

Item 1. Cover Page

Congruent Investment Partners, LLC

Form ADV – Part 2A: Firm Brochure

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March 2013

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This Brochure provides information about the qualifications and business practices of Congruent Investment Partners, LLC. If you have any questions about the contents of this Brochure, please contact us at (214) 760-7411. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

A copy of this Brochure and additional information about Congruent are also available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

There have been no material changes since our last filing.

IMPORTANT NOTE ABOUT THIS BROCHURE

This Brochure is not:

- **an offer or agreement to provide advisory services to any person**
- **an offer to sell interests (or a solicitation of an offer to purchase interests) in any Fund (as defined in Item 4, below)**
- **a complete discussion of the features, risks or conflicts associated with any Fund or Advisory Service**
- **to be relied on in determining whether to invest or establish an advisory relationship**

As required by the Investment Advisers Act of 1940, as amended (the “Advisers Act”), Congruent Investment Partners, LLC (“Congruent”) provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a Fund, together with other relevant offering materials (such as subscription agreements, offering memoranda, operating agreements or advisory contracts), prior to, or in connection with, such persons’ establishment or consideration of an investment advisory relationship with Congruent or an investment in a Fund. Additionally, this Brochure is available through the Securities and Exchange Commission’s (“SEC”) Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and Funds managed by Congruent, persons who receive this Brochure (whether or not from Congruent) should be aware that it is designed solely to provide information about Congruent as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant offering materials. In addition, more complete information about each Fund, as well as Congruent’s investment advisory services, is included in relevant offering materials, certain of which may be provided to current and eligible prospective clients or investors only by Congruent or an administrator or placement agent. To the extent that there is any conflict between discussions herein and similar or related discussions in any offering materials, the relevant offering materials shall govern and control.

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Item 4. Advisory Business

Congruent Investment Partners, LLC (“Congruent” or “we”), a Delaware limited liability company, is an alternative asset management firm. Congruent was founded in March 2009 by Preston L. Massey and Travis P. Baldwin, the sole principal owners of the firm.

Congruent provides advisory services to private investment funds (the “Funds”) and separately managed accounts (together with the Funds, the “Clients” or the “Accounts”). The governing documents for each Client outline the investment mandate of the Account in addition to any restrictions placed on the investment activities of the Account. These restrictions may include limitations on the types of investments that may be made, limitations on the use of leverage, concentration limits to certain companies, industries, or asset types, as well as the amounts and types of expenses that may be paid by the Account, among other restrictions.

Certain of Congruent’s affiliates serve as general partners or special limited partners to the Accounts and are allocated performance-based fees.

In addition to providing investment advisory services to its Clients, Congruent may establish co-investment vehicles (a “Co-Investment Vehicle”) at any time. A Co-Investment Vehicle is an investment entity formed specifically for the purpose of investing alongside one or more of Congruent’s Accounts, but only after the Accounts have received their allocation, if any, as determined by Congruent’s allocation policy.

Congruent has full discretion with regard to investment decisions made on behalf of the Funds and partial-discretion with regard to certain other Clients.

As of December 31, 2012, Congruent manages \$233,229,643 of assets on a discretionary basis and \$13,321,189 of assets on a non-discretionary basis.

Item 5. Fees and Compensation

Congruent and/or its affiliates primarily receive compensation in the form of management fees, which are typically calculated as a percentage of assets under management, and performance-based fees (collectively, “Fees”).

Fund Clients:

Congruent receives management fees based on a percentage of Fund assets under management, paid quarterly in advance, calculated at an annual rate (typically 1.50%) of capital commitments or equity capital invested adjusted downward for equity distributions and other than temporary credit impairments. If an advisory contract is terminated before the end of the billing period, the client account will be credited on a proportionate basis dependent on the amount of time the advisory contract was in effect for the period.

In addition to management fees, Congruent, or our affiliates, is entitled to receive performance-based fees (“Carried Interest”) from our Fund clients. The performance fee is calculated after the cumulative distributions from the respective Fund to its investors equal the aggregate capital contributions made by the investors to the Fund plus a per annum internal rate of return, compounded annually, on the aggregate capital contributions for the period the capital contributions were outstanding (the “Preferred Return”). The Carried Interest amount is generally limited to 20% of the Fund’s net profits over its life. Congruent has discretion to charge a Carried Interest amount less than 20% for certain investors in its Funds.

After the final liquidation of the assets of a Fund, if the total Carried Interest payments made by the Fund exceed the Carried Interest percentage defined in the Fund’s governing documents, the excess Carried Interest will be returned to the Fund, net of any taxes paid or payable on the excess amount. Additionally, to the extent Carried Interest payments were made by the Fund and there are unpaid Preferred Returns, Carried Interest payments will be returned to the Fund, net of taxes paid or payable on the excess amount, to reduce any unpaid Preferred Return amounts in the Fund.

In addition to management fees, certain Funds also bear some costs and expenses related to asset management services, which is based on a percentage of assets under management, paid quarterly in advance, calculated at an annual rate (typically 0.10%) of capital commitments or equity capital invested adjusted downward for equity distributions and other than temporary credit impairments.

Congruent or the appropriate general partner to such Fund may, from time to time, by virtue of a side letter agreement, provide to certain investors, but not all investors, terms of investment that are more favorable than the terms outlined in the respective Fund offering documents. Such

terms may include a reduction or waiver of some or all of the Fees, additional reports or information, or more favorable transfer rights, among other terms.

Separately Managed Account Clients:

Congruent typically earns management fees and performance-based fees from its separately managed account clients. The management fees and the performance-based fees for separately managed account clients are negotiated on an individual basis.

Additional Fees or Expenses

Clients may incur expenses related to the purchase, holding and disposition of investments made on their behalf, including but not limited to, brokerage commissions, acquisition fees, agent fees, and other fees related to the purchase, holding, servicing, administration or disposition of assets; due diligence expenses (including, without limitation, investment-related travel expenses and expenses of consultants and experts' fees relating to particular portfolio assets), broken deal expenses, agent, custodian, servicer, administrator, and trustee fees, expenses and indemnities, portfolio asset or collateral protection advances or expenses, clearing and settlement charges, fees and expenses of any nature relating to a workout or exercising rights and remedies with respect to Client assets; legal and accounting expenses, including both internal and external and the Client's portion of any fees, costs, expenses and indemnities associated with forming and participating in any joint venture, subsidiary or other vehicle through which the Client holds an indirect investment; professional fees (including, without limitation, fees and expenses of administrators, servicers, custodians, attorneys, accountants, consultants, valuation firms and experts) incurred by the Client or by Congruent on behalf of the Client; fees and expenses related to financial and tax reporting and otherwise providing information to Clients; independent valuation and pricing services; insurance and indemnity expenses including without limitation, expenses related to errors and omissions insurance, and to lender liability insurance; and other customary or extraordinary expenses or other amounts related to the Client and its activities or incurred by Congruent on behalf of the Client. Please refer to Item 12 of this brochure for further disclosures related to brokerage practices.

Clients may participate as a lender in all or portions of new credit facilities to middle market companies. Congruent or an affiliate may arrange the origination of such new credit facilities, may syndicate new credit facilities to Clients and/or third parties, and may act as agent for such new credit facilities. Congruent or an affiliate may receive compensation from borrowers for services performed by Congruent or an affiliate related to such credit facilities.

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

Congruent may earn performance-based fees in all Accounts which we manage (*see Item 5 for more detail on the performance fee calculation*). We recognize that potential or perceived conflicts of interest can arise from advising Clients with different fee structures, most notably between Accounts with different performance-based fee calculations. To address these conflicts, Congruent has developed a policy based on several factors in order to allocate trades among Accounts. Please refer to the “Allocation of Investments” section in Item 12 for further information regarding Congruent’s allocation policy. Additionally, Congruent’s Code of Ethics (the “Code”), described in Item 10, below, requires that Congruent personnel act in accordance with the firm’s fiduciary duty to Clients. Among the particular conflicts of interest that may be associated with side-by-side management of Accounts in which Congruent or its personnel have differing compensatory or other pecuniary interests are:

- *Congruent has an incentive to allocate investment opportunities based on its interests.* From time to time, Congruent may select investment opportunities that are insufficient to satisfy all eligible accounts and will face a conflict of interest when considering how to allocate these limited investment opportunities among accounts having different fee structures or pecuniary interests. Through its allocation policy, the Code and other policies and procedures, Congruent seeks to promote fair and equitable treatment of accounts, over time, based on considerations that are unrelated to pecuniary interests.
- *Congruent has an incentive to take on more risk in accounts when compensation is based on performance.* The receipt of performance-based compensation creates an incentive to make riskier investments than might be made in the absence of performance-based compensation, as such compensation generally allows participation in gains without equal exposure to losses. Congruent seeks to mitigate this conflict by monitoring the risk profile of Accounts.
- *When compensation is based on the value or performance of investments, Congruent has an incentive to value a position at a price higher than it might otherwise be valued or to accelerate or defer realizations.* Performance allocations are based on increases in the net assets of an Account, and may include unrealized appreciation as well as realized appreciation. This means that Congruent may be compensated on performance that is ultimately not realized if positions decrease in value and are subsequently sold at a loss. The potential for inflated valuation of positions is increased when such positions are illiquid or otherwise lack a readily ascertainable market value. Congruent seeks to mitigate this conflict through its written valuation policies and procedures as well as through the use of market prices, where available, and may use a third party valuation firm, where appropriate.

Item 7. Types of Clients

As described in Item 4, Congruent's Clients are private investment funds and separately managed accounts. The minimum investment is generally \$1,500,000 to \$2,000,000 for investors in our Funds, but we have discretion to accept lower minimum investments under certain circumstances.

The minimum account size for establishing a separately managed account is negotiable; however Clients should be aware that if a particular separately managed account is too small, it is possible that the account may be unable to participate in certain investments due to minimum investment levels required for a particular investment and/or a lack of available investment capital. For this reason, Congruent typically does not accept small managed account Clients.

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

Our Client portfolios typically consist of assets such as loans, bonds, other debt instruments, and certain equity interests, among other specialty assets (*see more detailed list below*). Our methods of analysis include qualitative and quantitative analyses. Quantitatively, this generally includes a financial analysis of the company. Qualitatively, this generally includes an industry analysis as well as an analysis of the primary risks facing the company and/or investment. We also evaluate the legal structure of the investment, identifying potential risks.

Below is a summary of the types of assets in which Clients may invest, depending on the mandate of each Client's governing documents:

Primary Middle Market Debt: Clients may participate as a lender in all or portions of new credit facilities to middle market companies including, without limitation, first-lien and second-lien senior secured loans, junior secured loans, mezzanine loans, unsecured debt, bridge loans, structured letters of credit, delayed draw loans, revolving credit facilities and debtor-in-possession (DIP) facilities. Congruent or an affiliate may arrange the origination of such new credit facilities, may syndicate new credit facilities to Clients and/or third parties, and may act as agent for such new credit facilities.

Secondary Middle Market Debt: Clients may purchase debt in middle market companies in the secondary market including, without limitation, first-lien and second-lien senior secured loans, junior secured loans, mezzanine loans, unsecured debt, bridge loans, structured letters of credit, delayed draw loans, revolving credit facilities and debtor-in-possession (DIP) facilities.

Syndicated Bank Debt: Clients may purchase syndicated bank debt in both the primary and secondary markets, which debt may be originated by banks or others, including, without limitation, first-lien and second-lien senior secured loans, junior secured loans, mezzanine loans, unsecured debt, bridge loans, structured letters of credit, delayed draw loans, revolving credit facilities and DIP facilities.

Corporate Bonds: Clients may invest in senior secured and unsecured corporate bonds through both the primary and secondary markets.

Real Estate: Clients may make primary and secondary investments backed primarily by real property, including, without limitation, first-lien and second-lien mortgage loans, B pieces in mortgage loans, mezzanine loans, construction loans, delayed draw loans and DIP facilities.

Other Credit Investments: Clients may acquire direct and indirect investments targeting niche financial asset classes including, without limitation, portfolios and individual whole loans which are themselves, or are secured or otherwise backed by, consumer assets, equipment loans, small business loans, small commercial and industrial loans, real property, mineral interests,

intellectual property, leases, inventory, and receivables, as well as trade claims and litigation claims.

Credit Default Swaps (CDS): Clients may purchase credit protection through CDS or loan credit default swaps (LCDS) as a credit hedge against a primarily long credit portfolio or opportunistically in situations where Congruent believes the credit protection is mispriced given the referenced company's underlying credit metrics and industry outlook.

Other Investments: Clients may acquire direct or indirect debt, warrants, preferred equity, common equity or other investments in special situations including, but not limited to, liquidations, corporate restructurings and bankruptcies and/or in conjunction with a loan or other credit investment.

In addition to direct investments, Clients may make indirect investments in assets of the nature described above through joint ventures, subsidiaries and other vehicles which may be formed or entered into by Congruent in order to acquire, aggregate, leverage or appropriately service the assets owned thereby.

While Congruent expects that most of its Client assets will be in U.S. domiciled entities or persons, Clients may also make non-U.S. investments, subject to any restrictions or limitations in each Client's governing documents.

Risks

As with any form of investing, Client investments possess risk of loss due to changes in financial, operational, managerial, legal, industrial, political, economical, structural, environmental, or regulatory circumstances, among many other factors.

The following is a summary of some of the material risks associated with an investment in a Congruent Fund or separately managed account, but it is not comprehensive. Investors should refer to the governing documents and/or private placement memorandum for a more detailed explanation of the risks associated with the Accounts.

General Investment and Trading Risks. An investment in an Account involves risks, including, but not limited to, the risk that the entire amount invested may be lost. Accounts will invest in assets with risks including, but not limited to, the volatility of the credit markets; the illiquidity of the investments; or loss from obligor, issuer or counterparty defaults. No guarantee or representation is made that the Client's investment program will be successful or that its investment objective will be achieved.

Illiquid Portfolio Assets. A significant amount of Client capital may be invested in middle market loans and other portfolio assets which are subject to legal or other restrictions on transfer

or for which no liquid market exists. The market prices, if any, for such portfolio assets may not be readily ascertainable and may fluctuate significantly, and the Account may not be able to exit them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of illiquid assets often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of investments eligible for trading on national securities exchanges or in the over-the-counter markets. Due to significant restrictions on transfer, Client assets may sell at a price lower than investments that are not subject to restrictions on resale. Because valuations of illiquid assets are inherently uncertain, the determinations of market value of any such assets may differ materially from the values that may ultimately be attained in the sale of any such portfolio asset.

General Economic Risk. Obligor or underlying companies with respect to investments are susceptible to general economic down turns, which may be widespread in the case of recessions or depressions or industry or regionally specific, which may result in a deterioration of financial performance and may cause such obligors or companies to be unable to meet covenant requirements or service their obligations for indefinite periods of time. This could lead to default and, consequently, termination of an investment or write down or other reduction in the value thereof, and the exercise of remedies with respect to any collateral securing such portfolio. To the extent that the Account's realizable claim on the collateral securing an asset, if any, does not equal or exceed the unamortized purchase price thereof together with all interest then due or capitalized thereon, the Accounts could suffer losses.

Investments in Small and Mid-Size Businesses. Accounts may invest a significant portion of their capital in loans and certain other portfolio assets made primarily to small and mid-size privately-held businesses. There is generally no publicly available information about these businesses. Some obligors may not meet net income, cash flow and other coverage tests typically imposed by traditional lenders. Loans to small businesses and middle market businesses may carry more inherent risks than loans to larger, publicly-traded entities. These companies generally have more limited access to capital and higher funding costs, may be in a weaker financial position, may need more capital to expand or compete, and may be unable to obtain financing from public capital markets or from traditional sources, such as commercial banks. Accordingly, loans made to small businesses and middle market companies involve higher risks than loans made to companies that have larger businesses, greater financial resources or are otherwise able to access traditional credit sources. A deterioration in an obligor's financial condition and prospects may be accompanied by deterioration in the Account investment or the collateral securing the investment, if any. Such deterioration might impair the ability of the obligor to obtain refinancing or force it to seek to have the loan restructured. As a result, Accounts may experience a loss on their investment.

Refinancing risk. A significant portion of an Account's capital may be used to acquire balloon loans and bullet loans and other assets which may require refinancing. Balloon and bullet loans

involve a greater degree of risk than other types of transactions because they are structured to allow for either small (balloon) or no (bullet) principal payments over the term of the loan, requiring the obligor to make a large final payment upon the maturity of the loan. The ability of an obligor to make this final payment upon the maturity of such an asset typically depends upon its ability either to refinance the loan prior to maturity or to generate sufficient cash flow to repay the asset at maturity. If an obligor is unable to refinance a loan, such loan may not be paid in full or sold at the end of the scheduled term of the Account, which may lead to an extension of the term of the Account or in-kind distributions or forced liquidations of the remaining assets of the Account, which could lead to losses for investors.

Secured Loans. A significant portion of an Account's capital may be invested in secured debt, which is typically collateralized by some of all the assets of a specific company or entity. These debt instruments are typically extremely complex, governed by lengthy legal documentation. The risk of loss of capital can be great. Some secured loans may not necessarily have priority over other debt issued by a company or entity and may not necessarily be collateralized by all of a company's or entity's assets. Underlying asset values can be volatile and are subject to credit, liquidity, economic, and interest rate risk, among other factors.

Subordinated Debt, Second Lien Loans, Mezzanine Loans, Unsecured Bonds, and other Unsecured or Subordinated Debt Instruments. Accounts may acquire, subject to any limitations in the governing documents, junior, subordinated, and/or unsecured assets. These assets typically involve a higher degree of risk than senior secured loans because the investor will be limited in pursuing its rights and remedies under such loans. As a result of their junior nature and the Account's limited rights and remedies, the ability to collect principal and interest on these loans or to recover any of the loan balance through a foreclosure of collateral may be impaired. Moreover, any amounts that the Account might realize as a result of its collection efforts or in connection with a bankruptcy or insolvency proceeding involving an obligor under these assets must generally be turned over to the more senior lender until the more senior lender has realized the full value of its own claims. These restrictions may materially and adversely affect the Account's ability to recover the principal of any non-performing junior or unsecured asset. As a result, the Account could suffer losses.

Restructurings. Congruent typically has broad authority to execute amendments, waivers, modifications and other changes to the loans and other Client assets. In periods of economic downturns, it is likely that restructurings thereof will increase. There is no guarantee that restructuring will maximize the value of or any recovery on any such Client asset. Any restructuring can fundamentally alter the nature of the related asset and restructurings are not subject to the same underwriting standards that are employed in connection with the origination or acquisition thereof. For example, a restructuring may result in lowering the priority of a lien or security interest in collateral and/or to the exchange of debt for lower priority debt and/or equity. Any restructuring could alter, reduce or delay the payment of interest or principal from any

portfolio asset and result in extension of the term thereof, which could delay the timing of and reduce distributions made to investors.

Bankruptcy. There is a significant risk that one or more of the obligors or companies may enter bankruptcy proceedings. Such proceedings may result in, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of the related investment. There are a number of significant risks inherent in the bankruptcy process. First, rulings in a bankruptcy case are the product of adversary proceedings determined by a court with equitable powers, and are beyond the control of specific creditors. Second, a bankruptcy filing may adversely and permanently affect the obligor making such filing. The obligor may lose its market position, key employees, relationships with important suppliers, access to the capital markets or other sources of liquidity and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason, a Chapter 11 reorganization is converted to or becomes a liquidation, the liquidation value of the obligor may not equal the liquidation value that was believed to exist at the time of purchase of the investment. Third, the duration of a bankruptcy case is difficult to predict. A creditor's return on investment can be adversely affected by delays while a plan of reorganization is being negotiated, approved by parties in interest and confirmed by the bankruptcy court until it ultimately becomes effective. For example, in general, unsecured creditors' claims for interest accrued between the bankruptcy filing and a reorganization plan's consummation are not allowed. Fourth, the administrative costs of the debtor and official committees in connection with the bankruptcy case are frequently high and will be paid out of the debtor's estate prior to any return to general unsecured creditors. If the bankruptcy case involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to such administrative costs; a creditor's costs in monitoring and enforcing its investment also may substantially increase. Certain claims that have priority by law (for example, claims for taxes) also may be significant. Finally, under certain circumstances, creditors' claims against bankrupt or insolvent entities may be subject to equitable subordination or recharacterization as equity (particularly where the creditor is an insider or otherwise controls the debtor), and transfers made to creditors may be subject to avoidance and disgorgement as preferences or fraudulent conveyances. Bankruptcy of an obligor could reduce or eliminate the return to the Client on the related investment and thereby impair distributions to the investors.

Real property loans. The Accounts may acquire real estate loans or other loans secured in whole or in part by real estate. Real estate values are affected by a number of factors, including (i) changes in the general economic climate, (ii) local conditions (such as an oversupply of space or a reduction in demand for space), (iii) the quality and philosophy of management, (iv) competition based on rental rates, (v) attractiveness and location of the properties, (vi) financial condition of tenants, buyers and sellers of properties, (vii) quality of maintenance, insurance and management services, (viii) changes in operating costs and (ix) environmental conditions with respect to the related property. Real estate values also are affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes),

interest rate levels, availability of financing and potential liability under changing environmental and other laws. In particular, environmental laws could result in lender liability for environmental remediation costs. Under environmental laws, a secured party that takes a deed in lieu of foreclosure, that acquires a mortgaged property at a foreclosure sale or that, prior to foreclosure, has been involved in decisions or actions which either may demonstrate operational control of the obligor or may lead to contamination of a property, may be liable, among other things, for the costs of cleaning up a contaminated site. If real estate secures a loan and an uninsured loss or a loss in excess of insured limits occurs, any such loss could adversely affect the delinquency, default or liquidation experience of the related loan. Any deterioration in the value of any real estate securing a real estate loan could cause the investors to suffer losses with respect to their investment therein and, if an adverse environmental condition exists with respect to any real estate, could expose the Account to environmental remediation costs and/or liability under certain circumstances.

Non-U.S. Investments. Subject to their governing documents, Accounts may invest, in part, in assets, the obligors of which are organized under the laws of, or all or substantially all of the assets of which are located in, a country other than the United States. Such investments may involve greater risks than investments with U.S. obligors or secured by collateral in the U.S. These risks include (i) less publicly available information about the related obligor and/or different accounting standards than United States generally accepted accounting principles being applicable, (ii) varying levels of governmental regulation and supervision, (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and related uncertainties as to the status, interpretation and application of laws, (iv) possible adverse political and economic developments, (v) possible seizure or nationalization of non-U.S. deposits and (vi) possible adoption of governmental restrictions that might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Moreover, the economies of individual non-U.S. countries may differ from the U.S. economy in significant respects such as the effect of the global recession, growth or contraction of the gross domestic product, rate of inflation, volatility of currency exchange rates and other factors significant to the viability of the business prospects of the related obligor. Accordingly, investments with non-U.S. obligors could face risks which would not pertain to investments with U.S. obligors or secured by collateral in the U.S., which could expose the Account to losses on such loans. In addition, income received by the Account from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Account will reduce its net income or return from such investments.

Asset Backed Loans. The Accounts may invest in asset backed loans. Such loans typically are secured by individual assets or a pool of assets, such as inventories, account receivables, consumer receivables; loans and leases; trade receivables; property, plant, and equipment; intangible assets; and other assets. The risk of such loans depends both on the underlying assets and the legal structure of the loan. For example, credit card receivables are generally unsecured

and the debtors entitled to the protection of a number of state and federal consumer credit laws. Such loans may not be based on assets which have the benefit of a security interest in collateral or, if such underlying assets are secured, they may be undersecured or secured by collateral which is of such a small value that it is not worth realizing on it. There is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these loans. Further, these loans may require a scheduled principal payment as well as require or permit unscheduled payment from the voluntary prepayment, refinancing or foreclosure of the underlying assets. As a result of these unscheduled payments of principal, or prepayments on the underlying assets, the price and yield of asset based loans can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and the Accounts would be required to reinvest the proceeds at the lower interest rates then available. In addition, like other interest-bearing loans, the values of asset backed loans generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option.

Asset based loans are underwritten based primarily on the quality and collateral provided by the assets and not on the enterprise value or cash flow ability of the obligor. Asset backed loans are often backed by an individual asset or a pool of assets representing the obligations of a number of different parties and use a variety of credit enhancement techniques such as letters of credit, guarantees or other contracts which create counterparty credit risk. The value of an asset backed loan is affected by changes in the market's perception of the asset backing the loan, the creditworthiness of the servicing agent for the assets, the originator of the assets and/or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Non-Investment Grade or Distressed Securities. The Accounts may invest in "below investment grade" securities and loan and other obligations of issuers in weak financial condition, experiencing poor operating results including, but not limited to, negative earnings, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities and obligations are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to an Account's investment in

any asset, and a significant portion of the loan and other obligations and securities in an Account expects to invest will be unrated or rated less than investment grade. 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 Congruent will correctly evaluate the creditworthiness of the obligor or issuer of an asset for an Account, the value of any assets collateralizing any such asset or the prospects for a successful reorganization or similar action of any such obligor or issuer. In any reorganization or liquidation proceeding relating to a company in which the Account invests, the Account may lose its entire investment, may be required to accept cash or securities with a value less than the Account's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Account's investments may not compensate the investors adequately for the risks assumed.

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

Litigation. Reorganizations can be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. It is possible that during the term of the Account, Congruent, its affiliates, and/or the Account itself may be named as defendants in civil proceedings. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Account and would reduce net assets or could require investors to make a capital contribution.

Investing in Equity. Subject to their governing documents, the Accounts may acquire equity securities or options or rights to acquire equity securities. Equity securities have no specified maturity date, may have significant restrictions on sale or transfer which may make them difficult to sell and/or unable to be distributed in kind to the investors by the end of the scheduled term of the Account. The value of stocks and other equity securities generally fluctuate more than debt instruments and can decline in value over short or extended periods. The value of stocks and other equity securities will be affected as a result of changes in a company's financial condition and in overall market and economic conditions. Stock and other equity securities are the most subordinate interests in the capital structure of a company and, in a bankruptcy, dissolution or liquidation of the company, are generally paid after all creditors are paid in full. Equity securities owned by an Account may have no value or lose value.

Hedging, Commodities and Derivatives. Subject to their governing documents, the Accounts may utilize derivative financial instruments including, but not limited to, forward contracts and options for commodities, currency derivatives, credit default swaps loan credit default swaps and interest rate swaps, caps and floors to seek to hedge against, as applicable, (i) changes in market interest rates and currency exchange rates (with respect to any non-U.S. investments which are not dollar denominated), (ii) risks with respect to portfolio assets dependent on commodity prices which are not required to be hedged against by the related obligor or with respect to which Congruent deems the hedging requirement insufficient and (iii) credit events.

Congruent is not required to attempt to hedge assets in the Accounts and, for various reasons, may determine not to do so. Furthermore, Congruent may not anticipate a particular risk so as to hedge against it. While the Accounts may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Account than if it had not engaged in any such hedging transaction. Moreover, it should be noted that the Accounts will always be exposed to certain risks that cannot be hedged.

Credit Default Swaps. Subject to the governing documents, the Accounts may purchase or sell credit protection through credit default swaps or loan credit default swaps as a credit hedge against a primarily long credit portfolio or opportunistically. A credit default swap or a loan credit default swap, as applicable, is a contract between two parties in which the “buyer” of credit protection agrees to pay the “seller” of credit protection a periodic stream of payments over the term of the contract and the seller agrees to pay the buyer the agreed upon value of the contract upon the occurrence of a credit event with respect to a referenced obligor or referenced loan. Generally, a credit event means bankruptcy, failure to pay, obligation acceleration and/or modified restructuring, as specified in the contract. Swap transactions dependent upon credit events are priced incorporating many variables upon which market participants have divergent views including, but not limited to, the likelihood of a credit event occurring and potential loss upon default, among other factors. If a credit event fails to occur when an Account has bought credit protection, the Account will have paid a periodic stream of payments to the counterparty but would receive no economic benefit from the contract (other than the protection provided by it as a hedge against credit events of obligors or portfolio assets in which the Account holds long positions). As a seller of credit protection, the Account would receive the stream of periodic payments but would be subject to exposure up to the notional amount of the swap should a credit event occur thereunder and likely would be required to post collateral.

Lender Liability and Equitable Subordination. A number of judicial decisions have upheld judgments of obligors against lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the obligor or has assumed an excessive degree of control over the obligor resulting in the creation of a fiduciary duty owed to

the obligor or its other creditors. Because of the nature of the loans, Accounts may be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (i) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other creditors of such obligor, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control an obligor to the detriment of other creditors of such obligor, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of the loans, Accounts and the loans may be subject to claims of equitable subordination.

The preceding discussion is based upon principles of United States federal and state laws. Insofar as loans that are obligations of non-United States obligors are concerned, the laws of certain foreign jurisdictions may impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those described above under United States federal and state laws.

Credit Losses. A credit loss will occur if it is determined that all or part of the principal of a particular loan or other debt instrument has become unrecoverable and will not be repaid, or for loans or other debt instruments purchased at a discount, if determined that the Account will not recover the acquisition price thereof.

Fraud. Management, accounting, or other types of fraud are a risk in nearly all investing. However, the risk is often elevated in smaller companies. Many of the obligors in whose loans and other securities the Accounts will invest are small companies that may be using small local accounting firms as their auditors, increasing the risk of accounting fraud. In certain cases, Congruent may rely upon unaudited financials produced by the obligor when making investment decisions. The lack of information and transparency available from some obligors, especially those with shorter track records or those smaller in size, increases the risk of fraud. As a result, the Accounts could suffer losses.

Use of Leverage. Subject to their governing documents, Accounts may issue debt for purposes of increasing the purchasing power of the Account. Such debt could be in the form of a subscription facility for capital calls, a credit facility on the entire Account, or a credit facility on an individual investment or a portion of investments. Should the Account default on such debt, the lender may, among other things, receive distributions with respect to the assets, acquire title to the assets or liquidate the assets. In any such circumstance, the Account could suffer losses. Money borrowed by the Account will be subject to interest costs, which will be an expense of the

Account, and, to the extent not covered by income attributable to the assets acquired, will adversely affect the operating results of the Account.

Uncertain Exit Strategies. Subject to the governing documents, Accounts are permitted to acquire portfolio assets which mature after the end of the term of the Accounts, certain portfolio assets may be extended during the term of the Account beyond their original maturity date to a date after the end of the term of the Account and certain assets may default and not be resolved prior to the end of the term of the Account. If the term of the Account ends prior to payment in full of any asset, due to the illiquid nature of many of the assets which the Account is expected to acquire, it is difficult to predict with confidence what the exit strategy will ultimately be for any given investment (or price which may be obtained in connection therewith) or that an exit strategy will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors. This risk may lead to an extension of the term of the Account or in-kind distributions or forced liquidations of the remaining assets of the Account, which could lead to losses for investors.

Non-Performing Assets. It is anticipated that certain assets acquired for the Accounts will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such portfolio assets and the investors may not receive back the full amount of their investment therein or expected return thereon.

Valuation. It is likely that most of the assets owned by the Accounts will not be traded on an exchange, making valuation subject to Congruent's judgment. If and to the extent that Congruent values Account assets, it will be conducted in good faith by Congruent based on U.S. generally accepted accounting principles and in accordance with Congruent's valuation policies and procedures, as may be amended from time to time.

No Market for Limited Fund Interests; No Right to Transfer, Withdraw or Require Redemption; Mandatory Transfer. An investment in an Account requires the financial ability and willingness to accept significant risk and illiquidity. Investors may not receive the complete return of their investment (if at all) until an undeterminable point in the future. There is no public market for interests in the Accounts and one is not expected to develop. Interests are typically subject to significant transfer restrictions. Among other things, investors may not be permitted to sell, transfer, assign or pledge all or any portion of their interests, except by operation of law, without the prior written consent of Congruent or its affiliates. Investors typically may not withdraw from the Accounts, as there are no redemption rights. Investors also may not require the Account to redeem their interests.

Item 9. Disciplinary Information

Congruent, its principals, and employees have not been the subject of any material legal or disciplinary events.

Item 10. Other Financial Industry Activities and Affiliations

Congruent and its principals do not have other relationships or arrangements in the financial services industry that pose material conflicts of interest.

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

Code of Ethics

Congruent has adopted a Code of Ethics designed to ensure compliance with the firm's standards of ethical and business conduct and to address potential conflicts of interest. Congruent's Code of Ethics sets forth that employees must observe a standard of ethical and business conduct consistent with Congruent's fiduciary duty to clients. The Code of Ethics also states Congruent's employees must comply with federal and state securities laws and applicable regulatory requirements. Congruent, as an investment adviser, owes a fiduciary duty to clients. Congruent and our employees must uphold their fiduciary duty to clients, act with the utmost good faith, provide full and fair disclosure of all material facts and exercise care to avoid misleading clients.

Congruent's Code of Ethics outlines the firm's policies and procedures for addressing conflicts related to the possession of confidential information, employee personal trading, and the giving and receiving of gifts.

Congruent's Code of Ethics and compliance procedures prohibit employees from personal securities trading in companies for which Congruent has obtained material non-public information. Employees may maintain personal brokerage and retirement accounts but must request and receive approval from the firm's Chief Compliance Officer prior to executing security transactions and employees must provide to Congruent, on a quarterly basis, securities holdings reports and signed certifications of compliance with the personal trading policy.

The Code of Ethics is available to clients and prospective clients upon request.

Principal Transactions

Principal transactions occur when an investment adviser, acting as principal for its own account, purchases a security from, or sells a security to, a Client.

Congruent, its affiliates and employees may engage in principal transactions with Clients per the applicable provisions of the Investment Advisers Act of 1940. Any principal transaction must be in the best interest of the Client and any disclosure or approvals required under the governing Client documents must be met. Typically, Fund governing documents require advisory board approval of the valuation in a Principal Transaction.

Cross Trades

Cross Trades involve the purchase or sale of a security between two Clients, both of which are managed by the Company or an affiliate.

Congruent, its affiliates and employees may engage in Cross Trades between Clients if it determines that such a trade is in the best interest of both Clients, in accordance with its fiduciary responsibility to each Client. Furthermore, any disclosures or approvals required under the governing Client documents must be met. Typically, Fund governing documents require advisory board approval of the valuation in Cross Trades.

Item 12. Brokerage Practices

Broker Selection

Congruent has discretion in selecting brokers for our Clients. Congruent primarily selects brokers based on which can provide best execution for Client transactions. Other factors we may consider when selecting brokers include liquidity in a certain investment, market knowledge regarding specific investments or industries, overall cost of a transaction, and the broker's ability to settle transactions in a timely manner. Congruent is under no obligation to select the lowest commission cost for a transaction, if it determines other non-monetary factors are of more importance in broker selection.

In many cases, Congruent's transactions on behalf of Clients are privately negotiated and do not involve the use of a broker or dealer. In those cases, Congruent seeks to negotiate and execute transactions in an efficient manner and consistent with its fiduciary duties to its Clients and Fund investors.

Trade Errors

Trade errors may occur from time to time in an Account. Generally, trade errors are transactions that were executed in a way that was not intended. Congruent will take steps it believes are reasonable to detect trade errors and will promptly take the necessary action to correct any trade errors. If a third party creates a trade error, Congruent will seek to recover any losses from the third party responsible for the trade error. In determining the corrective action necessary to correct a trade error, Congruent acknowledges conflicts could arise between it and the Clients affected by the trade error. Absent gross negligence by Congruent, Clients may bear losses from trade errors. Congruent will act in a manner consistent with its fiduciary duty to Clients in handling conflicts that arise from correcting trade errors.

Soft Dollars

Congruent does not accept soft dollar benefits nor do we solicit investor referrals from brokers. Congruent does, however, receive research and other research services from brokers, as such research is commonly made available to all of a broker's clients. Congruent may on occasion utilize such research when making an investment decision. Congruent does not view this research as a material part of its decision making process and believes this creates no material conflict of interest with regard to which brokers Congruent selects for trades.

Aggregating Trades

Dependent on Congruent's judgment of the trading strategy and the dynamics of the transaction and the market, Client orders will be aggregated if Congruent believes it to be economically beneficial to the Clients.

Allocation of Investments

Congruent allocates investments among Clients based on its judgment and in a manner that treats each Client in a fair and equitable manner over time. We will take steps to ensure no client is systematically disadvantaged over time.

In making allocations of investments, Congruent will review the investment objective, strategy, limitations and risk profile of each Client, as well as any other factors that appear relevant at the time, in order to determine which Accounts are appropriate for an investment.

These other factors include whether an Account is permitted to hold the type of instrument in question and, if so, any limitations on amount; whether an Account could benefit from increased diversification or reduced industry concentration; whether an allocation to the Account would improve diversification or concentration; how much of the instrument the Account already owns; the duration of the investment; the investment capacity of the Account as a result of cash on hand, capital commitments or anticipated additional cash; the minimum unit size in which the instrument trades; and any other relevant factors.

Congruent also requires Clients be in good standing before receiving an investment allocation. Among other factors, Accounts must have an executed advisory contract in place and the Account must be current with regard to fees due to Congruent in order to be considered in good standing. Based on its assessment of the relevant factors and the amount of the instrument sought or obtained, Congruent then allocates the instrument among the selected Accounts.

In the instance Congruent seeks to participate in a new issue of an investment where the amount of the issue Congruent may receive, if any, is uncertain, Congruent will generally allocate the investment among Accounts at the time the amount of the investment Congruent will receive is confirmed. Transaction costs will be shared pro rata among Accounts in accordance with final allocations.

Item 13. Review of Accounts

Accounts are actively monitored on an ongoing basis by Congruent. Among other factors, Congruent considers investment diversification, portfolio credit risk, individual investment performance, duration, and expected rates of return as part of its continuing review.

Reports to Clients

Congruent engages an independent public accounting firm to conduct an annual financial statement audit of our Fund clients. In addition to the annual audit, Fund investors also receive, on a quarterly basis, statements reflecting the value of their investment in the Fund and unaudited financial statements for the quarter. Separately managed accounts receive reports as outlined in their respective governing documents.

Item 14. Client Referrals and Other Compensation

At this time, Congruent does not pay referral fees or any other compensation to third parties for referring prospective investors to Congruent.

Item 15. Custody

Due to certain arrangements, Congruent may be deemed to have “custody” of assets held by its Clients, including the Funds, within the meaning of Rule 206(4)-2 under the Advisers Act.

Where Congruent is deemed to have custody of the assets of a separate account, the custodian(s) for such Account will send to the Client periodic account statements (generally on a quarterly basis) indicating the amounts of any funds or securities in the custodial account as of the end of the statement period and any transactions in the account during the statement period. Clients should review these statements carefully and should immediately contact Congruent if account statements are not received from the custodian on at least a quarterly basis. To the extent Congruent, pursuant to the relevant advisory contract or otherwise, separately provides reports or account statements, Clients should compare Congruent statements carefully to the account statements received from the custodian. If there are any discrepancies between the account statements, please contact Congruent immediately. Subject to the Account’s governing documents, Congruent may or may not have custody of separately managed account assets.

Where Congruent is deemed to have custody of a Fund’s cash or securities, Congruent provides (or causes to be provided) to each investor in the Fund a copy of the Fund’s audited financial statements within 120 days following the relevant Fund’s fiscal year end. Investors who do not receive audited financial statements timely should contact Congruent immediately. Congruent typically has custody over Fund assets.

Item 16. Investment Discretion

Congruent accepts discretionary authority to manage securities accounts on behalf of Fund clients. Fund clients typically grant the respective Fund's general partner power of attorney upon their execution, and the general partner's acceptance, of the Fund's subscription agreement. Congruent's separately-managed account clients maintain partial investment discretion over their respective accounts.

Item 17. Voting Client Securities

Congruent's investment management agreements with our Fund clients permit us the authority to cast all votes with regard to securities owned by the respective Fund. For these purposes, voting includes the exercise of rights with respect to loans and fixed income securities. Congruent has adopted a voting policy that provides we act in our Clients' best interests in determining how to vote positions.

The Company may vote Client securities on behalf of separately-managed account clients unless the Client's governing documents state otherwise.

Congruent will vote Client securities after careful consideration has been given to the items presented on each ballot and appropriate disclosures have been made to Clients, as necessary under the governing documents, in the event the issue up for election raises a conflict of interest between Congruent and the Client.

Upon request to Congruent at the contact information included on the cover page of this Brochure, Congruent will provide to any Client or Fund investor: (i) a copy of Congruent's voting policies and procedures; or (ii) information as to how Congruent voted with respect to the relevant Account.

Item 18. Financial Information

Congruent does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

At this time, Congruent's financial condition would not materially adversely affect its ability to meet its obligations to Clients under the respective governing documents.