



DWIGHT SECURITIES MANAGEMENT LLC

DISCLOSURE BROCHURE MARCH 2019

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This Disclosure Brochure provides information about the qualifications and business practices of Dwight Securities Management LLC. If you have any questions about the contents of this Disclosure Brochure, please contact Adam Sasouness at 347-846-0771 or as@dwightsecurities.com. The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Dwight Securities Management LLC is also available on the Internet at www.adviserinfo.sec.gov. You can view the information on this website by searching for Dwight Securities Management LLC or our CRD number 174984.

Registration as an investment adviser does not imply a certain level of skill or training.



This is Dwight Securities Management LLC's Annual Amendment to Form ADV for fiscal year ending December 31, 2018. Since the Firm's recent Other-Than-Annual Amendment filed on August 29, 2018, no material changes have been made to this brochure.



ITEM 1 – COVER PAGE.....	1
ITEM 2 – MATERIAL CHANGES	2
ITEM 3 – TABLE OF CONTENTS.....	3
ITEM 4 – ADVISORY BUSINESS	4
ITEM 5 – FEES AND COMPENSATION	7
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	11
ITEM 7 – TYPES OF CLIENTS	13
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	14
ITEM 9 – DISCIPLINARY INFORMATION	30
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	31
ITEM 11 – CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING	32
ITEM 12 – BROKERAGE PRACTICES	34
ITEM 13 – REVIEW OF ACCOUNTS	36
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION	37
ITEM 15 – CUSTODY	38
ITEM 16 – INVESTMENT DISCRETION	39
ITEM 17 – VOTING CLIENT SECURITIES.....	40
ITEM 18 – FINANCIAL INFORMATION	41



Dwight Securities Management (also referred to as “**Dwight Securities Management**”, the “**Manager**”, we, or us throughout this Disclosure Brochure) is an investment adviser registered with the United States Securities and Exchange Commission (“**SEC**”) and is a limited liability company (LLC) formed under the laws of the State of New York. Dwight Securities Management filed its initial application to become registered as an investment adviser in March 2015.

- **Adam Sasouness** is the managing member, owner and Chief Compliance Officer of Dwight Securities Management. Adam Sasouness owns 29.5% of Dwight Securities Management.
- **Zachary Halpern** is the managing member, owner and Chief Investment Officer of Dwight Securities Management. Zachary Halpern owns 36.5% of Dwight Securities Management.
- **Joshua Sasouness** is the managing member and owner of Dwight Securities Management. Joshua Sasouness owns 29.5% of Dwight Securities Management.

Introduction

Dwight Securities Management serves as an investment manager and provides investment advisory services on a discretionary basis to privately offered pooled investment vehicles including Dwight Securities Fund LLC (the “**Master Fund**”) and Dwight Securities Fund Ltd. (the “**Offshore Feeder**”, and together with the Master Fund, the “**Securities Funds**”), Dwight Bridge Fund LLC (the “**Bridge Fund**”), and DBDK Venture I L.P. (the “**DBDK Fund**”) (each a “**Fund**” and collectively referred to herein as the “**Funds**”). Dwight Securities Management may also provide investment advisory services to separately managed accounts (“**SMAs**”), and other pooled investment vehicles sub-advised by the Manager (together with the Funds and SMAs referred to herein as the “**Clients**”).

Description of Advisory Services

The following are descriptions of the primary advisory services of Dwight Securities Management. A written agreement, which details the exact terms of the service provided to a client, must be signed by each Client before Dwight Securities Management can provide the services described below. The investment advisory services provided by Dwight Securities Management are designed for sophisticated investors.

The Securities Funds employs an active fixed income strategy that invests across the US CMBS markets. The Securities Funds’ primary investment focus is GNMA Agency CMBS real estate mortgage-backed securities (“**REMICS**”) and GNMA backed Municipals with high sensitivity to prepayments.

The Bridge Fund invests all of its investable assets through the DBDK Fund, which intends to purchase short term floating rate commercial mortgage loans from affiliates of the Manager that are engaged in the origination and servicing of mortgages or third party originators or lenders, or may invest in other whole loan derivative or financing transactions involving affiliates of the Manager or third party originators or lenders. In addition, on a short term basis, prior to investment or upon payoff of a loan, the Bridge Fund, through investment in DBDK Fund, may invest in various mortgage-backed securities products in the U.S.

The Master Fund and Bridge Fund are organized as Delaware limited liability companies, and the managing member of the Master Fund and Bridge Fund is Dwight Securities Partners LLC (the “**Managing Member**”), which is owned and controlled by Adam Sasouness, Joshua Sasouness and Zach Halpern, who also own and control



Dwight Securities Management. The Offshore Fund is organized as a Cayman Island limited company which invests all of its investable assets in the Master Fund. The DBDK Fund is organized as a Cayman Island exempted limited partnership. The Funds are not open to the general public, and membership interests in the Funds are privately offered on a confidential basis in reliance upon exemptions contained in the Securities Act of 1933, as amended. The Funds are private funds or foreign entities exempt from registration as an investment company under the Investment Company Act of 1940.

Investors in the Funds receive a copy of the Funds' Confidential Offering Memorandums and are required to execute a subscription agreement in order to subscribe for interests in the Funds.

Dwight Securities Management has an incentive and inherent conflict of interest to recommend and favor the Funds for the following reasons:

- Dwight Securities Management is the investment adviser to the Funds and receives a management fee for its services. Please refer to **Item 5** of this Disclosure Brochure for a description of our fees. Increases in Funds assets will result in increases in the management fee paid to Dwight Securities Management.
- The Manager provides the Funds with certain administrative services and personnel needed to fulfill its obligations as the investment adviser to the Funds.

As the managing member of the Funds, Dwight Securities Partners LLC is responsible for the business and affairs of the Funds (Dwight Securities Partners LLC is under common control with Dwight Securities Management), and Dwight Securities Management manages the Funds' portfolio and exercises discretionary authority for investment selection, asset allocation, and asset management decisions of the Funds.

Limits Advice to Certain Types of Investments

Dwight Securities Management provides investment advice on the following types of investments:

- Mutual Funds
- Commercial Paper
- Municipal Securities
- US Government Securities
- Options Contracts on Securities
- Futures Contracts on Intangibles
- Commercial Mortgaged-Backed Securities
- Bridge Loans

Although the Manager generally provides advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each Client's specific circumstances, needs, goals and objectives.

It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate for risk mitigation and our expectations of market behavior.



Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.

Tailor Advisory Services to Individual Needs of Client

Dwight Securities Management's advisory services, as it relates to the Funds, are always provided based on Funds' needs. Our private fund management services are based solely upon the requirements of the Funds and are not based upon any specific requirements of an investor within the Funds.

Dwight Securities Management may tailor advisory services to the individual needs of SMA clients and other pooled investment vehicles which are sub-advised by the Manager on a case by case basis and may allow such clients to impose restrictions on investing in certain securities.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Client Assets Managed by Dwight Securities Management

Dwight Securities Management had \$165,194,195 in regulatory assets under management as of December, 31, 2018.



In addition to the information provided in *Item 4—Advisory Business*, this section provides additional details regarding the Manager's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and Dwight Securities Management and are not negotiable.

Fees of the Securities Funds

The Master Fund offers membership interests ("Member" or "Members") to a limited number of qualified investors. The minimum initial subscription amount is as follows: \$500,000 for Founders' Class interests and \$250,000 for Class A interests and Class B interests.

Additionally, the Offshore Feeder offers shares ("Shareholder" or "Shareholders") consisting of two classes: Class A interests and Class B interests. The minimum initial subscription amount is \$250,000, subject to the discretion of the Offshore Feeder Board of Directors to accept lesser amounts.

The Securities Funds will pay to Dwight Securities Management an annual management fee, which will be charged to Members or Shareholders based on their respective class of interests within the respective vehicle. The current rates are as follows, as they apply to each vehicle: (i) 1.0% for Founders' Class interests; (ii) 1.5% for Class A interests; and (iii) 1.75% for Class B interests, in each case, calculated as a percentage of the net asset value of each respective class. The percentage of the annual management fee is divided by 12 and allocated monthly in advance based upon the Member's account value as of the beginning of the relevant calendar month. In addition, the Securities Funds will pay to Dwight Securities Partners, LLC a performance fee referred to as an Incentive Allocation Fee (also referred to as "Incentive Allocation").

The Securities Funds charge Members an Incentive Allocation, which is based upon a share of capital gains or capital appreciation of the Member's capital account. An Incentive Allocation fee will be paid to the Managing Member at the end of each Incentive Allocation Date as explained below. The Incentive Allocation fees are as follows, and as they apply to each vehicle: (i) 15% with respect to Founder's Class interests; (ii) 18% with respect to Class A interests; and (iii) 20% with respect to Class B interests. The calculation of the Incentive Allocation is described below.

Fees of the Bridge Fund

The Bridge Fund offers membership interests (also referred to as "Member" or "Members") to a limited number of qualified investors. The minimum initial subscription amount is as follows: \$2,500,000 for Founders' Class interests, \$5,000,000 for Class A interests, and \$250,000 for Class B interests.

The Bridge Fund will pay to Dwight Securities Management an annual management fee, which will be charged to Members or Shareholders based on their respective class of interests within the respective vehicle. The current rates are as follows, as they apply to each vehicle: (i) 1.25% for Founders' Class interests; (ii) 1.5% for Class A interests; and (iii) 1.5% for Class B interests, in each case, calculated as a percentage of the net asset value of each respective class. The percentage of the annual management fee is divided by 12 and allocated monthly in advance based upon the Member's account value as of the beginning of the relevant calendar month. In addition, the Bridge Fund will pay to Dwight Securities Partners, LLC a performance fee referred to as an Incentive Allocation Fee (also referred to as "Incentive Allocation") as described below.



The Bridge Fund charges Members in an Incentive Allocation, which is based upon a share of capital gains or capital appreciation of the Member's capital account. An Incentive Allocation fee will be paid to Managing Member at the end of each Incentive Allocation Date as explained below. The Incentive Allocation fees are as follows, and as they apply to the Bridge Fund: (i) 14% with respect to Founder's Class interests; (ii) 15% with respect to Class A interests; and (iii) 20% with respect to Class B interests. Dwight Securities. The calculation of the Incentive Allocation is described below.

Fees of the DBDK Fund

On a quarterly basis, DBDK Fund pays a management fee to Dwight Securities Management in arrears equal to an agreed amount of the invested capital of the Limited Partners in investment loans during such calendar quarter. The fee is calculated pro-rata based on the number of days DBDK Fund held the relevant investment loans. The Management fee is paid for as long as an investment loan is outstanding until the termination of the agreement.

DBDK also pays an incentive fee to Dwight Securities Management, which is 14%, calculated based on the net amounts that prior to calculation of the incentive fee, are distributed by DBDK Fund to the Limited Partners that do not represent a return of such Limited Partners' Capital Contributions to DBDK Fund ("Net Cash-on-Cash Return"). The incentive fee is payable on each anniversary of the commencement of the investment period based on the Net Cash-on-Cash Return for the one-year period then-ended, provided that 50% of any accrued incentive fee shall be deposited in an escrow account until the termination of the agreement.

In connection with Dwight Capital, an affiliate of the Manager as further defined in Item 10 below, as servicer in connection with the DBDK Fund's investment loans, the DBDK Fund will pay Dwight Capital a monthly servicer fee in arrears with respect to each month (or pro rata portion thereof) equal to $\frac{1}{12}$ of 0.25% of the outstanding principal balance of the investment loans being serviced by Dwight Capital LLC as of the first day of such month.

For investment loans that the Manager fails to obtain financing that is reasonably acceptable to DBDK Fund in an amount equal to at least 70% of the principal amount of such investment loan, the loss shall result in deduction of incentive fees otherwise payable to Dwight Securities Management and allocated to DBDK Fund.

Upon termination of the agreement set forth between Dwight Securities Management and DBDK Fund, the incentive fee will be calculated for the period since the last calculation of the incentive fee through the date of termination of the agreement. To the extent an incentive fee has been earned for the period noted, such amount shall be paid to Dwight Securities Management upon the termination of this Agreement, without reduction for any escrow, and the balance remaining in any escrow account from any prior period shall be released to Dwight Securities Management. To the extent that an incentive fee is not payable for such period, or as a result of such calculation it is determined that has received an aggregate incentive fee in an amount greater than 14% of the Net Cash-on-Cash Return, then Dwight Securities Management shall return such excess amount to the for distribution to the appropriate underlying Limited Partners.

Calculation of Incentive Allocations

The Bridge Fund and the Securities Funds maintain a memorandum loss recovery account for the capital account of each Member (a "Loss Recovery Account"), the opening balance of which will be zero. At each date that an Incentive Allocation is determined, the balance in each Member's Loss Recovery Account is increased by the amount of any net loss and decreased (but not below zero) by the amount of any net profit since the last date on which the calculation of the Incentive Allocation was made (or in the case of the first such calculation for a capital account, since the initial contribution to such capital account). In the event that a withdrawal is made from a capital



account with an unrecovered balance in its Loss Recovery Account, the unrecovered balance in such Loss Recovery Account together with any cumulative net loss for the current fiscal year will be proportionately reduced (based on the balance of such capital account). At the beginning of each calendar year, the balance of each Member's Loss Recovery Account will be reduced by the amount of any net losses allocated to such Loss Recovery Account of each Member. Net profits will be applied to reduce the net loss allocated to a Loss Recovery Account on a first-in first-out basis. Reductions to a Loss Recovery Account made upon a withdrawal from a capital account will be applied to net losses attributable to different calendar years on a pro rata basis.

The Managing Member will not be allocated any Incentive Allocation with respect to a Member's capital account until such account has recovered any net capital depreciation allocated to such Member's Loss Recovery Account.

The Managing Member may waive all or a portion of the Management Fee or Incentive Allocation for Members designated by the Managing Member, including employees of the Managing Member and affiliates, and reserves the right to apply different Incentive Allocation arrangements to Members on an individual basis. The Managing Member may use a portion of the Management Fee or the Incentive Allocation to compensate third parties who assist Members in connection with an investment in the Fund.

Full details of the Incentive Allocation and an explanation of the terms mentioned above is contained in the offering documents of each Funds, which are provided to all investors in each of the Funds prior to investment.

Dwight Securities Management does not represent that the level of the Incentive Allocation is consistent with other private pooled investment vehicle arrangements. The Incentive Allocation may be higher than the fees charged and profits retained by other fund managers for the same or similar services.

Fees, Expenses & Services Generally

Dwight Securities Management does not represent that the amount of the management fees coupled with the Incentive Allocation is consistent with fees charged by other investment advisers under the same or similar circumstances. The fees charged by Dwight Securities Management and its affiliate, Dwight Securities Partners, LLC, may be higher than the fees charged by other investment advisers for the same or similar services.

The Funds and investors in the Funds may incur other fees and expenses in addition to the management fee described above and an Incentive Allocation. Such other fees and expenses are typically incurred in connection with the purchase of investments held by the Funds and include brokerage commissions, ticket transaction charges, custodial fees and other expenses assessed by qualified custodians and broker/dealers utilized by Dwight Securities Management. The Funds may also incur certain other operating and administrative fees and expenses related to normal and customary operating, management, and administrative functions required by the Funds, including but not limited to expenses associated with the continued offering of Funds interests in relevant jurisdictions and filing and other fees related to such offerings, as well as fees and expenses incurred with respect to the periodic review and modification of the Funds' offering and governing documents.

Dwight Securities Management's investment advisory services may be terminated at any time in its entirety in the event that the Managing Member decides to select a different investment manager for either of Funds. In the event services are terminated, Dwight Securities Management will provide a pro-rated refund of fees charged, as applicable, based on the number of days services are provided during the final calendar quarter.

**Separately Managed Account and Sub-Advised Funds Fees & Services**

Management fees and expense arrangements with respect to any SMA and other privately offered pooled investment vehicles that are sub-advised by the Manager are set forth and will be calculated in accordance with such Clients' investment advisory agreement.



As described above in *Item 5 – Fees and Compensation*, Dwight Securities Management's affiliate, Dwight Securities Partners LLC as Managing Member of the Funds charge Members in an Incentive Allocation, which is based upon a share of capital gains or capital appreciation of the Member's capital account.

There are other conflicts of interest associated with performance fees that are not as common under an asset based fee arrangement. The nature of performance fees can encourage unnecessary speculation with client assets in order to earn or increase the amount of the fee. The result of riskier investments can have a positive effect in that results could equal higher returns when compared to an asset based fee account. On the other hand, riskier investments historically have a higher chance of losing value. Also, since in a performance fee arrangement an adviser is compensated based on capital gains or capital appreciation, these arrangements could give an investment adviser an incentive to time transactions in a client's account on the basis of fee considerations rather than on what is in the best interest of the client.

Performance fees can potentially cause an investment adviser to engage in transactions or strategies which will increase the amount of the performance fees, but which may not increase the overall performance of the client's account. For example, an account may lose value during a year and no performance fee will be earned. In the following year, Dwight Securities Partners, LLC may receive a performance fee, albeit reduced, for simply recouping losses from the previous year. Dwight Securities Partners, LLC controls for this potential conflict of interest by using the high-water mark fee calculation method described in the preceding paragraph.

Performance based fee arrangements of Dwight Securities Partners, LLC, such as Incentive Allocation, will comply with Section 205(e) of the Investment Advisers Act of 1940. According to Section 205(e) (see Rule 205-3 thereunder), Dwight Securities Management and Dwight Securities Partners, LLC must look through private investment companies, such as the Funds, to its ultimate client, and only natural individual clients meeting the SEC's definition of "qualified clients" may enter into agreements providing for performance based compensation to Dwight Securities Partners, LLC. A natural person must meet the following conditions to be considered a qualified client:

- Have at least \$1,000,000 invested in the Funds;
- Provide documentation to Dwight Securities Management so that Dwight Securities Management will reasonably believe the limited partner of the Funds has either a net worth of \$2,000,000 or is a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act; or
- An executive officer of Dwight Securities Management or an employee of Dwight Securities Management who, in connection with his or her regular functions or duties, participates in the investment activities of Dwight Securities Management, provided that such employee has been performing such functions and duties for or on behalf of Dwight Securities Management, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

Dwight Securities Management accepts performance-based compensation from SMA clients and other pooled investment vehicles sub-advised by the Manager, which constitute a fee on a share of net profits (including unrealized gains) allocated to such Clients. Performance-based compensation may vary with respect to Clients, which may create an incentive to favor Clients that pay higher performance-based compensation in the allocation of investment opportunities. Performance-based compensation to be received by Dwight Securities Management and the Managing Member, as applicable, will be calculated on the basis of net profits, including unrealized gains that may never materialize.



Dwight Securities Management has established policies and procedures designed to address potential conflicts of interest relating to the side-by-side management of the Funds with any SMA client(s) and other pooled investment vehicles sub-advised by the Manager, including the allocation of investment and trading opportunities, and in circumstances where any Client pays a different management fee and/or performance fee than another. The Manager reviews the portfolio holdings of each Client to determine whether any patterns exist which indicate improper allocation, or whether there is any other indication of impropriety. In addition, the Manager's procedures relating to the allocation of investment opportunities require that Clients participate in investment opportunities pro rata based on each Client's current assets under management (subject to the Client's investment guidelines or restrictions, stage of capital deployment, available cash or other liquidity restraints, or other tax or legal reasons). The Manager's procedures also require fair and equitable treatment in light of the relevant circumstances for the allocation of limited opportunities among Clients.



Dwight Securities Management's clients include the Funds and other clients structured as limited partnerships formed for a limited to a small number of investors or individual investors. Each investor in the Funds and any limited partnerships established as private placements managed by Manager are generally "accredited investors" as defined under the Securities Act of 1933. Investors desiring to own member interests of the Funds must be both an "accredited investor" as defined by the SEC under Regulation D and "qualified client" as defined by SEC under Rule 205-3.

Dwight Securities Management may also provide investment advisory services to clients in separately managed accounts and other privately offered pooled investment vehicles that are sub-advised by the Manager in accordance with the terms set forth in an investment advisory agreement between the Manager and the Client.

Minimum Investment Amounts Required

The minimum investment required for each of the Funds is \$250,000.

The minimum investment required for SMAs and other pooled investment vehicles sub-advised by the Manager is determined by the terms of the investment advisory agreement entered into with the Client.



The Funds' investment programs are speculative and entail substantial risks. There can be no assurance that the investment objective of the Funds will be achieved and investment results may vary substantially over time. In fact, the investment techniques which the Funds may employ from time to time may, in certain circumstances, adversely impact the Funds' investment performance. Accordingly, the Funds' activities may result in substantial losses under certain circumstances.

Investment Objective and Strategy of the Securities Funds

Dwight Securities Management seeks to capture security mispricing in the CUSIPed mortgage markets. These mispricing's may occur for a variety of reasons including limited investor knowledge of the underlying loans as well as misunderstood timing and prepayment vectors. Our ability to value the underlying fundamentals gives us a granular view of prepayment timing and security credit risks. The manager uses a robust model with the components of an underwriter's Sources and Uses template built in to measure loan sizing, credit and refinancability. The manager may use leverage in the form of repurchase agreements or total return swaps in order to amplify performance.

Dwight Securities Management seeks to generate a total return for its investors in the Securities Funds by investing its assets across different mortgage-backed securities markets in the United States. The Manager focuses on capturing price appreciation, interest income and prepayment penalties from mortgage-related opportunities, including public, private United States and non-United States mortgage-backed securities ("MBS") and consumer-receivable-backed securities, including residential mortgage-backed securities ("RMBS"), asset-backed securities ("ABS"), CMBS, commercial mortgage mezzanine loans and participations, collateralized debt obligations, collateralized loan obligations, whole loans and participations, whole loan mortgages, and other similar instruments and investments. The Manager's primary objective is to invest in the interest-only tranches of GNMA real estate mortgage-backed securities ("REMICs") with the goal of capturing prepayment penalties and interest.

Dwight Securities Management may consider a wide variety of factors in purchasing and selling investments, including, without limitation, fundamental analysis of the security, the credit quality of the security and any collateral securing the investment, capital structure, leverage, and underlying asset performance, and the market outlook for the underlying property or security. The Manager also may consider available credit ratings. Although the portfolio managers may consider credit ratings in making investment decisions, they typically perform their own investment analysis and generally do not rely upon the independent credit rating agencies in making investment decisions.

Investment Objective and Strategy of the Bridge Fund

The Fund intends to purchase short-term floating rate commercial mortgage loans from affiliates of the Manager that are engaged in the origination and servicing of mortgages or third party originators or lenders, or may invest in other whole loan derivative or financing transactions involving affiliates of the Manager or third party originators or lenders. In addition, on a short-term basis, prior to investment in a loan or upon a payoff of a loan the Bridge Fund may invest in various mortgage backed securities products in the U.S. The Bridge Fund may also invest in real estate mortgage investment conduits ("REMICs") backed by pools of commercial mortgage loans to unrelated borrowers or a commercial mortgage loan to a single borrower



Methods of Analysis

Dwight Securities Management devotes the majority of its time to the following methods of security analysis:

- Analysis of security structures, and especially with regard to mortgage-backed securities, cash flows across multiple interest rates and credit scenarios;
- Analysis of mortgage prepayment rates, using in-house and third-party analytic tools and databases;
- Analysis of political, economic or social risks;
- Analysis of environmental and consultant reports;
- Use of analytical systems developed and maintained in house; and
- Credit analysis based upon debt payment history, security details, issuer profiles, strength of management, market interest rates, general market conditions, credit metrics and other similar factors.

Risk of Loss

Prospective clients and investors should carefully consider the risks involved in the investment strategies of Dwight Securities Management, including, but not limited to, those discussed below. Prospective clients or investors should consult their own legal, tax and financial advisors as to all of these risks and an investment in the Funds or other account.

Risks Relating to General Investment Strategies of the Manager

Risks of Investments in Securities Generally. All securities investments risk the loss of capital. Accordingly, no assurance can be given that our investment strategy will be successful. Our investment strategy will involve, without limitation, risks associated with limited diversification, leverage, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Funds' or Client's activities. Certain investment techniques can, in certain circumstances, magnify the impact of adverse market moves to which the Clients' investments may be subject. In addition, Clients' investment in securities may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Funds may invest its capital.

The methods of seeking to mitigate such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

General Economic and Market Conditions. The success of a Client's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Client's investments), and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of a Client's investments. Volatility or illiquidity could impair a Client's profitability or result in losses. A Client may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss.

Debt Securities. The Manager expects to invest in private and government debt securities and instruments. Certain of the debt instruments in which the Manager invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments may face significant ongoing



uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. In addition, an economic recession or other events affecting the financial markets could severely disrupt the market for these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Mortgage-Backed Securities Risk. Mortgage-backed securities ("MBS") represent interests in "pools" of mortgages and are subject to credit, interest rate, prepayment and extension risk. MBS can react differently to changes in interest rates than other bonds and the prices of MBS may reflect adverse economic and market conditions. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain MBS. Default or bankruptcy of a counterparty to these transactions would expose a Client to possible loss.

Mortgage and Residential Real Estate Market Risk. Client's investments may be materially affected by conditions in the mortgage and residential real estate markets, the financial markets and the economy generally. Concerns about the mortgage market and real estate market, as well as inflation, energy costs, geopolitical issues and the availability and cost of credit, may contribute to increased volatility and diminished expectations for the economy and financial markets going forward. The mortgage market can be adversely affected by such concerns as well as any tightening of lending standards and general availability of credit and there is no assurance that these conditions have stabilized or that they will not worsen. Any deterioration of the mortgage market may cause Clients to experience losses.

GNMA and other U.S. Government Agency Risks. The Management Company intends to invest in MBS that are protected from the risk of default on the underlying mortgages by guarantees from the U.S. Government (such as securities guaranteed by Government National Mortgage Association ("GNMA"), a U.S. government-owned corporation) or U.S. Government sponsored entities such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"). There is no assurance that such agencies will continue to have adequate capital or that the government will continue to make available additional capital to them, or that the agencies will always honor their guarantees and other obligations. If these agencies fail to honor their guarantees, or if market is concerned about any such potential failure, the value of any Agency MBS assets that a Client holds would decline. While the risk of loss attributable to GNMA guaranteed MBS may be less because GNMA guarantees are currently backed by the U.S. government, the expected returns on GNMA guaranteed MBS are likely to be lower as well. No assurances can be given that the GNMA guaranty program will be continued or will not be changed in a manner that is detrimental to a Client's strategy.

It is not possible to predict the scope and nature of the actions that the U.S. Government will ultimately take with respect to GNMA, Fannie Mae or Freddie Mac. As a result, market uncertainty with respect to the treatment of these agencies, including that which may be created by future legislation or the eventual adoption of laws affecting these agencies, could have the effect of reducing the actual or perceived quality of, and therefore the market value for, the Agency MBS.

Distressed Obligations. The Manager may invest in obligations of issuers in weak financial condition and that may be experiencing considerable capital needs or negative net worth, poor operating results or special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These obligations are likely to be particularly risky investments, although they also may provide the potential for correspondingly high returns. In addition, an inherent risk of investing in distressed 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 materially 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, characterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by materially adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry, or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that prospects for a successful reorganization or similar action will become available or the value of the assets collateralizing a Client's investments will be adequate.

Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying structured finance products will be affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgages when prevailing mortgage rates fall below the interest rates on their mortgage loans. Although ABS and CDOs are generally less likely to experience substantial prepayments than are MBS, certain of the factors that affect the rate of prepayments on MBS also affect the rate of prepayments on ABS and CDOs. However, during any particular period, the predominant factors affecting prepayment rates on ABS, MBS and to a lesser extent CDO, may be different.

The adverse effects of prepayments may impact Client's investments in two ways. First, the market value of a security may lose value or even be wiped out, as in the case of an interest-only security in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that may have constructed for those investments, resulting in a loss to the Client. In particular, prepayments (at par) may limit the potential upside of many structured finance products to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

Extension Risk. During periods of rising interest rates, certain debt obligations may be paid off substantially more slowly than originally anticipated and the value of those securities may fall, resulting in a decline in the Client's income and potentially in the value of a Client's investments.

Leverage and Borrowing Risks. The Manager has the power to direct Client accounts to borrow funds and is expected to do so, including to enhance the Client's returns, and/or to meet withdrawal requests from the Funds that would otherwise result in the premature liquidation of investments. The Manager may direct Client accounts to borrow funds from brokers, banks and other lenders in order to finance trading operations. The use of such leverage can, in certain circumstances, magnify the losses to which a Client's investment portfolio may be subject. Such leverage, which may be substantial, may be achieved through, among other methods, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. The access to capital could be impaired by many factors, including market forces or regulatory changes. If a Client were unable to borrow, it may need to liquidate assets in order to meet its liabilities and may be unable to achieve its investment objective.

The Manager may achieve better margin lending terms from certain of its brokers or other lenders than are generally available to U.S. investors. As a result, the level of margin available to Clients for their investments will generally be limited only by the credit decisions of its brokers and lenders. There can be no assurance, however, that such brokers or lenders will either continue such arrangements or that they will approve extensions of credit to Clients at the levels requested by the Manager. Any restriction on the availability of credit from such parties could materially and adversely affect a Client's performance.



The use of margin and short-term borrowings creates several risks for Clients. If the value of a Client's securities fall below the margin level required by a broker, additional margin deposits would be required. If a Client is unable to satisfy any margin call by a broker, then the broker could liquidate the Client's position in some or all the financial instruments that are in the Client's account at the broker and cause the Client to incur significant losses. The failure to satisfy a margin call, or the occurrence of other material defaults under margin or other financing agreements, may trigger cross-defaults under a Client's agreements with other brokers, lenders, clearing firms or other counterparties, multiplying the adverse impact to the Client. In addition, since the use of leverage allows Clients to control positions worth significantly more than their investment in those positions, the amount that a Client may lose in the event of adverse price movements is high in relation to the amount of its investment.

In the event of a sudden drop in the value of a Client's assets, the Client might not be able to liquidate assets quickly enough to satisfy its margin requirements. In that event, the Client may become subject to claims of financial intermediaries that extended "margin" loans. Such claims could exceed the value of the assets of the Client. The banks and dealers that provide financing to the Client can apply essentially discretionary margin, "haircuts," financing and security and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Manager will be able to secure or maintain adequate financing for its Clients, without which the Management Companies strategy may not continue to be viable.

The purchase of options, futures, forward contracts, repurchase agreements and reverse repurchase agreements generally involves little or no margin deposit and, therefore, can provide substantial leverage. Accordingly, relatively small adverse price movements in these financial instruments may result in immediate and substantial losses to a Client.

Repurchase Agreements and Other Financing Sources. The use of repurchase agreements and other credit facilities is a core component of the Manager's investment strategy. The inability to access funding through these sources could have a material adverse effect on the Manager's ability to achieve its investment objectives for its Clients.

The Manager's ability to purchase and hold assets on behalf of Clients may be substantially affected by the ability to secure repurchase agreements and other credit facilities on acceptable terms. There are no assurances that lenders will be willing or able to provide the Clients with sufficient financing through the repurchase markets or otherwise. In addition, because repurchase agreements are short-term commitments of capital, changes in conditions in the repurchase markets may make it more difficult for the Manager to secure continued financing for its Clients. During certain periods of a credit cycle, lenders may lose their ability or curtail their willingness to provide financing. If the Manager is not able to arrange for replacement financing for a Client on acceptable terms, or if a Client defaults on its covenants or is otherwise unable to access funds under any other financing arrangements available to it, the Manager may have to curtail its Client's investment activities and/or dispose of Client assets.

It is possible that a lender that provides financing could experience changes in its ability to advance funds, independent of the Client accounts performance or the value of its assets. If major market participants exit the business, it could further adversely affect the marketability of the financial assets in which the Manager will invest, and this could negatively affect the value of the Client's assets. Furthermore, if the Manager's lender(s) is unwilling or unable to provide financing to the Manager's Clients, the Manager could be forced to sell assets when prices are depressed. In addition, if the regulatory capital requirements imposed on lenders change, they may be required to significantly increase the cost of the financing that they provide to the Manager's Clients. Lenders also may revise their eligibility requirements for the types of assets they are willing to finance or the terms of such financings, based



on, among other factors, the regulatory environment and their management of perceived risk. Moreover, the amount of financing the Manager's Clients will be able to receive under a repurchase agreement will be directly related to the lender's valuation of the assets that secure the outstanding borrowings. Typically, repurchase agreements grant the lender the right to reevaluate the market value of the assets that secure outstanding borrowings at any time. If a lender determines that the value of the assets has decreased, it has the right to initiate a margin call. A margin call would require the Manager to transfer additional assets of a Client to such lender or to repay a portion of the outstanding borrowings. Any such margin call could have a material adverse effect on the Client's ability to achieve its investment objectives. The Manager may be forced to sell Client assets at significantly depressed prices to meet margin calls and to maintain adequate liquidity, which could cause a Client to incur losses. Moreover, to the extent that the Manager is forced to sell assets because of changes in market conditions, other market participants may face similar pressures, which could exacerbate a difficult market environment and which could result in significantly greater losses to Clients. In an extreme case of market duress, a market may not exist for certain Client's assets at any price.

Non-U.S. Investments. The Manager may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. may not be as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Manager may be unable to structure its Clients transactions to achieve the intended results or to adequately mitigate risks associated with such markets. It may also be difficult to enforce the Clients' rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the U.S. Securities and Exchange Commission ("SEC") or U.S. Commodity Futures Trading Commission ("CFTC") or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Clients under such laws and regulations are generally unavailable for transactions on foreign exchanges and with foreign counterparties.

Market Risk Generally. The profitability of a significant portion of the Manager's investment program for its Clients depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments and the movements of interest rates. There can be no assurance that the Manager will be able to predict accurately these price and interest rate movements.

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. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the Manager's control. Interest rate fluctuations present a variety of risks, including the risk of a narrowing of the difference between asset yields and borrowing rates, flattening or inversion of the yield curve and fluctuating prepayment rates. While the Manager may seek to hedge interest rate exposure for its Clients, there can be no assurances that such hedges will be successful, or that a Client



will be able to enter into or maintain such hedges. As a result, interest rate fluctuations can cause significant losses to the Manager's Clients.

Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of target assets available, which could adversely affect the Manager's ability to meet the Client's investment objectives.

High Portfolio Turnover Risk. The Manager may engage in active and frequent trading of Client's portfolio securities. High portfolio turnover may result in increased transaction costs for Clients, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of the securities and on reinvestment in other securities. The portfolio turnover rate of Clients may vary from year to year, as well as for different periods within any year.

Issuer Risk. Client account performance depends on the performance of individual securities to which an account has exposure. Changes in the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline.

Derivative Instruments Generally. The Manager may enter into swaps transactions and use other derivative instruments in Client accounts. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, risk of non-performance by the counterparty (including risks relating to the financial soundness and creditworthiness of such counterparty), legal risk and operations risk. In addition, the Manager may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which the Manager may have Clients participate is evolving.

If the Manager invests in OTC derivatives on behalf of a client, such OTC derivatives are subject to greater risk of counterparty default and less liquidity than exchange-traded derivatives, although exchange-traded derivatives are subject to risk of failure of the exchange on which they are traded and the clearinghouse through which they are guaranteed. There has in the past been substantial disruption in the derivatives markets related to the insolvency of a number of market participants and emergency rules imposed in a number of jurisdictions. Disruptions and uncertainty can cause substantial losses if transactions are prematurely terminated, especially due to default when payment may be delayed or completely lost.

The prices of derivative instruments, including futures and options prices, can be highly volatile. Price movements of forwards, futures and other derivative contracts in which Client assets may be invested are influenced by, among other matters, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Clients are also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

Liquidity of Futures Contracts. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount



equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within such limit. This could prevent the Manager from promptly liquidating unfavorable positions, which may subject Clients to substantial losses, or from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Trading. Forward contracts and options thereon, 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. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in such 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 forward markets due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities may also limit such forward (and futures) trading to less than that which the Manager would otherwise recommend, to the possible detriment of Clients. Market illiquidity or disruption could result in significant losses to Clients.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option that is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing the entire premium investment in the call option.

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and relinquishes the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing the entire investment in the put option.

Credit Default Swaps. The Manager may enter into credit default swap agreements for Clients for hedging and for investment purposes. A credit default swap agreement may have as reference obligations one or more securities that are not held by the Client’s account. The protection “buyer” in a credit default contract is generally obligated to pay the protection “seller” an upfront or a periodic stream of payments over the term of the contract provided that no credit event, such as a default, on a reference obligation has occurred. If a credit event occurs, the seller generally must pay the buyer the “par value” (full notional value) of the swap in exchange for an equal face amount of deliverable obligations of the reference entity described in the swap, or the seller may be required to deliver the related net cash amount if the swap is cash settled. The Client account may be either the buyer or seller in such transaction. If the Client is a buyer and no credit event occurs, then the Client may recover nothing if the swap is



held through its termination date. As a seller, the Client generally receives an upfront payment or a fixed rate of income throughout the term of the swap, provided that there is no credit event. As the seller, a Client would effectively add leverage to its portfolio because, in addition to its total net assets, the Client would be subject to investment exposure on the notional amount of the swap. Credit default swap agreements involve greater risks than if the Client had invested in the reference obligation directly since, in addition to general market risks, credit default swaps are subject to illiquidity risk, counterparty risk and credit risk.

Other Derivative Instruments. The Manager may enter into swaps transactions and use other derivative instruments in Client accounts in addition to those described herein. The Manager may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objectives of the Client and legally permissible. The specific risks inherent in such investments cannot be determined until these instruments are developed. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of nonperformance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Currency Exchange Exposure. The Manager may invest a portion of its Clients' assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The Manager may or may not seek to hedge the non-U.S. currency exposure of its Clients, by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when the Manager wishes to use them, or that hedging techniques employed by the Manager will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all.

To the extent unhedged, the value of a Client's positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which a Client's account has investments will reduce the effect of any increases and magnify the effect of any decrease in the prices of the Client's securities in their local markets and may result in a loss to the Client. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on a Client's non-U.S. dollar investments.

Furthermore, a Client may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency at one rate, while offering a lesser rate of exchange should the Manager desire immediately to resell that currency to the dealer. The Manager intends to conduct currency exchange transactions, if any, either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward, futures or commodity options contracts to purchase or sell non-U.S. currencies.

Systemic Risk. Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution would result in a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Manager will interact on a daily basis.



Volatility Risk. The Manager's investment program may involve the purchase and sale of derivatives for Clients accounts. Derivatives are frequently valued based on implied volatilities compared to the historical volatility of their underlying securities. Fluctuations or prolonged changes in the volatility of the underlying securities, therefore, can adversely affect the value of derivative positions held by a Client.

Short Selling. A Client's investment portfolio may include short positions. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling permits the investor to profit from a decline in the price of a particular security to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities. 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 Client of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Hedging Transactions. The Funds may utilize a variety of financial instruments, such as short sales, options, swaps, caps and floors, and futures and forward contracts and similar derivatives, both for investment purposes and for risk management purposes. While the Funds may enter into hedging transactions in order to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk (including unidentified or unanticipated risks), thereby causing the Funds to incur losses. In addition, such hedging transactions may result in an inferior overall performance for the Funds than if it had not engaged in any such hedging transactions. Moreover, it should be noted that: (i) the Manager may determine not to hedge against, or may not anticipate certain risks; and (ii) the portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk.

Limited Diversification. A Client's portfolio may at times be significantly concentrated, and such concentration of risk may increase the losses suffered by the Client. In addition, a Client's investment strategy may be limited to a limited number of types of financial instruments. This limited diversity could expose a Client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those selected financial instruments.

Liquidity Risks. Liquidity may be an essential component of a Client's portfolio. Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the Client's positions may be reduced. During such times, the Manager may be unable to dispose of certain assets of a Client, which would adversely affect the Manager's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force the Manager to dispose of Client assets at reduced prices, thereby adversely affecting the performance of the Client. If there are other market participants seeking to dispose of similar assets at the same time, the Manager may be unable to sell such assets or prevent Client losses relating to such assets. Furthermore, if Client account incurs substantial losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, counterparties may incur losses of their own, thereby weakening their financial condition and increasing a Client's credit risk exposure to them.

Counterparty Risks. The Manager may enter into many transactions, including derivatives and over-the-counter transactions, with or through third parties in which the failure of the third-party to perform its obligations under a contract with could have a material adverse effect on a Client's account.



A Client's assets may be held in accounts maintained on behalf of the Client by one or more custodians and/or brokers. Such brokers or custodians, including brokerage firms or commercial banks, are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. The practical effect of these laws and their application are, however, subject to substantial limitations and uncertainties. Because of the differences in laws and policies among different jurisdictions and different types of organizations and the range of possible factual scenarios involving the insolvency of a broker or custodian or any of their sub-custodians, agents or affiliates, it is impossible to generalize about the effect of their insolvency on Clients and their assets. Investors should assume that the insolvency of any broker, custodian or other service provider could result in the loss of all or a substantial portion of the Client assets held by or through such entity.

Position Limits. "Position limits" imposed by various regulators may limit the ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Manager does not intend to exceed applicable position limits, it is possible that different accounts managed by Dwight Securities Management or its affiliates may be aggregated. If at any time positions managed by the Dwight Securities Management were to exceed applicable position limits, we would be required to liquidate positions, which may include Clients' positions, to the extent necessary to come within those limits. Furthermore, to avoid exceeding the position limits, Clients might have to forego or modify certain of its contemplated trades.

Execution of Orders. The Manager's trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, systems failures or human error attributable to the Manager, its brokers, agents or other service providers. In such event, the Manager might only be able to acquire some, but not all, of the components of a desired position, or if the overall position were to need adjustment, the Manager might not be able to make such adjustment. As a result, Clients may not be able to achieve the market position selected by the Manager, and may incur a loss in liquidating its position.

Competition: Availability of Investments. Certain markets in which the Manager may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Manager will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles and other investors may reduce the availability of investment opportunities. Risks Specific to the Investment Strategy of the Securities Funds

Asset-Backed Securities ("ABS"), Collateralized Debt Obligations ("CDO") and Mortgage-Backed Securities ("MBS"). The investment characteristics of ABS, CDO and MBS (including Commercial Mortgage Backed Securities (CMBS)) and other structured finance products differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually semi-annually, quarterly or monthly, and that principal may be prepaid at any time because the underlying mortgage loans or other assets generally may be prepaid at any time. The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments.

Structured finance products are subject to credit, liquidity, market value, interest rate, operational, structural, legal and certain other risks. Structured finance products are generally privately placed and offer less liquidity than other investment grade or non-investment grade corporate debt. These products are also generally issued in structured transactions with risks different from regular corporate debt. In addition, concentrations of structured finance products of a particular type, as well as concentrations of structured finance products issued or guaranteed by



affiliated obligors, serviced by the same servicer or backed by similar underlying collateral, may subject Clients to additional risk. A portion of a Client's portfolio may consist of structured finance products that are subordinate in right of payment and rank junior to other securities that are secured by, or represent an ownership interest in, the same pool of assets. In addition, certain transactions have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities can have a higher risk of loss as a result of delinquencies or losses on the underlying assets. In certain circumstances, payments of interest may be reduced or eliminated for one or more payment dates.

Risks Specific to the Strategy of the Bridge Fund

General Credit Risk. If an underlying asset of the collateralized securities or any other type of credit investment in the Bridge Fund's portfolio declines in price or fails to pay interest or principal when due because the issuer or debtor, as the case may be, experiences a decline in its financial status, then the Bridge Fund's performance may be adversely impacted. Non-payment would result in a reduction of the Bridge Fund's income, a reduction in the value of the applicable security or other credit investment experiencing non-payment and, potentially, a decrease in the value of the Bridge Fund's portfolio. With respect to investments in collateralized securities and credit investments that are secured, there can be no assurance liquidation of collateral would satisfy the issuer's obligation in the event of non-payment of a scheduled dividend, interest or principal or such collateral could be readily liquidated. In the event of bankruptcy of an issuer of a security, the Bridge Fund could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing a collateralized security or credit investment. To the extent the credit rating assigned to a security in the Bridge Fund's portfolio is downgraded, the market price and liquidity of such security may be adversely affected, and the Bridge Fund's performance and the value of its portfolio may be adversely affected.

Risks Relating to the Fund and the Manager

Dependence Upon the Manager. Clients and investors have no authority to make decisions or to exercise investment discretion on behalf accounts we manage. Success depends on the management of Dwight Securities Management and on the skill and acumen of Zachary Halpern, who is the Chief Investment Officer of the Manager. If Mr. Halpern or other key personnel of Dwight Securities Management were to depart or withdraw or otherwise become unavailable or cease to participate in the Manager's business, then the Manager's ability to pursue its investment strategy for its Clients could be severely impaired. Additionally, subjective decisions made by the Manager may cause the Clients to incur losses or to miss profit opportunities upon which they would otherwise have capitalized.

Incentive Allocation. Incentive allocations or performance based fees may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of an incentive allocation. In addition, because the Funds incentive allocation is calculated on a basis that includes unrealized appreciation of the Funds' assets, it may be greater than if it were based solely on realized gains.

Business and Regulatory Risks of Hedge Funds. Legal, tax and regulatory changes could occur during the term of the Funds that may adversely affect the Funds. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Funds and the ability of the Funds to obtain the leverage it might otherwise obtain or to pursue its trading strategies. The Securities and Exchange Commission and other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives



transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Funds, the Managing Member or the Dwight Securities Management could be substantial and adverse.

Systems Risks. The Funds depends on the Dwight Securities Management to develop and implement appropriate systems for the Funds' activities. The Manager relies extensively on computer programs and systems to trade, clear and settle securities transactions, to evaluate certain securities based on real-time trading information, to monitor its portfolio and to generate risk management and other reports. Furthermore, certain of the operations of the Funds and the Manager interface with or depend on systems operated by third parties, including its prime broker(s) and market counterparties and their sub-custodians and other service providers, and the Funds or Manager may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Any such defect or failure could have a material adverse effect on the Funds. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the Funds' ability to monitor its investment portfolio and its risks.

Potential Conflicts of Interest-Manager. The Funds will be subject to a number of actual and potential conflicts of interest involving the Manager and its affiliates. Dwight Securities Management manages other client accounts, some of which have objectives similar to those of the Funds, including other collective investment vehicles which may be managed by the Manager and/or any of its affiliates and in which the Manager and/or any of its affiliates may have an equity interest.

The Investment Management Agreement between the Funds and the Manager requires that the Manager act in a manner that it considers fair, reasonable and equitable over time in allocating investment opportunities to the Funds, but does not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Funds or any restrictions on the nature or timing of investments for the account of the Funds and for the Manager's own account or for other accounts that the Manager or its affiliates may manage. The Manager is not obligated to devote any specific amount of time to the affairs of the Funds and is not required to accord exclusivity or priority to the Funds in the event of limited investment opportunities arising from the application of speculative position limits or other factors.

In the event that the Manager would, at any time in the future, determine that it is appropriate for the Funds and one or more other investment accounts to participate in an investment opportunity, the Manager will then seek to execute orders for all of the participating investment accounts on an equitable basis over time. If the Manager will determine to invest at the same time for more than one of the investment accounts, then the Manager may place combined orders for all such accounts simultaneously, and if all such orders are not filled at the same price, it may generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, then the Manager may seek to allocate the trade among the different accounts on a basis that it considers equitable over time. Situations may occur in the future, however, where the Funds could be disadvantaged because of the investment activities conducted by the Manager for other investment accounts. Furthermore, the Manager, or certain principals and employees of the Manager, may have a greater financial interest in the performance of such other funds or accounts than the performance of the Funds. Such involvement may create conflicts of interest in making investments on behalf of the Funds and such other funds and accounts. There can be no assurance that serving in such positions will have no impact on the person's ability to perform his responsibilities on behalf of the Funds.



The Manager also may be subject to conflicts relating to its selection of brokers on behalf of the Funds. Portfolio transactions for the Funds will be allocated to brokers on the basis of best execution and in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility and the provision or payment by the broker of the costs of research and brokerage products or services. These brokers may, however, provide other services that are beneficial to the Manager, but not necessarily beneficial to the Funds, including, without limitation, capital introduction, marketing assistance, consulting with respect to technology, operations, equipment, and other services or items. Such services and items may influence the Manager's selection of brokers.

Affiliates of the Manager maintain other business lines. In particular, affiliates of the Manager are engaged in the business of loan origination and servicing. The existence of such other business lines may subject the Manager to certain conflicts of interest including, without limitation, in causing the Funds to retain brokers or other service providers who may have other relationships with affiliates of the Manager and the potential receipt of material non-public information as a result of the Manager's relationship with such affiliates.

The Funds' broker(s) and its administrator may from time to time act as investment manager, manager, custodian, registrar, broker, administrator, investment advisor, distributor or dealer in relation to, or be otherwise involved in, other funds established by parties other than the Funds which have similar objectives to those of, or invest in similar securities to those held by, the Funds. It is, therefore, possible that any of them or their respective principals, shareholders, members, directors, officers, agents or employees may, in the ordinary course of business, have potential conflicts of interest with the Funds. In addition, subject to applicable law, any of the foregoing may deal, as principal or agent, with the Funds, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. The officers and employees of the Administrator are or may be involved in other business activities and are not required to devote any specific amount of time to managing the Funds.

The Manager may select one or more persons, who will not be affiliated with the Manager, to serve on a committee, the purpose of which will be to consider and, on behalf of the Members, approve or disapprove, to the extent required by applicable law, principal transactions and certain other related party transactions.

The Funds may from time to time enter into agreements with certain investors which provide for terms of investment that are more favorable to such investors than the terms generally available to investors or create additional series of interests in the Funds that have preferential rights. Such preferential terms may include: (i) the waiver or reduction of the fees; (ii) preferential transfer rights, reduced lock-up periods, waiver of withdrawal fees and reduced withdrawal holdback periods for withdrawal proceeds; (iii) the commitment to permit future investments in the Funds by such investors when the Funds are otherwise closed to new or additional investments; and (iv) undertakings designed to protect an investor from violating an applicable statute or administrative regulation.

"Soft dollar" arrangements may be entered into with respect to the Funds. In connection therewith, the Funds may pay any broker which provides brokerage or research products, services or benefits a commission for executing a transaction for the Funds which is in excess of the amount of commission another broker would have charged for effecting that transaction. This creates a conflict of interest between the duties of the Manager to the Funds and its desire to receive or direct these "soft dollar" benefits.

The Manager may effect "cross trades" (i.e., a transaction or proposed transaction between the Funds and any person or entity for which the Manager acts as discretionary investment manager). Cross trades may be effected directly between clients or through open market transactions. Effecting cross trades may increase brokerage



commissions and may result in the Funds holding less of a profitable financial instrument, or more of an unprofitable financial instrument, than would be the case if there were no cross trades.

Other present and future activities of the Manager and its affiliates (including the formation of additional investment funds) may give rise to additional conflicts of interest. While none of the Manager or its officers, employees or affiliates is obligated to resolve any conflicts in favor of the Funds, the Manager will endeavor to ensure that any conflict of interest is resolved fairly.

Lack of Separate Representation. Neither the LLC Agreements, the Investment Management Agreement between the Funds and the Manager, nor any other agreements, contracts and arrangement between the Funds, on the one hand, and Managing Member or the Manager, on the other hand, was or will be the result of arm's-length negotiations. The attorneys, accountants and others who have performed services for the Funds in connection with this offering, and who will perform services for the Funds in the future, have been and will be selected by the Managing Member. No independent counsel has been retained to represent the interests of the Members, and none of the LLC Agreement, the Investment Management Agreement or any of the subscription documents have been reviewed by any attorney on behalf of such Members. Investors are therefore urged to consult their own counsel as to the terms and provisions of the LLC Agreement, the Investment Management Agreement and all subscription and other related documents.

Absence of Registration. The Funds have not and will not register under the Investment Company Act of 1940, as amended (the "1940 Act"). Accordingly, the provisions of the 1940 Act which, among other things, require that a fund's board of directors, including a majority of disinterested directors, approve certain of the fund's activities and contractual relationships, prohibit certain trading and investment activities, and prohibit the fund from engaging in certain transactions with its affiliates, will not be applicable. With respect to Funds investments in financial or other futures contracts, neither the Managing Member nor the Manager is registered as a commodity pool operator or commodity trading advisor with the National Futures Association in reliance on an exemption from registration under Regulation 4.13(a)(3) of the Commodity Futures Trading Commission. Accordingly, the provisions of the Commodity Exchange Act and the regulations promulgated thereunder with respect to registered persons will not be applicable to the Managing Member or Manager. Neither the Managing Member nor the Manager is currently registered as an investment adviser with the Securities and Exchange Commission or any state, although the Manager currently intends to register as such. Accordingly, the provisions of the Investment Advisers Act of 1940 (or any similar state law) and the regulations promulgated thereunder with respect to registered persons will not be applicable to the Managing Member or the Manager.

Effects of Substantial Withdrawals. Substantial withdrawals may affect the value of a Member's investment. Such withdrawals may require the Manager to liquidate the Funds' securities or other financial instruments rapidly, which may adversely affect the value of that Fund's assets. In addition, that Fund's assets may be substantially reduced, which may make it more difficult for that Fund to generate investment profits or recoup losses, and may even cause the Fund to liquidate positions prematurely.

Limited Liquidity. An investment in the Funds provides limited liquidity since the interests in the Funds are not freely transferable, and the withdrawal rights of Members are restricted. Members may generally make cash withdrawals from their capital accounts with the Funds attributable to a capital contribution subject to a "lock-up period," as applicable. Please see the Funds' offering documents for more information regarding restrictions and associated fees.

Valuation of the Fund's Assets and Liabilities. The Managing Member of the Funds or its designee calculates the assets and liabilities of the Funds in accordance with the Limited Liability Company Agreement of the Master Fund



and Bridge Fund (the “LLC Agreements”) and the Investment Management Agreement of the DBDK Fund. If the Managing Member or its designee determines that the market price does not fairly represent the value of an asset or liability, or that third-party market valuations are unavailable to value an asset or liability, the Managing Member will value such investment as it, in its sole discretion, reasonably determines. There is no guarantee that the value determined by the Managing Member will represent the value that will be realized by the Funds on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment.

Reliance on Valuation Information from Employees and Third Parties. In order to value the assets and liabilities of a Client, the Managing Member or its designee may rely on information provided by employees of the Managing Member or its affiliates or outside parties, and such persons may provide inaccurate, incomplete, not current or otherwise unreliable information. In the case of employees of the Manager who receive compensation based on the performance of certain investments, such employees may be motivated to provide incorrect valuation information in order to receive increased compensation. We may be unable to detect every error contained in the valuation information. To the extent the information received by the Funds is inaccurate or unreliable, the valuation of the Funds’ assets and liabilities may be inaccurate.

Tax Considerations. There are certain tax risks related to an investment in the Funds. No assurance can be given that the income tax laws or the present interpretation thereof will not be changed or applied retroactively or that the Internal Revenue Service will agree with the positions taken on the federal income tax returns of the Funds. Accordingly, prospective investors should obtain professional guidance from their personal tax advisors in evaluating the tax risks involved in investing in the Funds and should take into account the cost of obtaining such advice in evaluating this investment.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Prospective investors should read the entire LLC Agreements and subscription documents and the exhibits and schedules thereto and consult with their own advisers before deciding whether to invest in the Funds.



Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.



Dwight Securities Management does *not* have a related person that is another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a sponsor or syndicator of limited partnerships, or a broker-dealer.

Two of the owners of Dwight Securities Management also own a majority of Dwight Capital, an FHA/HUD and CMBS lender focusing upon the origination and service of multifamily and healthcare mortgages. In addition, Dwight Capital offers bridge loans and preferred equity/mezzanine loans. Dwight Securities Management may purchase loans or components of loans through REMIC purchases from third-parties which were originated by Dwight Capital.

Additionally, two of the owners of Dwight Securities Management also own a portion of Dwight Funding, a New York based commercial finance company specializing in providing working capital solutions to small and mid-sized businesses. Dwight Funding offers to business owners asset based loans, receivable funding, and other potential financial solutions. There are no common operations among Dwight Funding and Dwight Securities Management.

Please refer to *Items 4, 5 and 6* regarding our involvement with the Funds and our owners as the managing members of the Funds and the associated conflicts of interest.

Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Dwight Securities Management has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as "supervised persons." All employees, officers, directors and investment adviser representatives are classified as supervised persons. Dwight Securities Management requires its supervised persons to consistently act in your best interest in all advisory activities. Dwight Securities Management imposes certain requirements on its affiliates and supervised persons to ensure that they meet the Manager's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of Dwight Securities Management. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

Participation in Client Transactions

Potential conflicts could arise related to matters involving the commercial lending and loan origination business of the affiliates of Dwight Securities Management. The Manager may recommend to clients or engage in transactions in which the Manager or its affiliates act as a principal, such as participating in lending opportunities with affiliates, or acquiring loans originated by the Manager's affiliates and/or securities issued by trusts or other pooling vehicles which acquire loans originated by affiliates. The Manager has established policies and procedures designed to address these conflicts of interest. Dwight Securities Management will not enter into principal transactions without making appropriate disclosures to the client and obtaining the appropriate consent.

Affiliate and Employee Personal Securities Transactions Disclosure

Dwight Securities Management or associated persons of the Manager may not buy or sell for their personal accounts, investment products identical to those recommended to Clients. It is the express policy of Dwight Securities Management that all persons associated in any manner with the Manager must place clients' interests ahead of their own when implementing personal investments. Dwight Securities Management and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with the Manager unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based

on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.

- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an “insider.”
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted by the Chief Compliance Officer of Dwight Securities Management.

Any associated person not observing our policies is subject to sanctions up to and including termination.



Dwight Securities Management has a duty to select broker/dealers based on the best interest of its clients. In this regard, the primary factor in selecting a broker/dealer is that the services of the broker/dealer are provided in a cost-effective manner. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments);
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services);
- Financial strength, stability and responsibility;
- Reputation and integrity; and
- Ability to maintain confidentiality.

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered.

Brokerage Recommendations

With respect to the Securities Funds, Cantor Fitzgerald serves as the clearing broker and qualified custodian. Dwight Securities Management is independently owned and operated and not affiliated with Cantor Fitzgerald.

Directed Brokerage

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, Dwight Securities Management may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, Dwight Securities Management has decided to require our clients to use broker/dealers and other qualified custodians determined by Dwight Securities Management.

Soft Dollar Benefits

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer.

Dwight Securities Management does not have a soft dollar agreement with a broker-dealer or a third-party.

Handling Trade Errors

Dwight Securities Management has implemented procedures designed to prevent trade errors, however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Dwight Securities Management to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result



of the error correction. In all situations where the client does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by Dwight Securities Management if the error is caused by Dwight Securities Management. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. Dwight Securities Management may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

Dwight Securities Management will ensure no client is disadvantaged as the result of a trade error.

Block Trading Policy and Agency Cross Transactions

Dwight Securities Management recognizes its duty to treat all Clients fairly and equitably. If the Manager determines to buy or sell the same security on behalf of more than one Client account, it may, but shall be under no obligation to, aggregate (to the extent permitted by applicable law and regulations) the securities to be purchased or sold in order to seek more favorable prices, lower brokerage commissions or more efficient execution. In such case, the Manager will place an aggregate order with the broker on behalf of all such accounts and confirm that accounts are treated fairly. Trading shall be reviewed periodically to confirm that accounts are not systematically disadvantaged.

Dwight Securities Management does not engage agency cross transactions.

**Account Reviews and Reviewers**

Managed accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by the CCO or his designee, with reviews performed in accordance with your investment goals and objectives.

Statements and Reports

Private funds under our management receive account statements directly from the qualified custodians holding the clients' portfolio accounts or its third-party administrator. In addition, Dwight Securities Management may prepare and distribute reports detailing the prior performance of a private fund. Please refer to *Item 15 – Custody* of this Disclosure Brochure for a description of the reports provided to each of the Funds' investors.



Under certain circumstances, Dwight Securities Management will compensate Old City Securities LLC ("Old City"), a registered broker-dealer, for client or investor referrals. This arrangement is pursuant to a written agreement, in compliance with Rule 206(4)-3, as applicable. The compensation provided to Old City in no way increases the management fee or incentive allocation paid to Dwight Securities Management by the Funds or any other Client. Dwight Securities Management does not directly or indirectly compensate any other person for client or investor referrals.

The only compensation received by Dwight Securities Management from advisory services is the fees charged for providing investment advisory services as described in *Items 5 & 6* of this Disclosure Brochure. Dwight Securities Management receives no other forms of compensation in connection with providing investment advice.

Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.



Dwight Securities Partners LLC serves as the Managing Member of the Master Fund and the Bridge Fund, and, since Dwight Securities Partners LLC is owned and controlled by the same individuals owning and controlling Dwight Securities Management, Dwight Securities Management is considered to have access to the Funds assets and holdings. As a result, the Funds' accounts are maintained at all times with qualified custodian(s) such as a: (1) a state or nationally chartered bank; (2) registered broker/dealer; or (3) other financial institution that provides qualified custodian services and meets requirements for serving as a qualified custodian under federal and state securities laws. Account statements are delivered directly from the qualified broker-dealer, bank or other qualified custodian to each limited liability company members, or the limited liability company's member's independent representative, at least quarterly. Limited liability company members should carefully review those statements and are urged to compare the statements against reports received from Dwight Securities Management. When limited liability company members have questions about their statements, they should contact Dwight Securities Management or the broker-dealer, bank or other qualified custodian preparing the statement.

The Funds provide all limited liability company members of the Funds with notice of the qualified custodian that is holding the Funds' accounts. Additionally, the Funds will engage a public accounting firm to audit the private fund or limited partnership at least annually and audited financial statements (prepared in accordance with generally accounting principles) are distributed to all limited partners within 120 days after the end of the private fund or limited partnership's fiscal year (December 31).

Dwight Securities Management does not maintain custody over the assets of any of its SMA clients or of other privately offered pooled investment vehicles that are sub-advised by the Manager.



Dwight Securities Management has discretionary authority to manage securities accounts owned by our Clients. Dwight Securities Management has the authority to determine the type of securities and the amount of securities that can be bought or sold for each Clients portfolio. This means Dwight Securities Management can buy and sell investments without prior consultation or approval from its Clients.

In addition, Dwight Securities Management has discretionary authority to select brokers, dealers, banks, financial institutions, counterparties, custodians and other intermediaries by or through whom any transactions will be executed or carried out from time to time and open, maintain and close accounts with such entities. As part of this responsibility, Dwight Securities Management has the ability to negotiate certain expenses imposed by such financial institutions.



Dwight Securities Management is responsible for voting securities for our clients. When Dwight Securities Management votes proxies, the objective is to maximize the value of the securities held in the client's portfolio. Dwight Securities Management has adopted Proxy Voting Policies and Procedures ("Proxy Voting Policies"). The Proxy Voting Policies provide that all proxy voting decisions must be based on Dwight Securities Management's determination of the best interests of the client. In determining whether a proposal serves the best interests of the client, Dwight Securities Management considers a number of factors, including: the proposal's economic effect on shareholder value; the threat that the proposal poses to existing rights of shareholders; the dilution of existing shares that would result from the proposal; the effect of the proposal on management or director accountability to shareholders; and if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual. Dwight Securities Management may abstain from voting proxies when it believes that it is appropriate to do so. If a material conflict of interest over proxy voting arises between Dwight Securities Management and the client, Dwight Securities Management votes all proxies in accordance with the policy described above, and discloses the conflict to client investors. Investors in the Funds and other limited partnerships can obtain a copy of the Dwight Securities Management's Proxy Voting Policies and a record of votes cast by requesting from the Dwight Securities Management.



This *Item 18* is not applicable to this Disclosure Brochure. Dwight Securities Management does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Dwight Securities Management has not been the subject of a bankruptcy petition at any time.