United States, it must leave the proceeds thereof with the lender as collateral. If short sales are effected on a non-U.S. exchange, such transactions will be governed by local law. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales depends upon the Firm'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 the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds 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 the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. In addition, the occurrence of a "short-squeeze" (the inability to maintain a "borrow" on securities) could force the Funds to cover a short position and realize an investment loss at an inopportune time. Additionally, heightened government regulation and sudden restrictions placed on short selling in the future could have a detrimental effect on each Fund's investment strategies. It cannot be determined how future regulations may limit each Fund's ability to engage in short selling and how such limitations may impact each Fund's performance.

Forward Trading. The Funds may invest in deliverable forward contracts and options thereon, which, unlike futures contracts, are not traded on exchanges, and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Deliverable forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to recordkeeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or counterparty being contracted with to fulfil its contract. As a result, trading in interbank non-U.S. exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including the risk of default due to the failure of a counterparty with which a Fund has forward contracts.

Although the Firm seeks to invest with responsible counterparties, failure by a counterparty to fulfil its contractual obligation could expose a Fund to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Funds due to unusually high or low trading volume, political intervention or other factors. The imposition of credit controls by government authorities might also limit such forward (and futures) trading to less than that which the Firm would otherwise recommend, to the possible detriment of the Funds. As a result of Dodd-Frank, the CFTC now regulates non-deliverable forwards (including deliverable forwards where the parties do not take delivery). Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. There is currently no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities or the implementation of regulations pursuant to Dodd-Frank might limit such forward trading to less than that which the Firm would otherwise recommend to the possible detriment of the Funds.

Hedging Transactions. The Funds may utilize financial instruments, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of each Fund's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect a Fund's unrealized gains in the value of each Fund's investment portfolio; (iii) facilitate the sale of any such investments; (iv) preserve returns, spreads or gains on any investment in each Fund's portfolio; (v) hedge the interest rate or currency exchange rate on any of a Fund's liabilities or assets; (vi) protect against any increase in the price of any securities a Fund anticipates purchasing at a later date or (vii) for any other reason that the Firm deems appropriate.

The Firm is not required to attempt to hedge portfolio positions in the Funds and, for various reasons, may determine not to do so. Furthermore, the Firm may not anticipate a particular risk so as to hedge against it. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it has not engaged in any such hedging transaction. For a variety of reasons, the Firm may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. The success of the hedging strategy of the Funds is subject to the Firm'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 investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy is also subject to the Firm's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties), "liquidity risk" and "widening" risk. Furthermore, to the extent that any hedging strategy involves the use of OTC derivatives transactions, such a strategy would be affected by the various regulations adopted pursuant to Dodd-Frank.

Highly Volatile Markets. The prices of financial instruments in which the Funds may invest can be highly volatile. Price movements of forward and other derivative contracts in which the

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. The Funds are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses.

Investing Affiliates. The Funds may effect certain investments through limited partnerships, limited liability companies, corporations or other vehicles sponsored or managed by the General Partner, the Firm or third parties. A creditor having a claim that relates to a particular investment held by any such vehicle may be able to satisfy such claim against all assets of such vehicle, without regard to the participation rights of the Funds and other investors of such vehicle in the assets of such vehicle.

Counterparty Risk. The loan purchase and loan syndication counterparties with which the Funds may effect transactions typically are not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with loan purchase and loan syndication transactions. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where the Funds has concentrated its transactions with a single or small group of counterparties. The Funds is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Funds' internal credit function which evaluates the creditworthiness of their counterparties may prove insufficient. The ability of the Funds to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

In addition, the use of OTC derivative instruments will subject the Funds to default by the contract counterparty. The risk of counterparty non-performance can be significant in the case of these OTC instruments, and "bid-ask" spreads may be unusually wide in these heretofore substantially unregulated markets.

Market Disruptions. The global financial markets have in the past gone through pervasive and fundamental disruptions. The Funds may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Funds from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Funds. Market disruptions may from time to time cause dramatic losses for the Funds, and such events can subject otherwise historically low-risk strategies to unprecedented volatility and risk.

Terrorist Action; Natural Disasters; Global Contagion. There is a risk of terrorist attacks in the United States and elsewhere or acts of war, including Russia's recent invasion of Ukraine, causing significant loss of life and property damage and disruptions in the local or global market. Economic and diplomatic sanctions may be in place or imposed on certain states and

military action may be commenced. In addition, countries and regions in which the Funds invests, where the Firm has offices or where the Funds or the Firm otherwise does business are susceptible to natural disasters, fires, floods, earthquakes and hurricanes) and epidemics, pandemics or other outbreaks of serious contagious diseases. The occurrence of a natural disaster or epidemic could adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic). Such events have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Losses from such events are generally uninsurable. Ultimately, the potential impact of such events is unclear, but such events could have a material effect on general economic conditions, market liquidity or the operations of the Firm or the Funds.

Epidemics and Pandemics. Since 2003, the world has seen a number of outbreaks of new viral illnesses of varying severity, including Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), the H1N1 Flu (Swine Flu), and COVID-19. The responses to these outbreaks have varied as has their impact on human health, local economies and the global economy, and it is impossible at the outset of any such outbreak to estimate accurately what the ultimate impact of any such outbreak will be. Protective measures taken by governments and the private sector to mitigate the spread of such illness, including travel restrictions and outright bans, quarantines, and work-at-home arrangements, and the spread of any such illness within the offices of the Firm and/or the Funds' service providers, could seriously impair the Firm's and/or the Funds' service providers' operational capabilities, potentially harming the Funds' business and operating results. The COVID-19 pandemic has caused significant volatility in the credit and equity markets, which, in turn, has resulted in significant losses to many private investment funds.

Risks associated with Actions by Russia. In late February 2022, Russian military forces invaded Ukraine, significantly amplifying already existing geopolitical tensions among Russia, Ukraine, Europe, NATO and the West. Russia's invasion, the responses of countries and political bodies to Russia's actions and the potential for wider conflict may increase global financial market volatility and could have severe adverse effects on regional and global economic markets. The U.S. and the EU have instituted sanctions against certain Russian individuals, including politicians, and Russian corporate and banking entities, and a number of large private corporations and U.S. states have also announced plans to divest interests or otherwise curtail business dealings with certain Russian businesses. The sanctions imposed consist of prohibitions on trading in certain Russian securities, transacting in or dealing in issuances of debt or equity of Russian issuers, engaging in certain private transactions and doing business with certain Russian corporate entities, large financial institutions, officials and oligarchs, and the freezing of Russian assets. The sanctions also include a commitment by certain countries and the EU to remove selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications, commonly called "SWIFT," the electronic network that connects banks globally, and imposed restrictive measures to prevent the Russian Central Bank from undermining the impact of the sanctions. Such measures could adversely affect global financial markets and thereby negatively affect the value of the Funds' investments beyond any direct exposure to Russian issuers or those of adjoining geographic regions. In response to the sanctions, the Russian Central Bank has raised its interest rates and banned sales of local securities by foreigners. Russia may take additional counter measures or retaliatory actions, which may further impair the value and liquidity of Russian securities and the Funds' investments. Such actions could, for example, include restricting gas exports to other countries, seizing U.S. and European residents' assets or undertaking or provoking other military conflict elsewhere in Europe, any of which could exacerbate negative consequences on global financial markets and the economy. The actions discussed above could have a

negative effect on the performance of funds that have exposure to Russia. While diplomatic efforts have been ongoing, the conflict between Russia and Ukraine is currently unpredictable and has the potential to result in broadened military actions. The duration of ongoing hostilities and corresponding sanctions and related events cannot be predicted and may result in a negative impact on the performance and value of the Funds' investments.

Inflation. Inflation and rapid fluctuations in inflation rates, as has recently occurred in the U.S., have had in the past, and may in the future have, negative effects on economies and financial markets. Wage and price controls have been imposed at times in certain countries in an attempt to control inflation, which could significantly affect the operation of the issuers of securities or other investments in which the Funds invests. Governmental efforts to curb inflation often have negative effects on the level of economic activity. As such, inflation and rapid fluctuations in inflation rates can adversely affect the financial performance of the Funds. There can be no assurance that inflation will not continue to be a serious problem and have an adverse impact on the performance of the Funds and its Investments. Were significant inflation to continue, the effect on the Firm's strategy could be materially adverse.

Offer of Instruments Held by a Fund to Other i80 Group Funds. From time to time, upon the recommendation of the Firm, a Fund may offer participations in, and/or assignments or sales of, loans (or interests therein) that a Fund has originated or purchased to other commingled private funds, single investor funds or managed accounts managed on a discretionary basis by the Firm or its affiliates, including any parallel fund ("**Other i80 Funds**"), or to third parties. Such offers will usually be made after a Fund has already held such investment (including the portion offered) for a period of time. In the event of such an offer to an Other i80 Fund, the price of the participation, assigned or sold interest (as the case may be) will not be set by the General Partner, the Firm or the Fund but rather will be established based on third-party valuations. Further, the decision by each Fund to offer participations in and/or assignments or sales of loans (or interests therein) to Other i80 Funds will be made upon Advisory Committee Consent and the decision by the Other i80 Funds, as applicable, to accept or reject the offer will be made in accordance with the applicable provisions in the LPA or the Governing Documents for such Other i80 Funds, as applicable.

If it is anticipated that each Fund will assign or sell a portion of investments that it originated, the Fund may acquire a larger interest in such investment than it would have had it not been anticipated that it would assign or sell a portion of such investment. Accordingly, prior to such assignment or sale, the Fund may be over-weighted in respect of such investment. If there are significant losses in respect of such investment prior to such sale or assignment, the Fund would bear all such losses. In addition, due to general market conditions, circumstances or events specific to an applicable investment, and/or other considerations, the Firm may determine that it is not appropriate to recommend that the Fund sell and/or assign applicable portions of investments that it originated. Such transactions may never be consummated, and the Fund would bear all fees, costs and expenses in connection with such unconsummated transactions. Accordingly, the Fund would bear all losses if there are significant losses in respect of such investments.

New Regulation of Consumer Credit. New laws and regulations adopted in various jurisdictions in the United States and at the federal level may significantly affect participants in the consumer credit marketplace, including lenders, credit sellers and servicers. In addition, there continues to be scrutiny by governmental authorities and other interest groups regarding the consumer credit marketplace. For example, there is continuing discussion about adopting new regulations that could significantly impact the ability of many lenders to continue to offer payday loans, automobile title loans, deposit advances and "high cost"

consumer (non-mortgage) loans. It is impossible to predict what, if any, changes in the regulations and the enforcement and regulatory/political climates relating to consumer loans and consumer loan lenders will be applicable to the Funds, the General Partners, the Firm, the markets in which they invest or the counterparties with which they do business may be instituted in the future. Any such laws or regulations could have a material adverse effect on the profit potential of the Funds and require increased transparency as to the identity of the Partners.

General Credit Risks of Loan Origination. In connection with loans originated by the Funds or its affiliates, the Funds may be exposed to losses on such loans resulting from default and foreclosure. Therefore, the value and sufficiency of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. The Funds cannot guarantee the adequacy of the protection of the Funds' interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Funds cannot assure that claims may not be asserted that might interfere with enforcement of the Fund's rights. In the event of a foreclosure, the Funds or an affiliate of the Funds may assume direct ownership of the underlying asset. The liquidation proceeds upon a sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Funds. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

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

Nature of Investment in Secured Loans. The assets of the portfolio of the Funds may include secured debt, which involve various degrees of risk of a loss of capital.

The factors affecting an issuer's secured leveraged loans, and its overall capital structure, are complex. Some secured loans may not necessarily have priority over all other debt of an issuer. For example, some secured loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company) or involve secured loans only on specified assets of an issuer (*e.g.*, excluding real estate). Issuers of secured loans may have two tranches of secured debt outstanding each with secured debt on separate collateral. Furthermore, the liens referred to herein generally only cover domestic assets and non-U.S. assets are not included (other than, for example, where a borrower pledges a portion of the stock of first-tier non-U.S. subsidiaries). In the event of Chapter 11 filing by an issuer, the Bankruptcy Reform Act of 1978, as amended (the "**Bankruptcy Code**"), authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a priority lien on its property, senior even to liens that were first in priority prior to the filing, as long as the issuer provides what the presiding bankruptcy judge considers to be "adequate protection," which may but need not always consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of priority liens on the Funds' collateral would adversely affect the priority of the liens and claims held by the Funds and could adversely affect the Funds' recovery on the affected loans.

Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity and interest rate risk. Although the amount and characteristics of the underlying assets selected as collateral may allow the Funds to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold, it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to the Funds in respect of its investment.

Further, loans may become non-performing for a variety of reasons. Upon a bankruptcy filing by an issuer of debt, the Bankruptcy Code imposes an automatic stay on payments of its prepetition debt. Non-performing debt obligations may require substantial workout negotiations, restructuring or bankruptcy filings that may entail a substantial reduction in the interest rate, deferral of payments and/or a substantial write-down of the principal of a loan or conversion of some or all of the debt to equity. If an issuer were to file for Chapter 11 reorganization, the Bankruptcy Code authorizes the issuer to restructure the terms of repayment of a class of debt even if the class fails to accept the restructuring as long as the restructured terms are "fair and equitable" to the class and certain other conditions are met.

Secured credit facilities may be syndicated to a number of different financial market participants. The documentation governing the facilities typically requires either a majority consent or, in certain cases, unanimous approval for certain actions in respect of the credit, such as waivers, amendments, or the exercise of remedies. In addition, voting to accept or reject the terms of a restructuring of a credit pursuant to a Chapter 11 plan of reorganization is done on a class basis. As a result of these voting regimes, the Funds may not have the ability to control any decision in respect of any amendment, waiver, exercise of remedies, restructuring or reorganization of debts owed to the Funds.

Secured loans are also subject to other risks, including (i) the possible invalidation of a debt or lien as a "fraudulent conveyance," (ii) the possible invalidation as a "preference" of liens perfected or recovery by a bankrupt borrower of debt payments made in the 90 days before a bankruptcy filing, (iii) equitable subordination claims by other creditors, (iv) so-called "lender liability" claims by the issuer of the obligations and (v) environmental liabilities that may arise with respect to collateral securing the obligations. Recent decisions in bankruptcy cases have held that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination.

Bridge Financings. From time to time, the Funds may lend to companies against assets or single-purpose or limited-purpose entities or natural persons on a short-term, senior or subordinated basis or otherwise invest on an interim basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into or refinanced by a more permanent, long-term financing; however, for reasons not always in the Funds' control, such long-term financing or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. In such event, economic provisions of such loans or the term of such interim investments may not adequately reflect the risk associated with the position taken by the Funds.

Accounts Receivables Relating to Consumer Loans/Obligations. The Funds may invest in, or lend against, portfolios of accounts receivables relating to consumer loans, including credit

cards, automobile loans, healthcare, and student loans and other types of consumer obligations (such as leases). The performance of such assets will be affected by general economic conditions. Recent changes in economic conditions have adversely affected the performance and market value of such assets. The ability to collect on consumer obligation accounts receivables is dependent on the performance of a servicer. The servicer may be able to commingle funds relating to a transaction (such as collections from the loans and proceeds from the disposition of any repossessed collateral, such as repossessed vehicles) with its own funds for a period of time. Commingled funds may be used or invested by the servicer at its own risk and for its own benefit. If the servicer were unable to remit those funds or the servicer were to become a debtor under any insolvency laws, delays or reductions in the receivables may occur.

Additionally, servicers may be subject to regulation by certain government agencies, including the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. If a servicing arrangement or activities were found to constitute unsafe or unsound banking practices, such government agencies may take regulatory action against the servicer, which could result in losses or delays in payment.

Furthermore, consumer obligations are subject to various consumer protection laws which regulate the creation and enforcement of such obligations. The violation of such laws by lenders, originators, servicers and their affiliates may permit borrowers to reduce their obligation to pay the amount of receivables they owe or result in liability for consumer remediation, penalties or fines. Similarly, if a borrower were to seek protection under U.S. federal or state bankruptcy or debtor relief laws, a court could reduce or discharge completely the borrower's obligations to repay amounts due on its receivable. Certain student loans may be guaranteed by the U.S. federal government; a guarantee agency may reject a loan for claim payment due to a violation of the Federal Family Education Loan Program due diligence collection and servicing requirements. Certain laws such as the Service Members Civil Relief Act of 2004 and, in respect of student loans, the Higher Education Relief Opportunity for Students Act of 2003, restrict the ability of lenders and servicers to collect on outstanding obligations of borrowers on active military duty or subject to national emergencies. The College Cost Reduction and Access Act, may negatively impact the returns in respect of student loans. The Military Lending Act imposes various limitations, including a 36% cap on certain charges, on credit extended to members of the military and certain related persons.

The Credit CARD Act of 2009 limits the ability of credit card companies to, among other things, increase interest rates on existing credit card balances and limits the practice of universal defaults. Additionally, in 2010, the United States enacted legislation which revised the U.S. federal student loan program, which, among other things, eliminated fees paid to banks which serve as intermediaries to students, permits borrowers to cap repayments at 10% of their income (above a basic living allowance) and provides for loan forgiveness for students who enter certain professions. Both of these new laws may have an adverse impact on the value of the accounts receivable acquired by the Funds.

Marketplace Lending. Marketplace lending allows lenders to make loans via an online platforms. In most programs, a bank originates the loans which after sale to investors are serviced by the operator of the marketplace platform. The borrowers on such platforms are a wide range of individuals and businesses, and the Funds' ability to assess their creditworthiness may be limited. While purchasing loans originated on a marketplace platform can generate high returns, it is subject to many risks, including the risk that the Funds could lose its entire investment if a borrower defaults or if the lending and/or loan servicing

platform itself is no longer viable. In the event of a default, certain lending platforms offer lenders almost no chance of recovery. In addition, marketplace loans are relatively illiquid investments. In many cases it is difficult or impossible for the lender to get its money back before a loan matures, even absent a default.

These lending models and systems are also subject to increasing regulatory risk, as several federal and state regulators are examining the possibility of regulating them as well as the banks with which they often partner. Such regulations could result in increased compliance costs for these systems and a lessened ability for them to make loans on a cost effective basis, or could ultimately eliminate their ability to make such loans entirely. There also are risks that the marketplace operator does not have appropriate broker or servicing licenses, or that the bank originating the loans is not considered the “true lender,” which can lead to issues under applicable usury or licensing statutes among other things. Any of these outcomes would reduce the Funds’ ability to earn profits in this area of the debt market and could lead to investment losses or liabilities.

Increased Regulation of Mortgage Servicing Rights (“MSRs”) and Servicers. MSRs are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions. The expanding body of federal, state and local regulation may increase the cost for the Funds’ servicer to service the underlying mortgage loans, which could adversely affect servicing results and the Funds’ returns. The servicing of residential mortgage loans is subject to extensive federal, state and local laws, regulations and administrative decisions. The volume of new or modified laws and regulations has increased in recent years and is likely to continue to increase. If implemented, these rules or other new laws and regulations affecting the mortgage servicing industry could increase the cost of servicing mortgage loans.

In 2014, a set of new rules issued by the Consumer Financial Protection Bureau (the “CFPB”) under Dodd-Frank went into effect. These new rules require mortgage servicers to (i) warn borrowers before any interest rate adjustments on their mortgage loans and provide alternatives for borrowers to consider, (ii) provide monthly mortgage statements that explicitly breakdown principal, interest, fees, escrow and due dates, (iii) provide options for avoiding lender-placed or “force-placed” insurance, (iv) provide early outreach to borrowers in danger of default regarding options to avoid foreclosure, (v) provide that payments be credited to borrower accounts the day they are received, (vi) require borrower account records be kept current, (vii) provide increased accessibility to servicing staff and records for borrowers and (viii) investigate errors within thirty (30) days and improve staff accessibility to consumers, among other things. The new rules may cause servicers, including the Funds’ servicer, to modify their servicing processes and procedures and to incur additional costs in connection therewith.

Real Estate Risk. Investing in real estate and real estate related instruments is subject to cyclicalities and other uncertainties. The cyclicalities and leverage associated with real estate and real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. The Funds’ real estate-related investments are secured by or otherwise relate to properties of varying types, geographic locations, owners, tenants and other factors which could make such investments susceptible to particular types of risks relating to such factors, including local economy, real estate market conditions, special hazards and competition.

The value of the real estate which underlies certain of the Investments is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation or foreclosure. In addition, adverse changes in the real estate market increase the probability of default, as the equity in the property declines. Furthermore, many of the properties which will secure loans originated or purchased by the Funds or its affiliates may be suffering varying degrees of financial distress or may be located in economically distressed areas. Loans may become non-performing for a wide variety of reasons, including, without limitation, because the mortgaged property is too highly leveraged (and, therefore, the property is unable to generate sufficient income to meet its debt service payments), because the property is poorly managed or because the mortgaged property has a high vacancy rate, has not been fully completed or is in need of rehabilitation. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan. However, even if such restructuring were successfully accomplished, a risk exists that, upon maturity of such loan, replacement “take-out” financing will not be available.

Investments in loans secured by residential real estate may be subject to additional risks because of extensive regulation of origination and servicing of such loans under federal, state and local laws. Failure to comply with these regulations may impair the ability of investors to realize on the real estate collateral and, in some instances, lead to damages, fines or other penalties. Following the mortgage crisis of several years ago, various legislatures, regulators and courts have adopted requirements to protect consumers who default on their mortgage loans from losing their homes. These requirements, as well as potential backlogs of processing pending foreclosures, can adversely impact the ability of an investor in residential mortgages to realize on its collateral.

The Funds’ real estate-related investments are subject to various risks, including credit, liquidity and interest rate risks, general economic conditions, developments or trends in a particular industry and structural risks, that can adversely affect the Funds’ assets and performance. A portion of the Funds’ investments may be effectively subordinated to one or more senior interests. The rate of payment shortfalls, liquidations and losses on the Funds’ investments will be subject to risks relating to investments generally and real estate investments in particular. Such risks include general and regional economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

Risk of Delinquency, Foreclosure and Bankruptcy. The Funds may invest in commercial mortgage loans. Commercial mortgage loans are secured (directly or indirectly) by multifamily or commercial property and are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income producing property typically is dependent primarily upon the successful operation of such property, which is subject to the risks related to the ownership of real estate, as described above. In the event of any default under a real estate loan held by the Funds or its affiliate, the Funds will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the real estate loan, which could have a material adverse effect on the Funds’ cash flow from operations and limit amounts available for distribution to the Funds’ investors.

It is likely that the Funds may find it necessary or desirable to foreclose on some, if not many, of its real estate loans. The foreclosure process is often lengthy and expensive. Borrowers may resist mortgage foreclosure actions by asserting numerous claims, counterclaims and defenses against the Funds, including numerous lender liability claims and defenses, even

when such assertions 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 may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the mortgaged property and may result in disrupting the ongoing leasing, management and operation of the property. The expense and delay associated with foreclosure of a mortgage loan could have a substantial negative effect on the Funds' anticipated return on the foreclosed mortgage loan.

In the event of the bankruptcy of a real estate loan borrower, the real estate loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the real estate loan will be subject to the avoidance powers of the bankruptcy trustee or debtor in possession to the extent the lien is unenforceable under state law. The bankruptcy process can involve substantial legal, professional and administrative costs, be subject to unpredictable and lengthy delays and negatively impact the underlying property and the Funds' returns on that particular investment. The debt of entities in bankruptcy will in most cases not pay current interest, may not accrue interest during bankruptcy and their assets may suffer an erosion of value. Such investments can result in a total loss of principal. During the bankruptcy process, the creditors may not take adverse actions towards the bankrupt entity or any of its assets without court approval.

Risks of Real Estate Ownership. Each Fund's performance may be subject to risks incident to the ownership of residential and commercial real estate, including: the burdens of ownership of real property; inability to collect rents from tenants due to financial hardship, including bankruptcy; changes in local real estate conditions in the markets in which each Fund invests; changes in consumer trends and preferences that affect the demand for products and services offered by the relevant tenants; inability to lease or sell properties upon expiration or termination of existing leases; environmental risks related to the presence of hazardous or toxic substances or materials on the relevant properties; the subjectivity of real estate valuations and changes in such valuations over time; the illiquid nature of real estate compared to other financial assets; changes in laws and governmental regulations, including those governing real estate usage and zoning; changes in interest rates and the availability of financing; and changes in the general economic and business climate. The occurrence of any of the risks described above may cause the value of each Fund's real estate investments to decline, which could materially and adversely affect the Funds.

Investments in New Development. Each Fund may acquire or lend against direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing. To the extent that the Funds lend against or otherwise invests in such assets, it will be subject to the risks normally associated with such assets and development activities. Such risks include risks relating to the availability and timely receipt of zoning and other regulatory approvals and entitlements, the cost and timely completion of construction (including risks beyond the control of the Funds, which include weather or labor conditions, material shortages or other force majeure events) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the Funds. Properties under development or properties acquired to be developed may receive

little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion.

Risks of Residential Real Estate Development. The residential homebuilding industry is cyclical and is highly sensitive to changes in general economic conditions such as levels of employment, consumer confidence and income, availability of financing for acquisitions, construction and permanent mortgages, interest rate levels, inflation and demand for housing. When combined with a prolonged economic downturn, high unemployment levels, increases in the rate of inflation and uncertainty in the U.S. economy, these conditions have contributed to decreased demand for housing, declining sales prices and increasing pricing pressure. In the event that these economic and business trends occur, continue or decline further, the Funds could experience declines in the market value of its inventory and demand for its homes, which could have a material adverse effect on the Funds' business, prospects, liquidity, financial condition and results of operations.

Construction Loans, Land Loans and Predevelopment Loans. The Funds may invest in or originate construction loans. If the Funds fail to fund its entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including: a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete it from other sources; a borrower claim against the Funds for failure to perform under the loan documents; increased costs to the borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan. Furthermore, the Funds may make loans on other non-cash generating assets such as land loans and pre-development loans, and such loans may fail to qualify for construction financing and may need to be liquidated based on the "as-is" value as opposed to a valuation based on the ability to construct certain real property improvements. The occurrence of such events could materially and adversely affect the Funds' results of operations and cash flows. Other loan types may also include unfunded future obligations that could present similar risks. These construction loans may generally be considered to be more risky than ordinary commercial real estate loans.

Environmental Liabilities. Under various U.S. federal, state and local environmental laws, ordinances and regulations, a current or previous owner of real estate (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Those laws typically impose cleanup responsibility and liability without regard to whether the owner or control party knew of or was responsible for the release or presence of such hazardous or toxic substances. The costs of investigation, remediation or removal of those substances may be substantial. The owner or control party of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain environmental laws also impose liability in connection with the handling of or exposure to asbestos containing materials, pursuant to which third parties may seek recovery from owners of real properties for personal injuries associated with asbestos containing materials. Absent succeeding to ownership or control of real property, a secured lender is not likely to be subject to any of these forms of environmental liability. If the Funds ever succeed to ownership or control of a property and becomes subject to significant environmental liabilities, the Funds' business, financial condition, liquidity and results of operations could be materially and adversely affected.

Uncompleted Property Developments Risks. If the Funds invest in, or succeeds to ownership or control of, a new or uncompleted property development it may be affected by some of the various risks associated with the development of new properties, including regulatory, construction, leasing, sales and financing risks, as well as the risk that the completed properties will be unable to achieve the targeted return on investment.

Property developments typically require substantial capital outlay during the construction period and it may take an extended period of time to complete and to occupy before a potential return can be generated. The time and costs required to complete a property development may be subject to substantial extensions and increases due to many factors, including shortages of, or price increases with respect to, construction materials (which may prove defective), equipment, technical skills and labor, adverse weather conditions, third party performance risks, environmental risks, changes in market conditions, changes in government or regulatory policies, delays in obtaining the requisite approvals, permits, licenses or certifications from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevent the completion of, a property development project and result in costs substantially exceeding those originally budgeted for, which the Funds may not be adequately compensated by insurance proceeds (if any) and/or contractual indemnities. This will affect the ability of the Funds to make distributions to Investors.

As the commission of a development project for the construction of a multi-tenant building is based upon the developer's anticipation and assessment of potential market demand for additional space and amenities, and there is no guarantee of the reliability and accuracy of the developer's assessment, the developments may suffer from a lack of demand upon completion due to the prevailing market conditions. Tenants may not be found in a timely manner or at all. Leases may not be concluded on satisfactory terms due to the low demand for the development at the relevant time of completion. Periods of vacancy and unfavorable lease terms will adversely affect the Funds' return.

In addition, the Funds may invest in or originate construction loans. If a Fund fail to fund its entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including: a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete it from other sources; a borrower claim against the Fund for failure to perform under the loan documents; increased costs to the borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan. Furthermore, the Fund may make loans on other non-cash generating assets such as land loans and pre-development loans, and such loans may fail to qualify for construction financing and may need to be liquidated based on the "as-is" value as opposed to a valuation based on the ability to construct certain real property improvements. The occurrence of such events could materially and adversely affect the Fund results of operations and cash flows. Other loan types may also include unfunded future obligations that could present similar risks.

Violation of Various Federal, State and Local Laws May Result in Losses on Residential Mortgage Loans. Numerous federal and state consumer protection laws impose substantive requirements in connection with the brokerage, origination, purchase, sale, servicing and enforcement of residential mortgage loans. There has been significant attention from state and federal banking regulatory agencies, state attorneys general, the Federal Trade Commission, the Department of Justice, the Department of Housing and Urban Development, the CFPB and state and local governmental authorities regarding certain lending practices by

some companies in the subprime industry, sometimes referred to as “predatory lending” practices. Sanctions have been imposed by federal, state and local governmental agencies for practices including, but not limited to, charging borrowers excessive fees, imposing higher interest rates than the borrower’s credit risk warrants and failing to adequately disclose the material terms of loans to the borrowers.

Applicable federal state and local laws generally regulate interest rates and other charges, require certain disclosure, impact closing practices, and require licensing of participants in the residential mortgage industry. In addition, other federal, state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, sale purchase, ownership, servicing and collection of such residential mortgage loans.

Mezzanine Loans or Debt Securities. Mezzanine loans or debt securities are generally unrated or below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Mezzanine loan or debt securities are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Moreover, mezzanine loan or debt securities are generally unsecured or secured by equity pledges of subsidiaries and not by tangible assets and subordinate to other obligations of the obligor and are subject to many of the same risks as those associated with high yield debt securities. Adverse changes in the financial condition of the obligor of mezzanine loans or debt securities or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Issuers of mezzanine loans or debt securities may be highly leveraged, and their relatively high debt to equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.

Risk of Investments in Junior Mortgages or Mezzanine Loans. In each instance where an investment is either a junior mortgage or a mezzanine loan secured by interests in a property-owning entity, the Funds’ investment will be subject, directly or indirectly, to the mortgage or other security interest of a senior lender. The rights and remedies afforded a senior lender may limit or preclude the exercise of rights and remedies by the Funds, with resultant loss to the Funds. Further, the equity owners of properties or entities in which the Funds invest may raise defenses (including protection under bankruptcy laws) to enforcement of rights or imposition of remedies by the Funds. In the event such defenses were successful, or resulted in delay, loss to the Funds could result.

Subordinated Interests and Note Classes. The Funds may invest in subordinated interests and note classes, each representing a highly leveraged investment in the underlying reference assets. These interests may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. The market value of these interests or notes will be significantly affected by, among other things, changes in the market value of, distributions and prepayments made by, and the prices and interest rates of, the underlying reference assets. Moreover, such interests may not be protected by financial covenants or limitations upon additional indebtedness.

Borrower Risk. Borrowers under loans originated by a Fund or in which a Fund may invest may include privately owned small and mid-sized companies, which present a greater risk of loss than loans to larger companies. Compared to larger, publicly owned firms, these companies generally have more limited access to capital and higher funding costs, may be in a weaker financial position and may need more capital to expand or compete. These financial challenges

may make it difficult for the Fund borrowers to make scheduled payments of interest or principal on a Fund's loans. Accordingly, advances made to these types of borrowers entail higher risks than advances made to companies that are able to access traditional credit sources.

Credit Risk; Collateral. Credit risk refers to the likelihood that an obligor will default on the payment of principal, interest or other amounts owed on an instrument. Credit risk may change over the life of an instrument, and debt instruments that are rated by rating agencies are subject to downgrade at a later date. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or other assets expected to be the source of repayment or credit enhancement for a debt instrument may affect its credit risk. From time to time, the Funds may lend to special purpose vehicles, which will further limit the Funds' ability to access collateral. The value of a special purpose vehicle's collateral, if any, may not be sufficient to protect the Funds from a partial or complete loss.

Where the Funds' investments are secured by collateral, in securing first priority liens, collateral generally cannot be pledged, loaned, re-hypothecated or otherwise re-used by the borrower. The value of this collateral may initially exceed the principal amount of such investments, but there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, the Funds could experience delays or limitations with respect to their ability to realize the benefits of the collateral securing an investment.

Under certain circumstances, collateral securing an investment may be released without the consent of the Funds. Moreover, the Funds' security interest (with respect to investments in secured debt) may be unperfected for a variety of reasons, including the failure to make required filings by lenders and, as a result, the Funds may not have priority over other creditors as anticipated. First priority lien investments made by the Funds may, in certain cases, provide a first priority lien over some, but not all, of the assets of the relevant borrower. The Funds may also invest in second-lien debt, unsecured debt, marketable and non-marketable common and preferred equity securities and other unsecured investments that involve a higher degree of risk than senior first-lien secured debt investments. Furthermore, the Funds' right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of senior lenders (with respect to some or all of the assets of a portfolio investment). Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In such cases, the ability of the borrower to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the borrower, the occurrence of which is uncertain.

Loan Participations. The Funds may invest in secured and unsecured loans, factoring agreements, or other investments acquired through assignment or participations. In purchasing participations, the Funds may have a contractual relationship only with the selling institution, and not necessarily the borrower. The Funds may have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor necessarily the right to object to certain changes to the loan agreement agreed to by the selling institution. The Funds may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, under the laws of the United States, the Funds may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, the Funds may be subject to the credit risk of the selling institution as well as of the borrower. Certain of the secured loans or loan participations may be governed by the law of a jurisdiction other than the United States, which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

Loan Servicing. The Funds' ability to successfully service the loans (either directly or through one or more third-party loan servicers) that it holds will materially affect the Funds' performance. When selecting third-party loan servicers, the Firm will endeavor to select only third-party loan servicers that have the required licenses or other governmental approvals in the applicable jurisdictions. There is no guarantee that such licensing requirements will not be changed or that the loan servicers will be able to maintain any such licenses.

In addition, there has been additional scrutiny by governmental authorities and other interest groups regarding the servicing practices of servicers which may result in increased costs and liabilities. In particular, in 2012, 49 state attorneys general and the federal government announced a joint state-federal settlement with the country's five largest mortgage servicers relating to foreclosure practices.

Additionally, new laws and regulations adopted in various jurisdictions in the United States may significantly increase the cost of servicing, affect customary servicing practices and may impact the ability of the loan servicer to enforce remedies and collect on and otherwise service the loans that are held and/or serviced by the servicer. Because servicers are generally required to advance principal and interest payments on delinquent loans subject to certain limitations, increasing delinquencies may result in significant increases in the funding necessary for such advances. As described above, the CFPB has also adopted various rules and regulations governing loan servicers, increasing the expenses in connection with such servicing.

Impairment of Collateral. The collateral securing a Fund's loans may decrease in value, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions. Also, in some circumstances, a Fund's security interest could be subordinated to claims of other creditors. The collateral securing a portfolio asset may not be sufficient to protect a Fund from a partial or complete loss if it becomes non-performing and the Fund is required to realize on such collateral. The collateral will be subject to inherent risks that may limit a Fund's ability to recover its investment in the non-performing portfolio asset.

Third-Party Involvement. The Funds may co-invest with third parties through partnerships, joint ventures or other entities. Such investments involve risks not present in investments where a third party is not involved, including the possibility that a third party coventurer or partner may at any time have economic or business interests or goals which are inconsistent with those of the Funds or may be in a position to take action contrary to the investment objective of the Funds. In addition, the Funds may in certain circumstances be liable for actions of its third-party coventurer or partner.

CFPB. The CFPB is a federal agency charged with regulating "the offering and provision of consumer financial products or services under the Federal consumer financial laws." Dodd-Frank gives the CFPB the authority to supervise nondepository "covered persons" that offer

or provide residential mortgage loan origination, brokerage or servicing, automobile loans, credit cards, private education loans, payday loans and various other consumer credit products. The CFPB has broad rulemaking and enforcement authority as may be necessary or appropriate to enable the CFPB to administer and carry out the purposes and objectives of the U.S. federal consumer financial laws, and to prevent evasions thereof. The CFPB issued revised mortgage servicing standards to provide greater protection to homeowners facing foreclosure. In implementing the new servicing standards the CFPB is requiring more from mortgage servicers, in particular more contact and accessibility, more transparency, and more procedures and policies to protect struggling homeowners. Given the breadth of the CFPB's powers, it is uncertain what impact CFPB will have on the markets. However, given the Funds' investment objective, it is expected that many rules of the CFPB will have an impact on the Funds.

Trade Claims. The Funds may purchase trade claims, often in connection with the restructuring or bankruptcy of a debtor company over which the Funds is trying to exercise influence. The Funds might also acquire trade claims as a means of obtaining control over a debtor that is in the process of emerging from Chapter 11, with an intent to push for a Chapter 11 plan that converts debt to equity or to block acceptance of any Chapter 11 plan it opposes. By purchasing trade claims in connection with a bankrupt company, the Funds could use this leverage to negotiate a more favorable Chapter 11 plan. Alternatively, the Funds could retain the claim, anticipating that the present value of any distribution at the conclusion of the case will exceed the purchase price. Although trade claims may result in significant returns to the Funds, they involve a substantial degree of risk. In order to make successful decisions regarding the objective in connection with the acquisition of trade claims, the level of analytical sophistication, both financial and legal, necessary to such decision-making is unusually high. In addition, if the Funds has acquired trade claims with the objective of exercising influence over a distressed company or in a bankruptcy action, the expected timing can only be estimated and there may be significant delays which may affect the returns on such trade claim investments for the Funds. Additionally, the risks described under “—*Risks Associated with Bankruptcy Cases*” would often be applicable in connection with the acquisition of trade claims.

Operating Covenants. A borrower's failure to satisfy financial or operating covenants imposed by the Funds or other lenders could lead to defaults and potential termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the borrower's ability to meet its obligations under the debt securities that the Funds holds. The Funds may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting borrower. Depending on the facts and circumstances of the Funds' investments and the extent of the Funds' involvement in the management of the borrower, upon the bankruptcy of a borrower, a bankruptcy court may re-characterize the Funds' debt investments as equity investments and subordinate all or a portion of the Funds' claim to that of other creditors. This could occur even though Firm may have structured the investment as a senior secured loan.

Cross-Collateralization. Cross-collateralization arrangements may be subject to challenge, which could result in the subordination of the Funds' interest in the collateral or the loan itself. Certain of the loans may be cross-collateralized. Cross-collateralization arrangements involving more than one borrower could be challenged as fraudulent conveyances by creditors of the related borrower in an action brought outside a bankruptcy case or, if the borrower were to become a debtor in a bankruptcy case, by the borrower's representative (or the borrower as debtor-in-possession). A lien granted by the borrower could be voided if a court were to determine that (i) the borrower was insolvent when it granted the lien securing the

loan, was rendered insolvent by the granting of the lien, was left with inadequate capital when it allowed its properties to be encumbered by a lien securing the loan or was not able to pay its debts as they became due and (ii) the borrower did not receive fair consideration or reasonably equivalent value when it allowed its properties to be encumbered by a lien securing the loan. Among other things, a legal challenge to the granting of the liens may focus on the benefits realized by the related borrower from the applicable loan proceeds, as well as the overall cross-collateralization. If a court were to conclude that the granting of the liens to cross-collateralize a loan was a voidable fraudulent conveyance, such court could (i) subordinate all or part of the pertinent loan to existing or future indebtedness of that borrower, (ii) recover payments made under that loan or (iii) take other actions detrimental to the Funds, including, under certain circumstances, invalidating the loan or the Funds' interest in the collateral securing the cross-collateralized loan. Any of these actions could impair, delay or eliminate payments by the borrower of a loan that is cross-collateralized, which would adversely affect the returns expected by the Limited Partners with respect to any such loan.

Agency Provisions. Agency provisions in the loans may impair enforcement actions against the collateral and expose the Funds to losses on the loans. The loans may consist of agented loans. Under the underlying loan agreement with respect to agented loans, the loan originator or another financial institution may be designated as the administrative agent and/or collateral agent. Under these arrangements, the borrower grants a lien to such agent on behalf of the lenders and directs payments to such agent, which, in turn, will distribute payments to the lenders, including the Funds. The agent is responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions from lenders holding a specified percentage in commitments or principal amount of the loan. In the case of loans that are part of a capital structure that includes both senior and subordinated loans, the agent may take such action in accordance with the instructions of one or more senior lenders without consultation with, or any right to vote (except in certain limited circumstances) by, the subordinated lenders. The loans held by the Funds may represent less than the amount sufficient to compel such actions or may represent subordinated debt which is precluded from acting and, under such circumstances, the Funds would only be able to direct such actions if instructions from the Funds were made in conjunction with other lenders that together comprise the requisite percentage of lenders then entitled to take or direct the agent to take action. Conversely, if the required percentage of lenders other than the Funds desire to take or direct the agent to take certain actions, such actions may be taken even if the Funds did not support such actions. Furthermore, if a loan held by such Fund is subordinated to one or more senior loans made to the borrower, the ability of the Funds to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. However, certain actions, such as amendments to the material payment terms of the loans, typically may not be taken without consent of all lenders, including the Funds. If the loan is a syndicated revolving loan or delayed draw term loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract resulting in a lawsuit by the borrower against the lenders (including the Funds even if it did not default) and adversely affect the fair market value of such loan.

There is a risk that an agent may become subject to insolvency proceedings. Such an event could delay, and possibly impair, the ability of the lenders for such agented loan to take any enforcement action against the related borrower or the collateral securing a loan and may require the lenders to take action in the agent's insolvency proceeding to realize on proceeds or payments made by borrowers that are in the possession or control of the agent.

In addition, it is expected that agent loans will allow for the agent to resign. Agent loans may or may not contain provisions for lenders to remove the agent. If an agent resigns or is removed, the lenders may be required to find, and the required percentage thereof agree to appoint, a successor agent that may be difficult to find or cost more than the predecessor agent.

Fraudulent Transfer Laws. Fraudulent transfer laws could result in loans or other portfolio assets being subordinated to a borrower's other indebtedness. Fraudulent transfer laws vary somewhat from jurisdiction to jurisdiction; generally, however, if a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower, such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that (i) the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by a loan or other portfolio asset, for the grant of any security interest or other lien securing such loan or other portfolio asset or for any other transfer and (ii) after giving effect to such indebtedness, the borrower either: (a) was insolvent; (b) was engaged in business for which the assets remaining in such borrower constituted unreasonably small capital; or (v) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, then such court could void, in whole or in part, such indebtedness, security interest or other lien securing such loan or other portfolio asset or transfer as a fraudulent conveyance, could subordinate such indebtedness to existing or future creditors of the borrower or could recover amounts previously paid by the borrower (including to the Funds) in satisfaction of such indebtedness. A court also could find that the borrower made an intentionally fraudulent transfer, with the same consequences for the lender, based, among other things, on objective "badges of fraud." Generally, a borrower would be considered insolvent at a particular time if the sum of its debts, including contingent obligations, was greater than all of its property at fair valuation or if the present fair saleable value of its assets was less than the amount that would be required to pay its liabilities on its existing debts, including contingent obligations, as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to a borrowing or that, regardless of the method of evaluation, a court would not determine that the borrower was "insolvent" upon giving effect to such borrowing. In addition, transfers made by an insolvent borrower on account of antecedent debt are subject to the possibility of avoidance and recapture as "preferences" under the Bankruptcy Code and the laws of many states. Under the Bankruptcy Code, certain "insiders" are at risk with respect to such transfers made within one year before the bankruptcy filing; otherwise, transfers made within ninety (90) days of the bankruptcy filing are at risk of avoidance and recapture. In general, if payments on any of the loans are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured from the initial recipient (such as the Funds) or the party for whose benefit the payment was made or from subsequent transferees of such payments.

Competition and Availability of Suitable Investments. In recent years, there has been a marked increase in the number of, and flow of capital into, investment vehicles established in order to implement alternative asset investment strategies, including strategies similar to the strategies that may be implemented by the Funds. While the precise effect cannot be determined, such increase may result in greater competition for investment opportunities, or may result under certain circumstances in increased price volatility or decreased liquidity with respect to certain positions. Prospective investors should understand that the Funds may compete with other investment vehicles, as well as investment and commercial banking firms, which have substantially greater resources, in terms of financial wherewithal and research staffs, than may be available to the Funds. The competing entities and individuals may drive up the prices of prospective investments, potentially lowering returns.

Interest Rate Risk. The price of most fixed-income securities moves in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed-income securities falls. Consequently, the longer the maturity of a fixed-income security, the risk that interest rates will rise, and thus the price of the security will fall will be greater than it would have been for a security with a shorter maturity. If the Funds hold a fixed-income security to maturity, the change in its price before maturity will have little impact on the Funds' performance; however, if the Funds have to sell the fixed-income security before the maturity date, an increase in interest rates may result in a loss to the Funds.

Inability to Refinance. While a substantial portion of the investments of the Funds may be investments that are self-liquidating and fully amortizing, the Funds may seek to finance, refinance or dispose of one or more of its portfolio assets to obtain liquidity, leverage the return on its equity or to reduce potential losses with respect to non-performing portfolio assets. Under such circumstances, there may be no established trading or lending market for the portfolio assets. Although the Funds intend to enter into any such financings on then current market terms on an arms' length basis; *provided*, that such an arms' length basis can reasonably be determined in the discretion of the General Partner, such financings may contain mark-to-market or other leverage ratio maintenance provisions, as well as other covenants and will contain default provisions. A change in the market or deterioration of specific portfolio assets could result in a margin or capital call, if applicable. If a Fund is not able to pay or refinance any such financing, to dispose of its portfolio assets if necessary to do so or to meet a margin call, if applicable, or otherwise defaults on such a financing, the Limited Partners could suffer losses. In addition, the success of certain investments may be partially or wholly dependent upon the borrower being able to refinance the loan held by a Fund.

Interest Rates on Purchased Loans and "True Lender" Challenges. The Funds may acquire loans that were originated by banks, where the interest rates provided on the loans are based on federal laws that preempt states interest rate limitations. In *Madden v. Midland Funding, LLC*, 787 F.3d 246 (2d Cir. 2015), the Second Circuit ruled that federal preemption generally applicable to national banks did not apply to a non-bank assignee if the bank no longer had an interest in the loan, and therefore federal law did not preempt state interest rate limitations that otherwise might apply to interest collected by the non-bank assignee. In an appeal of the Madden case to the U.S. Supreme Court, the Solicitor General indicated that the Second Circuit decision was wrongly decided but the U.S. Supreme Court did not grant review and the Madden decision remains in place in the Second Circuit. However, federal banking regulators proposed new regulations in 2019 that effectively would overrule the Madden case and provide that the assignment of a loan made by a bank, does not by itself, result in the assignee not being able to take advantage of federal interest rate preemption. It is uncertain whether these proposed regulations will be finalized as proposed.

Separately, in connection with loan origination programs where a bank originates loans and sells them to a third party that provided marketing services in originating the loans, claims have also been brought that the third party purchaser should be viewed as the "true lender" and thus subject to state interest rate and licensing laws. Some of these claims also have been made with respect to loan purchasers that did not assist in the origination of the bank loans and securitizations trusts have been named as defendants in at least one case. If such a claim is successfully brought with respect to loans held by the Funds, those loans may be found to be in violation of state interest rate limitations or lender licensing requirements in the states where the borrowers reside. Any violation of such laws or any litigation alleging such a violation with respect to loans could give rise to claims and/or defenses by a borrower, or a group of similarly situated borrowers, or enforcement actions by regulators or government agencies, and result in liability for consumer remediation, penalties and fines.

Structural Risks

No Ability to Withdraw. Investment in the Funds requires the financial ability and willingness to accept significant risk and illiquidity. Limited Partners may not receive the complete return of their investment in the Funds until at least the third anniversary of the Final Closing Date (and perhaps a far longer period of time), and the Firm (in its sole discretion) may continue each Fund for an additional year. Limited Partners will not be able to voluntarily withdraw their investment from the Funds. Once a Fund enters dissolution, it may still take a substantial period for Limited Partners to receive a complete return of their investment. Further, the Interests have not been registered under the Securities Act or under the securities laws of any applicable jurisdiction. Therefore, the Interests are not transferable except with the consent of the General Partner which may be withheld in the General Partner's sole discretion. There is no public market for the Interests and none is expected to develop.

No Guarantee of Returns; Possible Loss of Capital. There can be no assurance that a Limited Partner will receive a return on all of its invested capital or that such return will be commensurate with the risks associated with the types of investments and strategy being pursued by the Funds. Distributions to investors will ultimately depend upon the performance of the investments made by the Funds, and there can be no assurance that any particular investment, or the Funds' investments as a whole, will be profitable or realized. The performance of the Funds' investment portfolio will depend on a number of factors, at least some of which may be beyond the control of the Funds, the General Partners, and the Firm. Distributable amounts may be reduced by reserves established to pay expenses and other liabilities, and such reserves may be substantial. Accordingly, prospective investors should be prepared that an investment in the Funds may result in a loss of invested capital and that such loss may be substantial.

Financing of Investments. The Firm may utilize leverage in an effort to enhance returns by obtaining financing secured by the individual assets within the Funds' portfolio or pools of assets within the Funds' portfolio. Although the Firm will seek to use leverage in a manner it believes is prudent, the use of leverage will generally magnify both the opportunities for gain and risk of loss for any given asset. There can be no assurance as to whether, and in what amounts, any such debt financing may be available. If available, there can be no assurance as to what the provisions thereof may be as to term, advance rate, interest rate or other terms and conditions, all of which could vary substantially, and may or may not be acceptable to the Firm. The use of leverage will result in interest expense and other costs that may not be covered by distributions made to the Funds or appreciation of its investments. An increase in interest rates may decrease the profitability of the Funds. The use of leverage may also impose restrictive financial and operating covenants on a particular asset of the Funds, in addition to the burden of debt service.

Cross Liability Risk. In connection with the use of certain leverage structures, unless the lenders agree to ringfence the collateral in connection with such borrowing (so that it includes only the specifically relevant assets), a cross-collateralization risk will exist. Although the Firm currently expects that collateral will be ring-fenced in connection with any such borrowings, the Funds (and the Limited Partners) will possibly be impacted negatively by the existence of certain leverage structures, and the Funds' investment portfolio may be subject to increased losses as a result. This means that creditors may possibly (if the collateral is not ring-fenced) satisfy their claims against the entirety of the Funds' capital.

Financing of Subscriptions. The Funds also intends to enter into one or more credit facilities that is secured by a pledge of the Funds' Unfunded Commitments in order to finance

investments in lieu of, or in advance of, calling capital or to pay the expenses of the Funds. Such facilities will be either unsecured or secured by (i) a pledge by the Funds of, or other security interest in, all or a portion of the Funds' Unfunded Commitments and the Funds' right to receive Capital Contributions and (ii) a pledge by a Fund, a General Partner and/or the Firm of all or a portion of, or grant of other security interest in, their rights contained in the LPA and in the Subscription Documents, including the right to deliver Capital Call Notices and to enforce all remedies against Limited Partners that fail to fund their respective Unfunded Commitments pursuant to the LPA and their Subscription Documents and in accordance with the terms of the LPA. Limited Partners may be required to confirm that their Capital Contribution obligations are unconditional, to provide financial information to such lender(s) or agents and to execute other documents required to obtain such credit facility. The use of such credit facility will increase a Fund's overall leverage until such credit facility is repaid. In addition, prior to the repayment of such credit facility, a Fund will incur interest expenses and fees that will be borne by the Limited Partners. The Firm intends to use such credit facilities in a manner that it believes to be appropriate in light of a Fund's investment program. However, the Firm's use of such credit facilities represents a potential conflict of interest for the Firm in that such use potentially increases a Fund's internal rate of return on Capital Contributions, making it more likely that a Fund will generate Carried Interest Distributions, while the Limited Partners bear the associated interest expenses.

Limited Partners May Be Required to Withdraw. A Limited Partner may be forced to withdraw from the Funds in whole or in part at any time if the General Partner believes such Limited Partner's continued participation would be reasonably likely to violate any law or regulation applicable to the General Partner, the Firm, the Funds, or their investments. Withdrawal payments are subject to allocation of expenses, Carried Interest Distributions and reserve. If a Limited Partner is subject to such a mandatory withdrawal from the Funds, it will receive the value of its Interest, which will be determined by the General Partner, in its sole discretion. The General Partner may pay such amounts in cash or in kind. The value of securities distributed may increase or decrease before the securities can be sold, and the investor will incur transaction costs in connection with the transfer of such securities. Additionally, securities distributed with respect to a mandatory withdrawal may not be readily marketable. The risk of loss and delay in liquidating these securities will be borne by the investor, with the result that such investor may receive less cash than it would have received on the date of mandatory withdrawal. Such mandatory withdrawal may create adverse economic consequences to the Limited Partner (or assignee), depending on the timing thereof.

No Market for Limited Partnership Interests; No Right to Transfer. The Interests have not been and will not in the future be registered under the Securities Act, the securities laws of any state or the securities laws of any other jurisdiction and, therefore, cannot be sold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available and the General Partner consents to such a sale. It is not contemplated that registration under the Securities Act or other securities laws will ever be effected. There is no public market for the Interests and one is not expected to develop. A Limited Partner will not be permitted to assign, sell, exchange or transfer any of its interest, rights or obligations with respect to its Interest in the Funds, except by operation of law, without the prior written consent of the General Partner, which consent may be withheld in the sole discretion of the General Partner. Limited Partners must be prepared to bear the risks of owning Interests for an extended period of time.

Time Required for Maturity of Investment; Investments Longer than Term. Certain of the Investments may need to be disposed of upon dissolution of the Funds for less than their potential value. Although the General Partner expects that Investments will be disposed of

prior to dissolution or be suitable for in-kind distribution at dissolution, the General Partner has only a limited ability to extend the term of the Funds, and the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Carried Interest Distributions. The General Partner, an affiliate of the Firm, could receive substantial Carried Interest Distributions based upon the performance of the Funds. The Carried Interest Distributions may thus create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of performance based compensation. In addition, because the structure for distribution of Available Cash is bifurcated between Available Cash that does not represent Capital Proceeds and Available Cash that does represent Capital Proceeds, it is possible that the General Partner will receive Carried Interest Distributions on proceeds attributable to current income during periods when one or more Investments held by the Funds have suffered principal losses. While the clawback is intended to mitigate these risks, it will not entirely eliminate such risks.

Subsequent Closings. Investors that are admitted or increase their Capital Commitments at a Closing Date after the Initial Closing Date will generally participate in existing investments of the Funds made prior to such Closing Date, diluting the interest of existing investors therein, but any net profits or net losses realized on an Investment prior to the date of such admission or increase will be only for the account of the then current Limited Partners. Although such investors will contribute their respective *pro rata* share of previously made Fund draws, there can be no assurance that this payment will reflect the fair value of the Fund's existing investments, and such investors will also not be responsible for any Management Fees paid by a Fund prior to their admission.

Capital Commitments May Not be Called. Capital Commitments generally will be drawn down in the discretion of the General Partner with a minimum of ten (10) Business Days' prior written notice. No assurance can be given that the Funds will be able to fully invest its committed capital.

Consequences of Default. Except as set forth in "*Principal Terms—Miscellaneous—Required Withdrawals*," once a Limited Partner commits to a Fund, its Unfunded Commitment must be paid to a Fund as called by its General Partner within the notice period described herein, without exception. Failure to pay will result in such Limited Partner's default, which may result in the defaulting Limited Partner's forfeiture of its Interest or other adverse consequences for such defaulting Limited Partner. Further, the failure of any Limited Partner to contribute Capital Contributions in response to capital calls may have serious adverse consequences on a Fund's ability to complete its investment program or its ability to otherwise continue operations may be substantially impaired. A default by a substantial number of investors or by one or more investors who have made substantial Capital Commitments would limit opportunities for investment diversifications and likely would reduce returns to a Fund. In addition, if contributions made by non-defaulting Investors and borrowings by a Fund are inadequate to cover the defaulted capital contribution, a Fund may be unable to pay its obligations when due. As a result, the Funds may be subjected to significant penalties that could materially adversely affect the returns to the Investors (including non-defaulting Limited Partners).

Liability for Return of Distributions. Any Limited Partner's Capital Commitment is susceptible to risk of loss as a result of any liability of the Funds irrespective of whether such liability is attributable to an investment to which such Limited Partner did not contribute any capital. If the Funds are otherwise unable to meet its obligations, the investors may, under applicable

law and subject to the terms of the Funds' operative agreements, be obligated to return, with interest, cash distributions previously received by them to the extent such distributions are deemed to constitute a return of their capital contributions or are deemed to have been wrongfully paid to them. In addition, an investor may be liable under applicable federal and state bankruptcy or insolvency laws to return a distribution made during the Funds' insolvency.

Possible Indemnification Obligations. The Funds are generally obligated to indemnify the General Partner, the Firm, the Administrator, other third party service providers and possibly other parties in connection with their providing certain services under the various agreements entered into with such persons or entities against any liability they or their respective affiliates may incur in connection with their relationship with the Funds. Furthermore, the Funds will be subject to the indemnification provisions contained in transaction documents in respect of various Investments made by the Funds.

Lack of Management Rights. An investor will not be able to evaluate the nature of, and the terms on which the Funds will acquire, particular assets when determining whether to invest in the Funds. Determinations to invest must therefore be made primarily on the basis of an investor's appraisal of the proposed objectives and operations of the Fund and the capabilities of the Firm. Additionally, investors will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of the Funds. The Firm and the General Partners will have sole and absolute discretion in structuring, negotiating and purchasing, financing and eventually divesting investments on behalf of a Fund. Consequently, the investors will not be able to evaluate for themselves the merits of particular investments prior to a Fund making such investments.

Treatment of Broken Deal Expenses. In general, the Funds will bear 100% of all out-of-pocket expenses (including legal and accounting costs and travel expenses) associated with any investment that is not consummated, including any portion thereof that may or would have been allocated to potential syndication partners, co-investors or ultimate beneficial owners of co-investment vehicles (collectively, "Co-Investors") had such investment been consummated (unless such Co-Investors were to participate in a co-investment opportunity through one or more separate commingled investment vehicles which has closed on commitments). The Firm believes this approach to Broken Deal Expenses is reasonable from the Funds' perspective for the following reasons: (i) the amount of Broken Deal Expenses associated with an investment is expected to be the same, or substantially similar, regardless of whether Co-Investors participate in such investment; (ii) in most cases, it is impracticable to charge Broken Deal Expenses to Co-Investors since such expenses are often incurred prior to the date on which a Co-Investor is contractually committed to participate in such investment; and (iii) the participation of Co-Investors can often provide material benefits to the Funds, including facilitating the Firm's efforts to diversify the Funds' portfolio of investments and allowing the Funds to participate in larger, and potentially attractive, investments with Co-Investors whose interests are more likely to be aligned with the interests of the Funds than third party co-investors not selected by the Firm.

Notwithstanding the foregoing, the Firm will seek to allocate Broken Deal Expenses to Co-Investors where it is contractually permissible, appropriate and reasonable to do so in accordance with its co-investment policy.

Item 9: Disciplinary Information

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

Item 10: Other Financial Industry Activities and Affiliations

A registered investment adviser is required to disclose whether it or any of its management persons are registered, or have an application pending to register, as a (a) broker-dealer or a registered representative of a broker-dealer, or (b) futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. Neither i80 Group nor any of its management persons are registered as such or have any application for such registration pending. i80 Group serves as the manager to the Funds and provides day-to-day management and advisory services to those Funds. The affiliated entities of i80 Group serve as the general partner to the Funds ("General Partners").

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

Code of Ethics

i80 Group has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

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

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Employees are also prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm’s Restricted List.

Employees may retain equity positions, and do not require the CCO’s consent in order to buy or sell any such positions. Employees must obtain the CCO’s pre-approval for all initial public offering (“**IPO**”) or limited offerings. Any private placement into a fund is considered a limited offering. The CCO must obtain the Managing Member’s pre-approval for their IPO and limited offering transactions.

Employees must obtain pre-approval from the CCO before: (i) engaging in any outside business activities; or (ii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

Item 12: Brokerage Practices

i80 Group is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate “execution only” commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm’s authority is limited by its own internal policies and procedures and each Fund’s investment guidelines. The Firm does not receive referrals or commissions when selecting broker-dealers for transactions. Also, the Firm does not participate in any directed brokerage arrangements.

Best Execution and Soft Dollars

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favorable under the circumstances.

Although it is currently not applicable to the Funds, and the Firm does not expect that it will be applicable to the Funds, in the event that portfolio transactions for a Fund is allocated to brokers and dealers, the Fund’s General Partner will consider such factors as the ability of the broker or dealer to effect the transactions, the brokers’ or dealers’ facilities, reliability and financial responsibility, responsiveness and the provision or payment (or the rebate to the Fund for payment) by a broker of the costs of brokerage or research products or services which are of benefit to a Fund, any General Partner, the Firm, and related funds and accounts. No General Partner or the Firm need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. Accordingly, if a General Partner or the Firm, as applicable, determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research products or services provided by such broker, a Fund may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research products or services provided to a General Partner or the Firm may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities and other products and services providing lawful and appropriate assistance to the General Partner or the Firm in the performance of their respective investment decision-making responsibilities.

The use of commissions or “**soft dollars**” to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under Section 28(e), research obtained with soft dollars generated by a Fund may be used by the General Partner or the Firm to service accounts other than that Fund. Where a product or service obtained with soft dollars provides both research and non research assistance to the General Partner or the Firm, the General Partner or Firm, as applicable, will make a reasonable allocation of the cost which may be paid for with soft dollars.

Item 13: Review of Accounts

Our Portfolio Manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Fund's Offering Documents. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Account Reporting

We perform various periodic reviews of each client's portfolio. Such reviews are conducted by our officers.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end or as soon as reasonably practicable. We also distribute quarterly unaudited net asset value statements, quarter-end performance reports, and a quarterly investor letter to all Investors.

Item 14: Client Referrals and Other Compensation

We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

Item 15: Custody

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 funds from a Client's account. Account statements related to the Clients are sent by the Fund Administrator to i80 Group.

We comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., 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 will distribute each of the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

Item 16: Investment Discretion

We have full discretionary investment authority with respect to the Funds, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities. The Firm has non-discretionary authority to transact on behalf of the SMA.

Item 17: Voting Client Securities

In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the "proxy voting rule"), we have adopted proxy voting policies and procedures. The general policy is that the Firm will not need

to vote proxy proposals, amendments, consents or resolutions (collectively, “**Proxies**”) because of the asset classes the Firm, and the Funds, invest in.

However, pursuant to i80 Group’s “**Proxy Voting Policy**,” the Firm will comply with the Proxy Voting Rule and will act solely in the best interests its Clients when exercising its proxy voting authority. The Firm determines whether and how to vote corporate actions and proxies on a case-by-case basis, and will take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Item 18: Financial Information

i80 Group does not require or solicit the prepayment of any fees and does not have any adverse financial condition that is reasonably likely to impair our ability to continuously meet its contractual commitments to its Clients. The Firm has not been the subject of any bankruptcy proceedings.