

# SIGHTWAY CAPITAL, LP

December 19, 2018

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**This brochure provides information about the qualifications and business practices of Sightway Capital, LP (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Adviser at (646) 392-7557. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**The Adviser is registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

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### **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; or
- A complete discussion of the features, risks or conflicts associated with any fund or advisory service.

As required by the Advisers Act, the Adviser 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 documents, such as a fund's offering memorandum, prior to, or in connection with, such persons' investment in such a fund. The delivery of this brochure to an investor or prospective investor in a fund is not an acknowledgement that the investor or prospective investor is a client under the Advisers Act or that there is any direct client relationship with the Adviser.

Additionally, this brochure is available through the SEC's Investment Adviser Public Disclosure website. Although this publicly available brochure describes investment advisory services and products of the Adviser, persons who receive this brochure (whether or not from the Adviser) should be aware that it is designed solely to provide information about the Adviser 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 documents. More complete information about each product managed by the Adviser is included in relevant offering documents, certain of which may be provided to current and eligible prospective investors only by the Adviser. To the extent that there is any apparent conflict between discussions herein and similar or related discussions in any offering documents, the relevant offering documents shall govern and control.

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## **Item 2. Material Changes**

The Adviser has formed a new private fund to acquire an existing pool of nine platform investments that were previously held, directly or indirectly, by Two Sigma Private Investments Fund, LLC. The Adviser has sought commitments to the new private fund from unaffiliated, third-party investors. The new private fund represents a new business line for the Adviser and a material change to its advisory business. As a result, both material and non-material changes have been made throughout the Brochure to update it for matters pertinent to the new private fund.

In July 2018, the Adviser launched a securitized asset fund that issues collateralized fund obligations. The securitized asset fund represented a new strategy for the Adviser at the time and a material change to its advisory business. As a result, both material and non-material changes were made throughout the Brochure to update it for matters pertinent to the securitized asset fund.

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## Item 4. Advisory Business

The Adviser, a Delaware limited partnership, provides investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Adviser commenced operations in January 2017. Two Sigma Management, LLC is the general partner of the Adviser. The Adviser and its affiliated entities (described in more detail under “Item 10. Other Financial Industry Activities and Affiliations”) are referred to herein collectively as “Sightway Affiliates.”

The Adviser’s clients include the following (together with any future private investment fund or investment vehicle to which the Adviser or its affiliates provide investment advisory services, each a “Sightway Fund” and together, the “Sightway Funds”) the equity of which is not directly owned by current or former partners or employees of the Adviser and its affiliates:

- Sightway Capital I (Domestic), LP and Sightway Capital I (Offshore), LP (together, “Sightway Fund I”)

The Adviser’s clients, in addition to the Sightway Funds, also include the following investment vehicles, the equity of which is directly or indirectly owned by current or former partners or employees of the Adviser and its affiliates:

- Two Sigma Private Investments Fund, LLC (the “TSPI Fund”), and
- SWC Funding LLC (the “Securitized Asset Fund”) and its wholly-owned subsidiary, SWC Holdings LLC (“Holdings,” and together with the Sightway Funds, the TSPI Fund and the Securitized Asset Fund, the “Funds”).

The general partner of Sightway Fund I is Sightway Capital I GP, LP (the “Fund I General Partner”), the managing member of the TSPI Fund is Two Sigma Private Investments, LLC (the “TSPI Managing Member”) and the sole member of the Securitized Asset Fund is the TSPI Fund (in such capacity, the “SWC Member”). The Securitized Asset Fund is managed by a board of three or more directors as designated by the SWC Member. As pertinent in the context, the Adviser, the Fund I General Partner, the TSPI Managing Member and the SWC Member may be singularly or in any combination referred to herein as “Sightway.” The Fund I General Partner and the TSPI Managing Member are each considered an investment adviser registered with the SEC and is subject to the Advisers Act pursuant to the Adviser’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the Fund I General Partner and the TSPI Managing Member, which operate as a single advisory business together with the Adviser.

As of March 31, 2018, the Adviser has regulatory assets under management of \$1,328,163,398 that it generally manages on a discretionary basis, although certain investments on behalf of Holdings require approval.

John A. Overdeck, David M. Siegel and trusts established by them, and for certain of which they serve as trustees, are the principal owners of the Adviser.

The Adviser's advisory services to the Funds are detailed, as applicable, in the applicable private placement memoranda or other offering documents (each, a "Memorandum"), investment management agreements, limited liability company or other operating agreements or governing documents (each, a "Fund Agreement") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." In performing investment advisory services for the Funds, the Adviser relies on its affiliate, Two Sigma Investments, LP, a Delaware limited partnership ("TSI" or "Two Sigma") to provide advisory personnel and certain services. The services of TSI are described in more detail in "Item 8. Reliance on TSI."

### **The Sightway Funds**

The Sightway Funds are private equity funds that generally invest through negotiated transactions in operating entities and platform investments (generally referred to herein as "portfolio investments" or "portfolio companies"). In particular, Sightway Fund I was formed to acquire interests in an existing pool of nine platform investments that were previously held, directly or indirectly, by the TSPI Fund. The Adviser's investment advisory services with respect to the Sightway Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted.

The strategies the Sightway Funds pursue are long-term and discretionary in nature. The Sightway Funds generally seek to achieve absolute returns commensurate with a corresponding level of investment and liquidity risk. There can be no assurance that the Adviser or the Sightway Funds will achieve their investment objectives, and a loss of investment is possible.

From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Sightway or its affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Sightway Funds have invested.

Investors in the Sightway Funds participate in the overall investment program for the applicable Sightway Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Fund Agreement. The Sightway Funds or the applicable general partner entity generally enter into side letters or other similar agreements ("Side Letters") with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Fund Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Sightway Fund's Fund Agreement, the Adviser expects to provide (or agree to provide) opportunities for co-investment with a Sightway Fund (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Adviser's personnel and/or certain other persons associated with the Adviser and/or its affiliates (*e.g.*, a vehicle formed by the Adviser's principals to co-invest alongside a Sightway Fund's transactions). Such co-investments will typically involve

investment and disposal of interests in the applicable portfolio investment at the same time and on the same terms as the relevant Sightway Fund. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment after a Sightway Fund has consummated its investment in the portfolio investment (also known as a post-closing sell-down or transfer). Where appropriate, and in the Adviser's sole discretion, the Adviser is authorized to charge interest on the purchase to the co-investor or co-invest vehicle, and to seek reimbursement to a Sightway Fund for related costs. However, to the extent such amounts are not so charged or reimbursed and subject to the applicable Fund Agreement, they generally will be borne by a Sightway Fund.

Please see "Item 8. Methods of Analysis, Investment Strategies & Risk of Loss" and "Item 11. Code of Ethics, Participation or Interest in Fund Transactions & Personal Trading" for additional information, including conflicts of interest.

### **The TSPI Fund**

The TSPI Fund focuses on private equity-style investments, including through negotiated transactions in operating entities (generally referred to herein as "portfolio investments" or "portfolio companies"), investments in private investment funds managed by unaffiliated third-party managers ("Third-Party Managers"), and investments in other private investment funds that are private-equity style or closed-ended in nature managed by the Adviser and any of its affiliates (the "Other Private Equity Managed Funds"), including certain venture capital investments and investment vehicles, including, but not limited to, the Sightway Funds and certain private investment funds – Two Sigma Ventures I, LLC, Two Sigma Ventures II, LLC and Two Sigma Ventures III, LLC (the "TSV Funds") – that are managed by an affiliate of the Adviser. All of the investors in the TSPI Fund are, directly or indirectly, current or former partners or employees of the Adviser and its affiliates or their estate planning vehicles (or other similar investors). The TSPI Fund generally seeks to achieve U.S. dollar-denominated returns by building a portfolio of investments, with a focus on diversification from and low correlation with other non-private equity or non-venture capital investment funds managed by affiliates of the Adviser (the "Two Sigma Funds"). The TSPI Fund engages in transactions to partner with third-party management teams in order to form new businesses, in addition to other diversifying investments. The Adviser's investment advisory services to the TSPI Fund consist of identifying and evaluating such management teams and investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are predominantly made in non-public companies, investments in public companies or traded strategies are permitted. From time to time, personnel of the Adviser or its affiliates serve on portfolio companies' boards of directors or otherwise act to influence control over management of portfolio companies in which the TSPI Fund has invested.

In connection with investing in, or committing capital to, an Other Private Equity Managed Funds, the TSPI Fund may act as a seed investor or anchor capital investor (collectively, the "Seeding Strategy") to new or existing investment funds. Such a strategy can be implemented using different techniques (*e.g.*, in-kind as well as cash contributions), and may take many forms. For example, an investment by the TSPI Fund in an Other Private Equity Managed Fund may take the form of a significant capital commitment which may entitle the

TSPI Fund to certain additional rights and benefits, including without limitation enhanced liquidity rights, governance rights, reporting and information rights, investment and co-investment rights and reduced management fees or performance fees/allocations (which may be effected through rebate, offset or other mechanisms).

From time to time, the Adviser may determine that, consistent with the TSPI Fund's overall investment program, it will implement the Seeding Strategy as an in-kind contribution of certain portfolio investments to an Other Private Equity Managed Fund (collectively, "Special Investments"). The Adviser will determine which portfolio investments are designated as Special Investments as well as the overall composition of the portfolio of Special Investments that will be eligible for contribution to an Other Private Equity Managed Fund. The Adviser's determination of which portfolio investments to designate as Special Investments may result in portfolio investments being contributed to an Other Private Equity Managed Fund that would generate more favorable returns for the TSPI Fund's investors if retained in the TSPI Fund.

Conversely, such determinations may result in portfolio investments being retained in the TSPI Fund that would generate fewer losses for the investors in the TSPI Fund if contributed to an Other Private Equity Managed Fund. Such determinations will be made by the Adviser in its sole discretion, and may be disadvantageous to the TSPI Fund and/or Other Private Equity Managed Funds. Use of the Seeding Strategy in this manner with respect to Other Private Equity Managed Funds would allow third parties to participate in the Special Investments while providing the investors in the TSPI Fund with some return with respect to the Special Investments. An example of such a structure used for the Seeding Strategy is Sightway Fund I as described above.

Investors in the TSPI Fund participate in the overall investment program for the TSPI Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the TSPI Fund's Fund Agreement.

Additionally, from time to time and as permitted by the pertinent Fund Agreement, the Adviser expects to provide (or agrees to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Adviser's personnel and/or certain other persons associated with the Adviser and/or its affiliates (e.g., a vehicle formed by the Adviser's principals to co-invest alongside the TSPI Fund's transactions). Such co-investments will typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the TSPI Fund. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment after the TSPI Fund has consummated its investment in the portfolio company (also known as a post-closing sell-down or transfer). Where appropriate, and in the Adviser's sole discretion, the Adviser is authorized to charge interest on the purchase to the co-investor or co-invest vehicle, and to seek reimbursement to the TSPI Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the TSPI Fund.



Please see “Item 8. Methods of Analysis, Investment Strategies & Risk of Loss” and “Item 11. Code of Ethics, Participation or Interest in Fund Transactions & Personal Trading” for additional information, including conflicts of interest.

### **The Securitized Asset Fund**

The Securitized Asset Fund issues collateralized fund obligations (the “Notes”). The TSPI Fund holds the equity interests in the Securitized Asset Fund, and third-party noteholders (the “Noteholders”) own the Notes. The Notes are issued pursuant to an indenture (the “Indenture”) between the Securitized Asset Fund and Wells Fargo Bank, National Association as trustee (the “Trustee”) and are secured by (i) the Securitized Asset Fund’s limited liability interests in Holdings, its wholly-owned subsidiary, (ii) certain bank accounts of the Securitized Asset Fund and (iii) the proceeds of distributions that the Securitized Asset Fund receives from Holdings’ interests.

Holdings owns a portfolio of investments in pooled investment vehicles (the “Holdings Investments”) managed by third-party managers (each, a “Fund Manager”). Holdings acquired all such Holdings Investments from the TSPI Fund. Holdings may acquire additional Holdings Investments from, or sell Holdings Investments to, the TSPI Fund in the future. In connection with the anticipated subsequent transfers of assets from the TSPI Fund to Holdings that could reasonably be deemed “principal transactions,” the board of the Securitized Assets Fund will establish an independent conflicts advisory board (the “Conflicts Advisory Board”) that is responsible for reviewing and consenting on behalf of the Securitized Assets Fund to these transactions in accordance with the Advisers Act Section 206(3) requirements. Holdings may also sell Holdings Investments to the TSPI Fund pursuant to and subject to the limitations contained in the pertinent investment management agreement. To the extent such dispositions could reasonably be deemed “principal transactions,” they will be submitted to the Conflicts Advisory Board for approval.

The Adviser manages the Holdings Investments and performs various other management services with respect to Holdings, including the selection of subsequent Holdings Investments. The assets of the Securitized Asset Fund will primarily consist of interests in Holdings, and the assets of Holdings will primarily consist of the Holdings Investments. From time to time, however, the Securitized Asset Fund expects to invest in certain eligible investments as further specified in the Indenture for cash management purposes. Holdings will depend on the TSPI Fund for the satisfaction of Securitized Asset Fund capital calls.

The ability of the Securitized Asset Fund to make payments on the Notes is highly dependent on the performance of the Holdings Investments. The funds in which Holdings owns or will acquire an interest employ a number of different strategies in their investments. Please see “Item 8. Methods of Analysis, Investment Strategies & Risk of Loss” and “Item 11. Code of Ethics, Participation or Interest in Fund Transactions & Personal Trading” for additional information, including conflicts of interest.

Further details regarding the Adviser’s advisory services to the Securitized Asset Fund and Holdings are detailed in the offering circular for the Notes.

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## Item 5. Fees & Compensation

### The Sightway Funds

In general, Sightway receives a management fee and a carried interest in connection with its advisory services to the Sightway Funds. The Adviser or other Sightway entities or affiliates, from time to time, receives additional compensation in connection with management and other services performed for portfolio investments of the Sightway Funds and such additional compensation will not, in all cases, offset the management fees otherwise payable to Sightway. In addition, in certain circumstances Sightway receives compensation for management and other services performed in connection with co-investments made in portfolio investments of the Sightway Funds. Investors in the Sightway Funds also bear certain expenses.

### *Asset-Based Compensation*

The Sightway Funds will generally pay the Adviser or its affiliate, quarterly in advance, a management fee (the “Sightway Fund Management Fee”), as more fully described in the applicable Sightway Fund’s Fund Agreement. Investors participating in a closing after the initial closing of a Sightway Fund typically bear the Sightway Fund Management Fee from the date of the initial closing. As more fully described in applicable Fund Agreement, the Sightway Fund Management Fee payable is typically reduced by an amount equal to certain fees (“Transaction Fees”) received by certain persons affiliated with Sightway. Subject to the terms of the applicable Fund Agreement, Transaction Fees include certain closing fees, investment banking fees, commitment fees, breakup fees, litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors’ fees and other similar fees (whether in the form of cash, securities or otherwise) received from portfolio investments or prospective investments, less certain reimbursements. The applicable Fund Agreement specifies certain amounts that do not offset the Sightway Fund Management Fee.

As a matter of practice, the Adviser is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Sightway Fund Management Fee payable by the Sightway Fund, and as a result, the Sightway Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which have the potential to be significant. Additionally, as further described below and in the applicable Sightway Fund’s Fund Agreement, it is the Advisers’ practice to retain certain Affiliated Service Providers (as defined below) to provide services to (or with respect to) certain portfolio investments of a Sightway Fund. Such Affiliated Service Providers generally receive compensation and other amounts described herein, but no such amounts will result in additional offsets to the Sightway Fund Management Fee.

The Sightway Funds’ Fund Agreement’s generally permit the Sightway Fund’s general partner to waive or agree to reduce the Sightway Fund’s Management Fee. Certain waived portions of the Sightway Fund Management Fee are treated as a deemed capital contribution by the Sightway Fund’s general partner, which is effectively invested in Sightway Fund on the general partner’s behalf, and operates to reduce the amount of capital the Sightway Fund’s

general partner would otherwise be required to contribute to Sightway Fund. The investors in a Sightway Fund may be required to make a *pro rata* contribution according to their respective capital commitment to fund any contribution that would otherwise be required of the Adviser in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Sightway Fund Management Fees are not subject to the offsets described above, and the amount of such waived or reduced Sightway Fund Management Fees has the potential to be significant. Due to waived or reduced Sightway Fund Management Fees by the Adviser and/or timing of receipt of compensation subject to offsets (as described above), it is possible that the Sightway Fund Management Fee offsets will not be fully realized by investors in a Sightway Fund, resulting in a net additional benefit to the Adviser.

### ***Performance-Based Compensation***

A Sightway Fund's general partner is generally entitled to receive a carried interest with respect to the Sightway Fund subject to a preferred return, as more fully described in the applicable Sightway Fund's Fund Agreement. The carried interest distributed to the Sightway Fund's general partner is subject to a potential giveback at the end of life of the Sightway Fund if the applicable general partner has received excess cumulative distributions and at certain interim intervals as provided in the Fund Agreement.

Principals or other current or former employees of Sightway will generally receive a portion of the carried interest or other compensation received by the Adviser or its affiliates.

### ***Other Fees and Expenses***

Sightway is generally permitted to exempt certain investors in a Sightway Fund from payment of all or a portion of the Sightway Fund Management Fee and/or carried interest, including the Adviser and any other person designated by the Adviser. Any such exemption may be made by a direct exemption or a rebate by the Adviser and/or its affiliates, or through other funds which co-invest with a Sightway Fund. For example, in instances where a Sightway professional (or an entity affiliated with Sightway) invests in a Sightway Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Sightway Fund Management Fee and carried interest with respect to such Sightway Fund. Additionally, to the extent permitted by the relevant Fund Agreement, Sightway generally has the right to permit investors, affiliated with Sightway or otherwise, to invest through the relevant general partner or other vehicles that do not bear the Sightway Fund Management Fee or carried interest.

The Sightway Funds are expected generally to invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the relevant Fund Agreement, over the term of the applicable Sightway Fund, and investors generally are not permitted to withdraw or redeem interests in a Sightway Fund.

Principals or other current or former employees of Sightway generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Sightway Fund Management Fee, carried interest or other compensation received by the Adviser or its affiliates.

In addition to the Sightway Fund Management Fee and carried interest payable to Sightway, the Sightway Funds bear certain expenses. As set forth more fully in applicable Fund Agreement (and subject to the specific terms set forth therein), each Sightway Fund generally bears all expenses relating to the Sightway Fund's activities, investments and business to the extent not reimbursed by a portfolio investment or applied to reduce transaction fees; but not the Adviser's ordinary overhead and administrative expenses (such as compensation of its internal legal, accounting, administrative or compliance personnel).

A Sightway Fund also bears expenses indirectly to the extent a portfolio investment pays expenses, including expenses of the Adviser and/or its affiliates. Excluded from a Sightway Fund's expenses are ordinary administrative and overhead expenses of the Sightway Fund's general partner incurred in connection with maintaining and operating its office (including salaries, rent and equipment expenses) to the extent not borne or reimbursed by a portfolio investment. As is typical for private equity funds, the Sightway Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds.

Please refer to "Item 8. Methods of Analysis, Investment Strategies & Risk of Loss" for further discussion of conflicts of interest with respect to the Sightway Funds. Please refer to "Item 12. Brokerage Practices" for further discussion of the Adviser's brokerage practices and fees. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth therein.

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While the Adviser believes such circumstances to be highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, the Adviser is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, a Sightway Fund's general partner is expected to permit certain investors to co-invest in portfolio companies alongside such Sightway Fund, subject to Sightway's related policies and the applicable Fund Agreement and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by a Sightway Fund.

In addition, in certain circumstances, the Adviser receives compensation for management and other services performed in connection with co-investments made in portfolio companies of a Sightway Fund.

The Adviser and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees, consulting fees, directors' fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt

of such compensation generally will give rise to potential conflicts of interest between a Sightway Fund, on the one hand, and the Adviser, the Sightway Fund's general partner and/or their affiliates on the other hand.

### ***Affiliated Service Providers***

Additionally, as further described in the applicable Fund Agreement, the Adviser, from time to time, retains TSI, its operating affiliates and certain persons affiliated with, employed by or retained by the Adviser or TSI (each, an "Affiliated Service Provider") to provide data-analytics, marketing, technology, acquisition, integration, rationalization and/or other operations services or due diligence, or similar services to a Sightway Fund, its related investment vehicles or a portfolio investment. In certain circumstances, these services also include serving in management or policy-making positions for portfolio investments. Affiliated Service Providers receive compensation, including, but not limited to cash fees, retainers, transaction fees, a profits or equity interest in a portfolio investment, profits or equity interests in one or more Sightway Funds or their general partners, remuneration from the Adviser and/or the Sightway Funds or affiliates or other compensation, which typically are determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Affiliated Service Provider, a percentage of the value of the portfolio investment, the invested capital exposed to the portfolio investment, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Affiliated Service Providers also generally will be reimbursed for certain travel and other costs in connection with their services. None of the amounts set forth above will offset the Sightway Fund Management Fee.

### **The TSPI Fund**

#### ***Asset-Based Compensation***

The Adviser does not receive asset-based compensation with respect to the TSPI Fund.

#### ***Performance-Based Compensation***

The Adviser (or a related person of the Adviser) is entitled to receive an incentive allocation (the "Incentive Allocation") from the TSPI Fund in an amount equal to 10% of the net profits, if any, allocated to each investor in the TSPI Fund for each fiscal quarter or year, as applicable (and in certain cases, greater amounts depending on the TSPI Fund's performance); provided that the TSPI Fund may have Incentive Allocations taken more or less frequently. Such Incentive Allocations may be subject to adjustment for any previously unrecovered net losses allocated to each investor in prior periods, subject to certain other adjustments and provisions including adjustments to reflect the commercial arrangements in connection with a Seeding Strategy investment. The Adviser is permitted to exempt certain investors in the TSPI Fund from payment of all or a portion of the Incentive Allocation. Any such exemption may be made by a direct exemption or a rebate by the Adviser and/or its affiliates, or through other funds which co-invest with the TSPI Fund. Principals or other current or former employees of Sightway will generally receive a portion of the Incentive Allocation or other compensation received by the Adviser or its affiliates. The Adviser has reserved the right to waive, reduce or calculate differently the

allocation of the Incentive Allocation, in whole or in part, whether by reduction, rebate or otherwise, with respect to any investments held directly or indirectly by the TSPI Fund or any investor (including its affiliates or other parties).

### ***Other Fees and Expenses***

The TSPI Fund bears certain expenses in addition to the Incentive Allocation payable to the Adviser. As set forth more fully in the pertinent Memorandum and Fund Agreement, at the sole discretion of Sightway, the TSPI Fund bears all expenses relating to the TSPI Fund's activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce transaction fees, including without limitation, legal, custodial, banking and accounting expenses (including expenses associated with the preparation of the TSPI Fund's financial statements, tax returns and Schedule K-1s or other required filings), investment-related expenses (including the evaluation, acquisition, holding and disposition thereof, expenses relating to transactions that fail to close and travel and entertainment expenses incurred in connection with potential investments and in connection with monitoring portfolio investments), expenses related to organizing and operating persons through or in which investments may be made, appraisal expenses, the TSPI Fund's allocated share of personnel who are employed by any affiliates of the TSPI Fund and provide services to the TSPI Fund, expenses incurred in connection with the offering of interests, premiums for insurance protecting the TSPI Fund and any covered persons from liabilities to third persons in connection with TSPI Fund affairs, extraordinary expenses, taxes and other governmental charges, fees and duties payable by the TSPI Fund, damages, costs of reporting to investors, costs of winding up and liquidating the TSPI Fund, costs and expenses related to any filing, notification or other regulatory requirements or obligations applicable to the TSPI Fund and/or, to the extent related to the TSPI Fund, Sightway and its affiliates and other similar expenses. The TSPI Fund also bears expenses indirectly to the extent a portfolio company pays expenses, including expenses of the Adviser and/or its affiliates. Where applicable, the TSPI Fund also pays its *pro rata* share of the expenses of the underlying investment vehicles in which it directly or indirectly invests.

To the extent the TSPI Fund invests in the Sightway Funds, the TSV Funds or other investment vehicles managed by the Adviser or the Adviser's affiliates, the TSPI Fund will bear its *pro rata* share of the administrative, operating and other expenses of the applicable Sightway Fund, TSV Fund or such other vehicles. The Adviser or the applicable affiliate of the Adviser may charge (i) a fixed asset-based fee and (ii) an incentive fee or allocation based upon a percentage of the profits earned by the TSPI Fund with respect to its investment with the affiliate.

Also, to the extent the TSPI Fund invests in private investment funds managed by Third-Party Managers, the TSPI Fund will indirectly bear its *pro rata* share of the fees and expenses of those private investment funds. These indirect expenses would include the TSPI Fund's *pro rata* share of an investment entity's investment expenses (such as custodial fees and brokerage commissions), legal, administrative and accounting expenses, and research expenses, and may include overhead expenses (such as rent, personnel expenses, equipment, supplies, management and consulting fees and similar expenses). Third-Party Managers generally will also charge (i) a fixed asset-based fee and (ii) an incentive fee or allocation based upon a percentage of the profits earned by the TSPI Fund with respect to its investment with the Third-Party Manager.



In addition to the Incentive Allocation described above, the TSPI Fund is subject to certain fees or performance-based allocations payable (or allocable, as applicable) to third-party service providers to one or more special-purpose vehicles and commingled funds managed by the Adviser (each, an “Acquisition Entity”) or such providers to the investments held by one or more Acquisition Entities, as applicable.

Additionally, as described above, if the TSPI Fund invests its assets in one or more of the Acquisition Entities, the TSPI Fund will be responsible for its *pro rata* share of the administrative, operating and other expenses of each such Acquisition Entity, which may be all of such administrative, operating and other expenses to the extent there are no other members in such Acquisition Entity.

Please refer to “Item 8. Methods of Analysis, Investment Strategies & Risk of Loss” and “Item 11. Code of Ethics, Participation or Interest in Fund Transactions & Personal Trading” for further discussion of conflicts of interest with respect to the TSPI Fund. Please refer to “Item 12. Brokerage Practices” for further discussion of the Adviser’s brokerage practices and fees. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth therein.

As is typical for private equity funds, the TSPI Fund will likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds.

In certain circumstances, the Adviser will advance amounts related to the foregoing and receive reimbursement from the TSPI Fund.

In addition, in certain circumstances, the Adviser receives compensation for management and other services performed in connection with co-investments made in portfolio companies of the TSPI Fund.

The Adviser and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. It is expected generally that any such compensation will be set at market rates. The receipt of such compensation generally will give rise to potential conflicts of interest between the TSPI Fund, on the one hand, and the Adviser and/or its affiliates on the other hand.

## **The Securitized Asset Fund**

### ***Asset-Based Compensation***

The Adviser receives a management fee (the “Securitized Asset Fund Management Fee”) from the Securitized Asset Fund in an annual amount equal to 0.15% of the Securitized Asset Fund’s net asset value, payable quarterly in arrears on the distribution dates described in the Indenture. The Securitized Asset Fund’s obligation to pay the Securitized Asset Fund Management Fee shall be subject to, and in accordance with, the terms of the Indenture (including the priority of payments, as described in the Indenture).

### ***Performance-Based Compensation***

The Adviser does not receive performance-based compensation with respect to the Securitized Asset Fund.

### ***Other Fees and Expenses***

As the equity owner of the Securitized Asset Fund, the TSPI Fund in most cases generally bears, with regard to the Securitized Asset Fund, most of the expenses described in the TSPI Fund “Other Fees and Expenses” section above along with the expenses of the securitization waterfall. The expenses relevant to the securitization waterfall include, among others: (i) administrative expenses (including, *e.g.*, fees, expenses, indemnities and other amounts due and payable to the Trustee and the calculation agent), expenses and other amounts due and payable to the liquidity lender, other fees and expenses of the Securitized Asset Fund and Holdings (including fees and expenses of counsel, auditors, accountants and the Conflicts Advisory Board fees and rating agency expenses, and fees and expenses of any person incurred as a result of compliance with Rule 17g-5 of the Securities Exchange Act and any other person if specifically provided for in the Indenture); (ii) commitment fees and management fees, (iii) unpaid interest on the Notes; (iv) accrued interest regarding the liquidity loans; (v) amounts specified in the written notice delivered by the Adviser to the Trustee related to distribution dates during the reinvestment period; (vi) redemption premium, as applicable to the Noteholders; (vii) amounts related to capital calls; and (viii) taxes and registration and filing fees.

As a general matter, Noteholders do not bear these expenses. Under certain circumstances, however, as described in the Indenture, to the extent the cash flow of the securitization is insufficient to pay expenses senior to the Notes and the principal and interest regarding the Notes, Noteholders will suffer losses.

Please refer to “Item 8. Methods of Analysis, Investment Strategies & Risk of Loss” and “Item 11. Code of Ethics, Participation or Interest in Fund Transactions & Personal Trading” for further discussion of conflicts of interest with respect to the Securitized Asset Fund. Please refer to “Item 12. Brokerage” for further discussion of the Adviser’s brokerage practices. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth therein.



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

As described under “Item 5. Fees and Compensation,” Sightway receives the Sightway Fund Management Fee and/or carried interest from the Sightway Funds, although it will generally have the authority to waive the Sightway Fund Management Fee or carried interest with respect to certain investors as described under “Item 5. Fees and Compensation.” As described under “Item 5. Fees and Compensation,” the Adviser receives an Incentive Allocation on certain net profits (both realized and unrealized) of the TSPI Fund, although it will generally have the authority to waive an Incentive Allocation with respect to certain investors as described under “Item 5. Fees and Compensation.” The Adviser does not, however, receive performance-based compensation from the Securitized Asset Fund. Differing fee structures and/or differences in proprietary ownership could create an incentive for an adviser to favor one client over another in the allocation of investment opportunities. The Securitized Asset Fund acquires its investments from the TSPI Fund. Determining which investments to allocate to the Securitized Asset Fund and at what price creates a conflict of interest for the Adviser, which is discussed under “Item 11. Code of Ethics, Participation or Interest in Fund Transactions & Personal Trading.”

The existence of performance-based compensation has the potential to create an incentive for the Adviser to make more speculative investments on behalf of the Sightway Funds and the TSPI Fund than it would otherwise make in the absence of such arrangement, although the Adviser generally considers performance-based compensation to better align its interests with those of its investors.

### **Certain Conflicts of Interest Associated with Side-By-Side Management**

There are additional actual and potential conflicts of interest inherent in the organizational structure and operation of the Adviser and its affiliates, certain of which are described below under “Item 8. Methods of Analysis, Investment Strategies & Risk of Loss” and “Item 11. Code of Ethics, Participation or Interest in Fund Transactions & Personal Trading.” The discussion below does not purport to be a comprehensive discussion of all of the conflicts of interest associated with the Adviser and an investment in a Fund. The Memorandum or offering circular, as applicable, and other pertinent disclosure or governing documents, as applicable, contain additional information with respect to the actual and potential conflicts associated with an investment in a Fund.

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## Item 7. Types of Clients

The Adviser provides investment advice to the Funds. Each of the TSPI Fund and the Securitized Asset Fund is a limited liability company formed under laws of the State of Delaware and operated as an exempt investment pool under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). Sightway Fund I consists of two limited partnerships formed under laws of the Cayman Islands and operated as an exempt investment pool under the Investment Company Act. The investors participating in the Sightway Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Sightway and its affiliates and members of their families. The investors participating in the TSPI Fund include, directly or indirectly, current or former partners or employees of the Adviser and its affiliates or their estate planning vehicles (or other similar investors). The TSPI Fund holds the equity in the Securitized Asset Fund. The Notes of the Securitized Asset Fund are held by third-party investors who are both qualified institutional buyers (as defined in Rule 144A under the Securities Act of 1933, as amended) and qualified purchasers (as defined in the Investment Company Act).

With respect to the Sightway Fund and the TSPI Fund, initial and additional subscription minimums, if any, are disclosed in the relevant Memorandum or Fund Agreement, as applicable. The minimum denominations of the Notes are disclosed in the offering documents of the Securitized Asset Fund. The Adviser is typically authorized to waive, reduce or modify such subscription minimums, subject to certain limitations in accordance with applicable law or regulation.

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

### The Sightway Funds

#### **General**

The Sightway Funds are private equity funds that generally invest through negotiated transactions in portfolio investments. In particular, Sightway Fund I was formed to acquire interests in an existing pool of nine platform investments that were previously held, directly or indirectly, by the TSPI Fund. The Adviser's investment advisory services with respect to the Sightway Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted.

The strategies the Sightway Funds pursue are long-term in nature and generally include investment lock-up provisions. These strategies are generally discretionary in nature, and the Sightway Funds generally seek to achieve absolute returns commensurate with a corresponding level of investment and liquidity risk. There can be no assurance that the Adviser or the Sightway Funds will achieve their investment objectives, and a loss of investment is possible.

#### **Risks of Investment**

An investment in the Sightway Funds involves significant risks and other considerations and, therefore, should be undertaken only by prospective investors capable of evaluating and bearing such risks. The Sightway Funds' returns may be unpredictable and the Sightway Funds' investment programs are not suitable as the sole investment vehicle for an investor. A prospective investor should only invest in the Sightway Funds as part of a broad overall investment strategy, and only if the prospective investor is able to withstand both extended periods of illiquidity and a total loss of its investment. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the limited partner interests in a Sightway Fund. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Sightway Funds will meet their investment objectives or otherwise be able to successfully carry out its investment program. The following list is not a complete list of all risks and other considerations involved in connection with an investment in the Sightway Funds. Prospective investors should consult the Memorandum, Fund Agreement and subscription agreement, as applicable, of the relevant Sightway Fund.

#### **General Fund Risks**

**Business Risks.** There can be no assurance that the Sightway Funds will be able to generate returns for investors or that the returns will be commensurate with the risks of holding and investing in the types of investments, assets or companies and transactions that the Sightway Funds will pursue. There can be no assurance that any investor will receive any distribution from

a Sightway Fund. The Sightway Funds' portfolio investments involve a high degree of business and financial risk that can result in substantial losses, and all investments involve the risk of loss of capital. Accordingly, an investment in the Sightway Funds should only be considered by persons who can afford a loss of their entire investment as part of an overall investment strategy.

***Future and Past Performance.*** The performance of Sightway's principals' (the "Principals") prior investments or the Sightway Funds' portfolio investments to date is not necessarily indicative of a Sightway Fund's future results. While Sightway intends for the Sightway Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return, if provided to investors, will be achieved. On any given investment, loss of principal is possible.

***Uncertain Exit Strategies.*** Due to the illiquid nature of the Sightway Funds' portfolio investments, Sightway is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies that appear to be viable when an investment is initiated (or at the time that the investments are contributed to the Sightway Funds, as applicable) may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors. Certain of the Sightway Funds' assets are expected to be self-liquidating and it is possible that there will be no means to exit the holding, even if Sightway's view as to potential future performance of the portfolio investment has changed.

***Concentration of Investments.*** Each Sightway Fund's portfolio is expected to be highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect a Sightway Fund's aggregate return.

***Need for Follow-On Investments.*** The Sightway Funds may decide to provide additional funds to a portfolio investment or may have the opportunity to increase its investment in a successful portfolio investment (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). Such investment opportunities include but are not limited to traditional follow-on investments, the allocation of capital for add-on or related investments, expansion capital, funding capital that will be placed on the balance sheet of such company for the making of loans, the acquisition of single assets or pools of assets, or additional investments in company operations. There is no assurance that the Sightway Funds will make any such investments or that the Sightway Funds will have sufficient funds to make all or any of such investments. Any decision by the Sightway Funds not to make any such investments or its inability to make such investments may have a substantial negative effect on a portfolio investment in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for a Sightway Fund to increase its participation in or the value of a successful portfolio investment or the dilution of such Sightway Fund's ownership in a portfolio investment if a third party invests in such portfolio investment. Please also see "Potential Conflicts of Interest" below for additional considerations related to follow-on investments.

***Lack of Control by Investors; No Right to Control.*** Sightway will have exclusive responsibility for each Sightway Fund's activities. Other than as set forth herein and in the

applicable Fund Agreement, investors will not be able to make investment, disposition or any other decisions concerning the management of any Sightway Fund. Investors have no rights or powers to take part in the management of the Sightway Funds or make investment decisions and will not receive the amount of any portfolio investment's financial information that is generally available to Sightway. For the avoidance of doubt, investors will not have the opportunity to control the Sightway Funds' day-to-day operations or have the ability to select, veto or cause the sale or other disposition of any investments by the Sightway Funds or to determine the timing of any distribution by or liquidation of the Sightway Funds. Sightway will generally have sole and absolute discretion in structuring, restructuring, financing and eventually divesting investments on behalf of the Sightway Funds (subject to specified exceptions, including with respect to the timing thereof). Accordingly, no person should purchase interests in the Sightway Funds unless such person is willing to entrust all aspects of the management of the Sightway Funds to Sightway. To safeguard their limited liability from the liabilities and obligations of the Sightway Funds, investors must rely entirely on Sightway to conduct and manage the affairs of the Sightway Funds.

***Diverse Investors.*** Investors may have conflicting investment, tax and other interests with respect to their investments in the Sightway Funds and with respect to the interests of investors in other investment vehicles managed or advised by Sightway that may participate in the same investments as a Sightway Fund. The conflicting interests of individual investors with respect to other investors and investors in other investment vehicles would generally relate to or arise from, among other things, the nature of investments made by the Sightway Funds and such other investment vehicles, the structuring or the acquisition of investments, and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by Sightway, including with respect to the nature or structuring of investments, which may be more beneficial for one or more (but not all) investors than for another investor, especially with respect to investors' individual tax situations. In addition, the Sightway Funds may make investments that may have a negative impact on related investments made by investors in separate transactions. In selecting and structuring investments appropriate for the Fund, Sightway will consider the investment and tax objectives of the Sightway Funds and their investors as a whole (and those of investors in other investment vehicles managed or advised by Sightway that participate in the same investments as the Sightway Funds), not the investment, tax, or other objectives of any investor individually. In addition, certain investors may also be investors in other investment funds sponsored or managed by Sightway, including co-investment vehicles that may invest alongside the Sightway Funds in one or more investments. Investors may also include affiliates of Sightway, such as other Funds, affiliates of the portfolio investments of the Sightway Funds or other Funds, charities or foundations associated with Sightway personnel and/or current or former Sightway employees, Sightway's senior advisors and any such affiliates, funds or persons may also invest through the vehicles established in connection with Sightway's side-by-side co-investment rights. It is also possible that the Sightway Funds or the Sightway Funds' portfolio investments will be counterparties (such counterparties dealt with on an arm's-length basis) or participants in agreements, transactions or other arrangements with an investor or an affiliate of an investor. Such investors described in the previous sentences may therefore have different information about Sightway and the Sightway Funds than investors not similarly positioned. In addition, conflicts of interest may arise in dealing with any such investors, and Sightway may not be motivated to act solely in accordance with its interests relating to the Sightway Funds. Similarly, not all investors monitor their

investments in vehicles such as the Sightway Funds in the same manner. For example, certain investors may periodically request from Sightway information regarding the Sightway Funds and investments and/or portfolio companies that is not otherwise set forth in (or has yet to be set forth) in the reporting and other information required to be delivered to all investors, for instance, pre-quarterly reporting valuation. In such circumstances, Sightway may provide such information to such investor, but because it has provided such information upon request by one or more investors does not mean Sightway will be obligated to affirmatively provide such information to all investors (although Sightway will generally provide the same information upon request and treat investors equally in that regard). As a result, certain investors (particularly investors that are affiliated with Sightway and/or the TSPI Fund) will likely have more information about the Sightway Funds, and/or will likely receive information about the Sightway Funds at an earlier time, than other investors, and Sightway will have no duty to ensure all investors seek, obtain or process the same information regarding the Sightway Funds and their portfolio investments.

***Impact of Government Regulation, Reimbursement and Reform.*** Certain industry segments in which the Sightway Funds has invested, including various segments of the financial services, transportation and oil, energy and gas industries, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Sightway Funds intend that their portfolio investments would seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the financial services, transportation and oil, energy and gas industries, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Sightway Funds invest. By way of example, the financial services industries has been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals related to such industries are introduced from time to time, which, if adopted, could have a significant impact on such industries in general and/or on companies in which the Sightway Funds have invested.

***Illiquidity; Lack of Current Distributions.*** An investment in the Sightway Funds should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Sightway Fund (including the Sightway Fund Management Fee payable to the Adviser) may exceed its income, thereby requiring that the difference be paid from a Sightway Fund's capital, including unfunded commitments to a Sightway Fund.

***Leveraged Investments.*** A Sightway Fund or its portfolio investment may make use of leverage in the future, and certain portfolio investments currently have indebtedness under credit

facilities, through securitizations or under or through other debt instruments. Leverage generally magnifies both the Sightway Funds' and the portfolio investment's, as applicable, opportunities for gain and its risk of loss. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by the Sightway Funds or a portfolio investment will also result in interest expense and other costs to the Sightway Funds or portfolio investment that may not be covered by distributions made to the Sightway Funds or appreciation of its investments, or the operating income of a portfolio investment, as applicable. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of certain of the Sightway Funds' portfolio investments will increase the exposure of the Sightway Funds' investments to any deterioration in a portfolio investments' condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Sightway Funds' investments in the leveraged portfolio investments in a down market. In the event any portfolio investment cannot generate adequate cash flow to meet its debt service, the Sightway Funds may suffer a substantial or total loss of capital invested in the portfolio investment, which could adversely affect the returns of the Sightway Funds. Furthermore, should the credit markets be limited or costly at the time a Sightway Fund determines that it is desirable to sell all or a part of a portfolio investment, such Sightway Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the portfolio investments in which the Sightway Funds will invest generally will not be rated by a credit rating agency. The Sightway Funds may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio investment's debt) or otherwise be liable therefor, and in such situations, it is not expected that the Sightway Funds would be compensated for providing such guarantee or exposure to such liability. The use of leverage by the Sightway Funds also will result in interest expense and other costs to the Sightway Funds that may not be covered by distributions made to the Sightway Funds or appreciation of their investments. The Sightway Funds may incur leverage on a joint and several basis with one or more other investment funds and entities managed by Sightway or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent the Sightway Funds incur leverage (or provides such guaranties), such amounts may be secured by capital commitments made by the Sightway Funds' investors and such investors' contributions may be required to be made directly to the lenders instead of the Sightway Funds.

***Limited Transferability of Fund Interests.*** There will be no public market for the Sightway Funds' interests, and none is expected to develop. There are substantial restrictions upon the transferability of the Sightway Funds' interests under the applicable Fund Agreements and applicable securities laws. In general, withdrawals of the Sightway Funds' interests are not permitted. In addition, the Sightway Funds' interests are not redeemable.

***Restricted Nature of Investment Positions.*** Certain investments may be distributed in kind to the investors and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to investors, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which

such securities may be sold by such investors may be lower than the value of such securities determined pursuant to the applicable Fund Agreement, including the value used to determine the amount of carried interest available to Sightway with respect to such investment.

***Reliance on Sightway and Portfolio Investment Management.*** At its initial closing, each Sightway Fund is a newly formed entity and has no operating history, and a significant number of their portfolio investments are expected to be relatively new and will require substantial additional capital. Whether and to the extent such capital is ultimately invested is subject to the discretion of the Principals. Control over the operation of the Sightway Funds will be vested with Sightway, and the Sightway Funds' future profitability will depend largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on the Sightway Funds' ability to realize its investment objectives. In addition, the Principals currently, and may in the future, manage other investment funds besides the Sightway Funds and the Principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the Principals. Investors generally have no right or power to take part in the management of the Sightway Funds, and as a result, the investment performance of the Sightway Funds will depend on the actions of Sightway.

Although Sightway will monitor the performance of each portfolio investment, it will primarily be the responsibility of each portfolio investment's management team to operate such portfolio investment on a day-to-day basis.

***Reliance on TSI.*** TSI provides various services to the Adviser, including, but not limited to, administrative, legal, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other related and miscellaneous services. It is expected that this arrangement will be formalized in a services agreement (the "Services Agreement") pursuant to which the Adviser will pay TSI a fee for the provision of these services. Such fee will be borne by the Adviser and not directly or indirectly by its clients. All personnel of the Adviser have a direct employment relationship with TSI and not with the Adviser.

Because of the services provided to the Adviser by TSI, the Adviser's performance will be materially dependent on TSI and the talents and efforts of individuals employed by TSI. TSI is not a fiduciary to the Adviser or to any of its clients. The success of the Adviser and the Sightway Funds will largely be dependent upon TSI's ability to continue to provide services to the Adviser. If TSI ceases to do so, or to do so effectively, the Adviser and the Sightway Funds will be adversely affected. The Adviser has no control over TSI, and TSI may make decisions without regard to, knowledge or consideration of, the business objectives of the Adviser or the investment objective of the Sightway Funds (subject to the Services Agreement, if ultimately entered into).

***Projections.*** Projected operating results, if any, of a portfolio investment will be based primarily on financial projections prepared by such portfolio investment's management, with adjustments to such projections made by Sightway in its discretion. In all cases, such projections, if any, are only estimates of future results that are based upon information received from the portfolio investment and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in any projections, if any, will be



attained, and actual results may be significantly different from such projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

***Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.*** There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Sightway Funds' activities, including the ability of the Sightway Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

***Governmental Filings.*** The Adviser may, in its sole discretion, elect to cause a Sightway Fund to refrain from entering into a transaction that the Adviser may otherwise have caused such Sightway Fund to enter into if such transaction would cause such Sightway Fund, any other Fund, any Two Sigma Fund, any Acquisition Entity, the Adviser or any of their respective affiliates or personnel to make a governmental or regulatory filing in the United States or any non-U.S. jurisdiction. Any such election by the Adviser may cause a Sightway Fund to (x) forgo an investment opportunity that the Adviser had determined may otherwise generate a profit for such Sightway Fund and/or (y) incur additional expenses, including without limitation, brokerage and/or legal fees.

***Absence of Regulatory Oversight; Investment Company Act of 1940.*** Although Sightway is registered as an investment adviser under the Advisers Act and the Sightway Funds may be considered similar in some ways to an investment company, the Sightway Funds is not required and does not intend to register under the Investment Company Act, and, accordingly, investors are not afforded the protections of the Investment Company Act.

It is anticipated that the Sightway Funds will be exempt from the provisions of the Investment Company Act. Sightway will rely on the exemptions contained in Section 3(c)(7) of the Investment Company Act. Section 3(c)(7) exempts issuers which are not making and do not presently propose to make a public offering of their securities and whose outstanding securities are owned exclusively by "qualified purchasers" as defined in Section 2(a)(5)(A) of the Investment Company Act. In order to assure compliance with this exemption, all investors in the Sightway Funds are expected to be required to make certain representations as to their status as "qualified purchasers." The Sightway Funds at all times intends to conduct its business so as not to become required to register as an investment company under the Investment Company Act; however, there can be no assurance that it will be able to do so. If the Sightway Funds fail to qualify for exemption from such registration, it might be unable to conduct its business, and such failure could have a material adverse effect on the Fund.

***FOIA.*** Some of the Sightway Funds' interests may be held by investors, such as public pension plans and listed investment vehicles, that are subject to public disclosure requirements. The amount of information about their investments that is required to be disclosed has increased in recent years, and that trend may continue. There can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which the Sightway Funds or Sightway and their affiliates or service providers to any of them may be or become subject. To

the extent that Sightway determines in good faith that, as a result of the U.S. Freedom of Information Act (“FOIA”), any governmental public records access law, any state or other jurisdiction’s laws similar in intent or effect to FOIA, or any other similar statutory or regulatory requirement, an investor or any of its affiliates may be required to disclose information relating to the Sightway Funds, their affiliates, and/or any entity in which an investment is made. Sightway may, in order to prevent any such potential disclosure, withhold all or any part of the information otherwise to be provided to such investor, as more fully described in the applicable Fund Agreement. Without limiting the foregoing, in the event that any party seeks the disclosure of information relating to the Sightway Funds, their affiliates, and/or any entity in which an investment is made under FOIA or any such similar law, Sightway may, in its discretion, initiate legal action and/or otherwise contest such disclosure, which may or may not be successful, and any expenses incurred therewith will be borne by the Sightway Funds. Notwithstanding the foregoing, to the extent that disclosure of confidential information relating to the Sightway Funds or its portfolio investments results from Sightway Fund interests being held by investors that are subject to public disclosure requirements, the Sightway Funds may be adversely affected.

***OFAC and FCPA Considerations.*** Economic and trade sanction laws in the United States and other jurisdictions may prohibit Sightway, Sightway’s professionals, the Sightway Funds, their portfolio investments and their respective officers, directors and employees from transacting with or in certain countries and with certain entities, individuals and companies. In the United States, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) and the U.S. Department of State administer and enforce laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at <<http://www.treas.gov/ofac>>. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may significantly restrict the Sightway Funds’ activities in certain countries. The economic sanctions and related laws of different jurisdictions in which the Sightway Funds invests also may conflict with one another, such that compliance with all applicable laws may be difficult. Failure by Sightway, the Sightway Funds or any of the Sightway Funds’ portfolio investments to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties. At the same time, Sightway may be obligated to comply with certain anti-boycott laws and regulations, which prevent Sightway and the Sightway Funds from engaging in certain discriminatory practices that may be allowed or required in certain jurisdictions. Sightway’s failure to discriminate in this manner could make it more difficult for the Sightway Funds to engage in certain business activities.

In some countries, there is a greater acceptance than in the United States of government involvement in commercial activities, and of corruption. Sightway, Sightway’s professionals and the Sightway Funds are committed to complying with the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-

boycott regulations, to which they are subject. As a result, the Sightway Funds may be adversely affected because of its unwillingness to participate in transactions that potentially violate such laws or regulations.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA and focused on private equity sponsors' compliance with the FCPA. While Sightway has developed and implemented a compliance program which it believes is reasonably designed to ensure compliance by Sightway and its personnel with the FCPA, even reasonable compliance programs may not be able to prevent all instances of corruption. In addition, in spite of Sightway's policies and procedures, affiliates of portfolio investments, particularly in cases where the Sightway Funds or another Fund or vehicle does not control such portfolio investment, and third party consultants, managers and advisors may engage in activities that could result in FCPA violations.

Any determination that Sightway, the Sightway Funds, any of their portfolio investments or any of their respective officers, directors or employees has violated the FCPA or other applicable anti-corruption laws, anti-bribery laws, U.S. anti-boycott regulations or sanctions requirements could subject the Sightway Funds to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect the Sightway Funds' business prospects and/or financial position, as well as the Sightway Funds' ability to achieve its investment objective and/or conduct its operations. The Sightway Funds may incur costs and expenses associated with engaging external counsel or other third party consultants or professionals in connection with inquiries or investigations relating to FCPA or other applicable anti-corruption laws or anti-bribery laws.

***Risks Associated with the Prevention of Anti-Money Laundering.*** As part of Sightway's responsibility for the prevention of money laundering under applicable laws, a Sightway Fund, through its administrator, may require a detailed verification of a prospective investor's identity and the source of such prospective investor's funds. In the event of delay or failure by a prospective investor to produce any such information required for verification purposes, a Sightway Fund may refuse to admit the investor to the fund. As a result, Sightway or a Sightway Fund through its administrator may from time to time request (outside of the subscription process), and investors will be obligated to provide to a Sightway Fund through its administrator or Sightway as appropriate upon such request, additional information as from time to time may be required for Sightway and/or a Sightway Fund to satisfy their respective obligations under these and other laws that may be adopted in the future. Also, Sightway or a Sightway Fund through its administrator may from time to time be obligated to file reports with regulatory authorities in various jurisdictions with regard to, among other things, the identity of investors and suspicious activities involving their investments. In the event it is determined that any investor, or any direct or indirect owner of any investor, is a person identified in any of these laws as a prohibited person, or is otherwise engaged in activities of the type prohibited under these laws, Sightway or a Sightway Fund through its administrator may be obligated, among other actions to be taken, to withhold distributions of any funds otherwise owing to such investor or to cause such investor's interests to be cancelled or otherwise redeemed (without the payment of any consideration in respect of those interests).

Sightway may decline to accept a subscription if this information is not provided or on the basis of such information that is provided. Requests for documentation and additional information may be made by Sightway or a third-party service provider engaged by Sightway or its affiliates at any time during which an investor holds an interest in a Sightway Fund. Sightway or a Sightway Funds through its administrator may be required to provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying the investors that the information has been provided. Sightway or a Sightway Fund through its administrator will take such steps as it determines are necessary to comply with applicable law, regulations, orders, directives, or special measures. Governmental authorities are continuing to consider appropriate measures to implement and at this point it is unclear what steps Sightway or a Sightway Fund through its administrator may be required to take; however, these steps may include prohibiting an investor from making further contributions of capital to a Sightway Fund, depositing distributions which an investor would otherwise be entitled to in an escrow account, or causing the withdrawal of an investor from a Sightway Fund.

The Bank Secrecy Act of 1970 and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended (the “USA PATRIOT Act”), signed into law on and effective as of October 26, 2001, requires that financial institutions, a term that includes banks, broker-dealers and investment companies, establish and maintain compliance programs to guard against money laundering activities. The USA PATRIOT Act authorizes the Secretary of the U.S. Treasury to prescribe regulations in connection with anti-money laundering policies of financial institutions. Future rules and regulations regarding money laundering or proceeds of crime could regulate the Sightway Funds or Sightway.

In this regard, in September 2002 and May 2003, the Treasury Department published proposed regulations that would have, respectively, required certain unregistered investment companies and investment advisers to establish anti-money laundering programs. Although those proposed regulations were withdrawn in October 2008, the Treasury Department indicated that it “will continue to consider whether and to what extent” it should impose such requirements on investment advisers and unregistered investment companies.

Laws or regulations may presently or in the future require the Sightway Funds, Sightway or other service providers to the Sightway Funds to establish additional anti-money laundering procedures, to collect information with respect to investors, to share information with governmental authorities with respect to investors or to implement additional restrictions on the transfer of Sightway Fund interests.

The Sightway Funds therefore reserve the right to request such information as is necessary to verify the identity of the prospective transferee and the source of the monies for the their interests, or as is necessary to comply with any customer identification programs required by the Treasury Department, the Financial Crimes Enforcement Network, the SEC or any other applicable regulatory body, and to take such other actions that are necessary to enable it to comply with applicable anti-money laundering laws, including the USA PATRIOT Act. In the event of a delay or failure by the prospective transferee to produce any information required for verification purposes, a transfer of a Sightway Fund’s interests may be delayed or refused.

***Pay-to-Play Laws, Regulations and Policies.*** In light of controversies and highly publicized incidents involving money managers, a number of states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation with respect to a government plan investor for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. If Sightway or its respective employees or affiliates, or any service provider acting on their behalf fail to comply with such pay-to-play laws, regulations or policies, such non-compliance could have an adverse effect on Sightway and thus the Sightway Funds by, for example, providing the basis for the withdrawal of the affected government plan investor. Investors also may seek to pursue individual remedies, including withdrawal rights, which may be included in Side Letters or otherwise imposed by applicable law, regulation or policy.

***Alternative Investment Fund Managers Directive.*** The European Union (“EU”) AIFMD regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (“EEA”).

To the extent the Sightway Funds is actively marketed to investors domiciled or having their registered office in the EEA: (i) the Sightway Funds and Sightway will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in the Sightway Funds incurring additional costs and expenses; (ii) the Sightway Funds and Sightway may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in the Sightway Funds incurring additional costs and expenses or may otherwise affect the management and operation of the Sightway Funds; (iii) Sightway will be required to make detailed information relating to the Sightway Funds and its investments available to regulators and third parties; and (iv) the AIFMD will also restrict certain activities of the Sightway Funds in relation to EEA portfolio investments, including, in some circumstances, the Sightway Funds’ ability to recapitalize, refinance or potentially restructure an EEA portfolio investment within the first two years of ownership, which may in turn affect operations of the Sightway Funds generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Sightway Funds to raise its targeted amount of commitments.

In the future, it may be possible for non-EEA alternative investment fund managers (“AIFMs”) to market an alternative investment fund (“AIF”) within the EEA pursuant to a pan-European marketing “passport”, instead of under national private placement regimes. Access to this passport may be subject to the non-EEA AIFM complying with various additional requirements under the AIFMD, which may include one or more of the following: additional conduct of business and organizational requirements; rules relating to the remuneration of certain personnel; minimum regulatory capital requirements; restrictions on the use of leverage; additional disclosure and reporting requirements to both investors and EEA home state regulators; independent valuation of an AIF’s assets; and the appointment of an independent depositary. Certain EEA Member States have indicated that they will cease to operate national

private placement regimes when, or shortly after, the passport becomes available, which would mean that non-EEA AIFMs to whom the passport is available would be required to comply with all relevant provisions of the AIFMD in order to market to professional investors in those jurisdictions. As a result, if in the future non-EEA AIFMs may only market in certain EEA jurisdictions pursuant to a passport, Sightway may not seek to market interests in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in a Sightway Fund. Alternatively, if Sightway sought to comply with the requirements to use the passport, this could have adverse effects including, amongst other things, increasing the regulatory burden and costs of operating and managing the Sightway Funds and its investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting Sightway's ability to recruit and retain these personnel.

***United Kingdom Exit from the EU.*** On June 23, 2016, the people of the United Kingdom ("UK") voted in a referendum to leave the EU. As at the date hereof, there has been no change in the status of the UK as a member of the EU. Pursuant to the EU constitution, the only method of withdrawal is via Article 50 of the Treaty of the EU, which itself provides for a period of up to two years during which the terms of the UK's ongoing relationship with the EU will be negotiated. The Article 50 procedure was triggered by the UK government on 29 March 2017; accordingly, it is currently anticipated that the UK will cease to be a member of the EU by the end of March 2019 (subject to any transitional arrangements or extensions which may be agreed).

As a result of the UK ceasing to be a member of the EU, the manner in which the Sightway Funds invest in assets located within the EU may be impacted. The terms of the UK's exit from the EU are not clear, and the shape of the regulatory landscape following exit is not yet defined; the legal, political and economic uncertainty generally resulting from the UK referendum result and anticipated exit from the EU may adversely impact UK-based businesses, and may also result in an economic slowdown and/or a deteriorating business environment in one or more EU Member States.

***European Investments.*** Certain portfolio investments are located in Europe. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Sightway Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Sightway Funds and/or investors with respect to the Sightway Funds' income, and possible non-U.S. tax return filing requirements for the Sightway Funds and/or investors.

The accounts of the Sightway Funds will be maintained in U.S. Dollars. The Sightway Funds' investments may be made in currencies other than U.S. Dollars. The value of an investment may fall substantially as a result of fluctuations in the currency of the country in which the investment is made as against the value of the U.S. Dollars, and the Sightway Funds may be unable to or may choose not to purchase associated currency hedges or currency hedges that are sufficient to minimize such currency risks.

The recent European sovereign debt crisis has raised questions concerning the continued

viability of the Euro zone's single currency and increased the risk of a possible failure of the Euro. Europe is experiencing increasing challenges as a result of certain member-countries' financial difficulties and the uncertainty around their fiscal and monetary policy direction. Volatility in the currency markets may result in a Sightway Fund's investment portfolio incurring higher costs and may adversely impact the profitability and cash flows from operations of its portfolio investments.

Additionally, the Sightway Funds may be less influential than other market participants in jurisdictions where it does not have a significant presence. The Sightway Funds may be subject to additional risks, which include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. While Sightway intends, where deemed appropriate, to manage the Sightway Funds in a manner that will minimize exposure to the foregoing risks and will take these factors into consideration in making investment decisions for the Sightway Funds, there can be no assurance that adverse developments with respect to such risks will not adversely affect the assets of the Sightway Funds.

***MiFID II Obligations.*** The Recast European Union Directive on Markets in Financial Instruments ("MiFID II") came into effect on January 3, 2018 and imposes regulatory obligations in respect of providing financial services in the EEA by EEA banks and EEA investment firms providing regulated services (each an "Investment Firm"). Sightway Capital is a non-EEA investment company and is, therefore, not subject to MiFID II but can be indirectly affected. MiFID II will, among others, restrict Investment Firms' ability to obtain research in connection with the provision of an investment service. For example, Investment Firms providing portfolio management or independent investment advice may purchase investment research only at their own expense or out of specifically dedicated research payment accounts agreed upon with their clients. Research will also have to be unbundled and paid separately from the trading commission. EEA broker-dealers will unbundle research costs and invoice them to Investment Firms separated from dealing commissions.

Therefore, in light of the above, MiFID II could have an adverse effect on the ability of Sightway Capital and its MiFID-authorized EEA affiliates to obtain and to provide research. The new requirements regarding the unbundling of research costs under MiFID II are not consistent with market practice in the United States and the regulatory framework concerning the use of commissions to acquire research developed by the United States SEC, although the SEC has issued temporary no-action letters to facilitate compliance by firms with the research requirements under MiFID II in a manner that is consistent with the U.S. federal securities laws. Sightway Capital's access to third party research may nonetheless be significantly limited.

Some EEA jurisdictions extend certain MiFID II obligations also to other market participants (e.g. AIFMs) under national law. There is very little guidance and limited market practice that has developed in preparation for MiFID II. As such, the precise impact of MiFID II on the Sightway Funds and Sightway cannot be fully predicted at this stage.

**GDPR Compliance Risk.** Data protection and regulations related to privacy, data protection and information security could increase costs to the Sightway Funds or a portfolio investment, and a failure to comply could result in fines, sanctions or other penalties to the Sightway Funds or a portfolio investment, which could materially and adversely affect the results of operations.

Portfolio investments are subject to regulations related to privacy, data protection and information security in the jurisdictions in which they do business. As privacy, data protection and information security laws are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

EU data protection law currently in effect is derived from the General Data Protection Regulation (EU 2016/679) (the “GDPR”). The GDPR seeks to harmonize national data protection laws across the EU, whilst at the same time, modernizing the law to address new technological developments. As a regulation, the GDPR is binding on data controllers and data processors in all EU member states, immediately upon coming into effect, without the need for implementation in each member state. The GDPR notably has a greater extra-territorial reach and will have a significant impact on data controllers and data processors either with an establishment in the EU, or which offer goods or services to EU data subjects or monitor EU data subjects’ behavior within the EU. The new regime will impose more stringent operational requirements on both data controllers and data processors, and will introduce significant penalties for non-compliance with fines of up to 4% of total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach.

The current ePrivacy Directive, will also be repealed by the EU Commission’s Regulation on Privacy and Electronic Communications (the “ePrivacy Regulation”) which aims to reinforce trust and security in the digital single market by updating the legal framework on ePrivacy. The ePrivacy Regulation is in the process of being finalized and is due to come into force in early 2019.

Compliance with current and future privacy, data protection and information security laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of the current and planned business activities of Sightway and the Sightway Funds. A failure to comply with such laws could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business, as well as have an impact on reputation.

**Non-U.S. Investments.** The Sightway Funds have invested and are expected to make additional investments in portfolio investments that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates (which the Sightway Funds or a portfolio investment, as applicable, may or may not hedge against), capital repatriation regulations (as such regulations may be given effect during the term of a Sightway Fund), the application of complex U.S. and non-U.S. tax rules to



cross-border investments, possible imposition of non-U.S. taxes on the Sightway Funds and/or investors with respect to the Sightway Funds' income, and possible non-U.S. tax return filing requirements for the Sightway Funds and/or investors.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

***Difficulty of Bringing Suit or Foreclosure in Non-U.S. Countries.*** Because the effectiveness of the judicial systems in the countries in which the Sightway Funds invest varies, the Sightway Funds (or any portfolio investment) may have difficulty in foreclosing or successfully pursuing claims in the courts of such countries, as compared to the United States or other countries. Further, to the extent the Sightway Funds or a portfolio investment may obtain a judgment but is required to seek its enforcement in the courts of one of these countries in which the Sightway Funds invests, there can be no assurance that such courts will enforce such judgment. The laws of other countries often lack the sophistication and consistency found in the United States with respect to foreclosure, bankruptcy, corporate reorganization or creditors' rights.

***Political/Sovereign Risks.*** The economies of certain individual emerging markets will differ, favorably or unfavorably, from those of fully-developed markets in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Governments of certain countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the local government owns and/or controls many companies, including some of the largest in the country. Accordingly, government actions could have a significant effect on economic and market conditions in certain markets and may have a significant indirect effect on the performance of the Sightway Funds' investments. Government approvals can be required in connection with private transactions, and such approvals may take a far longer period of time to obtain than in fully-developed markets. Moreover, certain markets in Europe generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. With respect to certain markets in Europe and Latin America, there is the possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, economic or social instability, including civil unrest and ethnic conflict, diplomatic developments or regional hostilities (including war) or terrorism, which could affect adversely the economies of such countries or the value of the Sightway Funds' investments in those countries. Such instability may impede business activity and adversely affect the environment for foreign investments. In addition, the inter-relatedness of certain economies in Europe has deepened over the years, with the effect that economic difficulties in one country often spread throughout an applicable region. No assurance

can be given that the Sightway Funds' portfolio will not be adversely affected by effects in countries outside of where investments are located.

***Force Majeure Risks.*** Sightway, the Sightway Funds, portfolio investments, their respective affiliates and counterparties and other persons and entities may be adversely affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, adverse weather conditions, assertion of eminent domain, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, riots, terrorism and labor strikes), which may affect the ability of the foregoing parties to perform their obligations until any such force majeure event is remedied. These catastrophic events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects. The cost to a portfolio investment or the Sightway Funds of repairing or replacing damaged assets resulting from such force majeure event could be considerable. In addition, repeated or prolonged service interruptions resulting from a force majeure event may cause a permanent loss of customers, substantial litigation or significant penalties for regulatory or contractual non-compliance, though in some cases, agreements may be terminable if a force majeure event is so catastrophic as to render it incapable of remedy within a reasonable, pre agreed time period. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Sightway Funds may invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio investments or its assets, could result in a loss to the Fund, including if its investment in such portfolio investment is canceled, unwound or acquired (which could be without what the Sightway Funds considers to be adequate compensation). Any of the foregoing may therefore adversely affect the performance of the Sightway Funds and its investments. Some force majeure risks are generally uninsurable and, in some cases, investment project agreements can be terminated if the force majeure event is so catastrophic that it cannot be remedied within a reasonable time period.

***Cyber Security Breaches and Identity Theft.*** Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. Sightway and its affiliates, including the Sightway Funds, and their portfolio investments' and service providers' information and technology systems may be vulnerable to damage or interruption from cyber security breaches, computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, power outages and catastrophic events (including fires, tornadoes, floods, hurricanes and earthquakes), or usage errors by their respective professionals or service providers. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including nonpublic personal information related to investors (and their beneficial owners) and material nonpublic information. Although Sightway has implemented, and portfolio investments and service providers may implement, various measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Sightway does not control the cyber security plans and systems put in place by third party service providers, and such third party

service providers may have limited indemnification obligations to Sightway, its affiliates, the Sightway Funds, investors and/or a portfolio investment, each of whom could be negatively impacted as a result. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Sightway's, its affiliates', the Sightway Funds' and/or a portfolio investment's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and their beneficial owners), material nonpublic information and the intellectual property and trade secrets and other sensitive information in the possession of Sightway and/or portfolio investments.

Furthermore, breach of Sightway's technology systems through cyber-attacks, or failure to manage and secure Sightway's technology environment, could result in malfunctions in the operations of Sightway's business, loss of valuable information, loss of investments, liability for stolen assets or information, remediation costs to repair damage caused by a breach, additional costs to mitigate against future incidents and litigation costs resulting from an incident. Moreover, loss of confidential client information could harm Sightway's, the Sightway Funds' and/or a portfolio investment's reputation and subject any such entity and its respective affiliates to liability and legal claims under the laws that protect personal data, resulting in increased costs or loss of revenues or otherwise affect their business and financial performance.

Sightway, the Sightway Funds and/or a portfolio investment could be required to make a significant investment of time and/or expenses to remedy the effects of any such failures, harm to their reputations, legal claims that they and their respective affiliates may be subjected to, regulatory action or enforcement arising out of applicable privacy and other laws, adverse publicity, and other events that may affect their business and financial performance.

***Possibility of Fraud or Other Misconduct of Employees and Service Providers.*** Misconduct by (i) the employees, officers, directors, partners, members and managers of Sightway and portfolio investments, (ii) service providers to portfolio investments, Sightway, the Sightway Funds and/or their respective affiliates, and (iii) third-party operators could undermine the due diligence efforts of the Sightway Funds and/or Sightway and cause significant losses to the Sightway Funds. Misconduct may include entering into transactions without authorization, failing to comply with operational and risk procedures (including due diligence procedures), making misrepresentations regarding prospective investments, improperly using or disclosing confidential or material non-public information, failing to comply with applicable laws or regulations, and the concealing of any of the foregoing. Such misconduct may result in reputational damage, litigation, business disruption, market or industry segment volatility and/or financial losses to the Sightway Funds. Sightway has what it believes to be reasonable controls and procedures through which it seeks to minimize the risk that any such misconduct will occur, however, there can be no assurance that such misconduct will be identified or prevented.

***Hedging Arrangements.*** Sightway may (but is not obligated to) endeavor to manage the Sightway Funds' or any portfolio investment's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Sightway Funds

may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter (“OTC”) contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject the Sightway Funds to the risk of a counterparty’s inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Sightway Funds to additional liquidity risks if such contracts cannot be adequately settled.

***Significant Adverse Consequences for Default.*** The Fund Agreements provide for significant adverse consequences in the event an investor defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from a Sightway Fund, a defaulting investor may be forced to transfer its interest in a Sightway Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

***Dilution.*** Investors admitted or that increase their respective commitments to a Sightway Fund at subsequent closings generally will participate in then-existing investments of the Sightway Fund, thereby diluting the interest of the existing investors in such investments. Although any such new investors will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund’s existing investments at the time of such contributions.

***Transfer by Sightway.*** To the extent Sightway, its partners and/or their respective affiliates commit to make a direct or indirect investment in or along-side a Sightway Fund, a material participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the applicable Fund Agreement.

***Provision of Management Company Assistance, Control and Board Participation.*** To the extent that it is entitled to do so in connection with a given portfolio investment, the Sightway Funds typically will designate directors (and non-executive chairmen) to serve on the boards of directors (or their equivalent or other governing bodies) of such portfolio investments. A board member designated by the Sightway Funds will have fiduciary duties to persons other than the Sightway Funds. The designation of directors and other measures contemplated could have an adverse effect on the ability of Sightway to sell the related investment when, and on the same terms, it may otherwise desire and could expose the assets of the Sightway Funds to claims by a portfolio investment, its security holders and its creditors for breaches of fiduciary duties, securities claims and other director-related claims. Not all portfolio investments may obtain insurance with respect to such liabilities, and the insurance that portfolio investments do obtain may be insufficient to adequately protect officers and directors from such liability. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability for which the limited liability generally characteristic of business

ownership may be ignored. If these liabilities were to occur, the Sightway Funds could suffer losses in its investments. While Sightway intends to manage the Sightway Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

***Non-controlling Investments.*** Certain portfolio investments are expected to be comprised of meaningful minority stakes in privately held companies and have minority protection rights that, while often substantial, typically fall short of the control characteristics of majority stakes. Other portfolio investments are comprised of interests that may not have significant minority protections, such as passive equity interests in investment pools, or interests in revenue share agreements with investment managers that do not include any governance rights with respect to such investment managers. In addition, during the process of exiting investments, the Sightway Funds at times may hold minority equity stakes of any size such as might occur if portfolio investments are taken public. As is the case with minority or passive holdings in general, such minority stakes that the Sightway Funds hold or may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Sightway Funds hold a minority or passive stake, it may be more difficult for the Sightway Funds to liquidate interests than it would be had the Sightway Funds owned a controlling interest in such company. Even if the Sightway Funds have contractual rights to seek liquidity of the Sightway Funds' minority or passive interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Sightway Funds, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

***Limitation of Recourse and Indemnification.*** A Sightway Fund will be required to indemnify its general partner, and their respective affiliates, partners, members, officers, directors and employees, except under limited circumstances, as provided in the applicable Fund Agreement. Members of a Sightway Fund's Advisory Board and the independent client representative (if appointed) may also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the applicable Fund Agreement. Indemnification obligations of a Sightway Fund would be payable from the assets of such fund, including the commitments of investors. In the event a Sightway Fund's assets are insufficient to meet its indemnification obligations, investors may be required to return distributions previously received by them, although the amounts required to be returned will be limited as provided in the applicable Fund Agreement.

In their capacity as directors of a Sightway Fund's portfolio investments, the partners, managers, or affiliates of Sightway may be subject to derivative or other similar claims brought by security holders of such companies. Sightway may cause the Sightway Funds to advance the costs and expenses of an indemnitee pending the outcome of a particular matter and/or there may be periods where the Sightway Funds are advancing expenses to an individual or entity with whom the Sightway Funds are not aligned or is otherwise an adverse party in a dispute. Moreover, a Sightway Fund's general partner, in such capacity to such fund, will be the beneficiary of any decision it makes to provide indemnification, including advancement of expenses. This may be the case with respect to settlement of actions where any indemnitee was alleged to have engaged in conduct that disqualifies any such individual or entity from indemnification or exculpation so long as such general partner has determined that such disqualifying conduct did not occur. Such liabilities may be material and have an adverse effect

on the returns of investors.

In addition, the Fund Agreements generally limit the circumstances under which the a Sightway Fund's general partner can be held liable to such fund. Investors will have a more limited right of action in certain cases than they would in the absence of these provisions. As a result, the Sightway Funds may bear significant financial losses even where such losses were caused by the negligence of their general partners and certain of their affiliates. Such losses may have an adverse effect on the Sightway Funds' returns to investors.

***Litigation.*** In the ordinary course of its business, the Sightway Funds or their portfolio investments may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Sightway Funds and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Sightway's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

***Advisory Board.*** A Sightway Fund's general partner will generally appoint one or more investor representatives to such Sightway Fund's Advisory Board and certain investors may be entitled to weighted voting rights or the right to appoint more than one representative to such Sightway Fund's Advisory Board. The applicable Fund Agreement may provide that to the fullest extent permitted by applicable law, none of such Advisory Board members shall owe any fiduciary duties to the Sightway Funds or any other investor. In addition, representatives of the Advisory Board may have various business and other relationships with Sightway and its partners, employees and affiliates. These relationships may influence their decisions as members of the Advisory Board.

***Side Letters.*** Sightway or its affiliates, as applicable, are expected to enter into Side Letters with certain investors in connection with such investor's admission to the Sightway Funds or parallel funds without the approval of any other investor, which would have the effect of establishing rights under or altering or supplementing the terms of the Fund Agreement or governing documents of a parallel fund, as applicable, with respect to such investors in a manner more favorable to such investors than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse or exclusion rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments), (ii) Sightway's agreement to extend certain information rights or additional reporting to such investor, including, without limitation, to accommodate special tax, regulatory or other circumstances of such investor, (iii) waiver or modification of certain confidentiality obligations and/or documentation that might be requested by Sightway for the benefit of lenders or other persons extending credit to or arranging financing for a Sightway Fund, (iv) consent of Sightway to certain transfers by such investor or other exercises by Sightway of its discretionary authority under the Fund Agreement for the benefit of such investor, (v) restrictions on, or special rights of such investor with respect to the activities of Sightway, (vi) withdrawal rights (subject to consent of Sightway) due to legal, regulatory, tax, accounting or policy matters, including matters related to political contributions, gifts and other such policies, (vii) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor, (viii) economic arrangements (including, for example, with respect to any carried

interest, servicing fees and/or management fees to be charged to investors), (ix) matters regarding such investor's right to participate in co-investment opportunities (including, without limitation, preferential allocation thereof and the terms and conditions related to such participation (including any carried interest and/or management fees to be charged with respect thereto)), (x) matters regarding such investor's (or its affiliates') interest in providing debt financing to a Sightway Fund or its portfolio investments, (xi) acknowledgement of interest in co-investment opportunities and allocations thereof, or (xii) additional obligations, and restrictions of the Sightway Funds with respect to the structuring of any investment (including with respect to alternative investment vehicles). While it is possible that the Sightway Funds will, along with Sightway itself, benefit from the existence of those side agreements, it is also possible that such side agreements may permit such investors to take actions on the basis of information not available to other investors that do not have the benefit of such agreements. Any rights or terms so established in a side letter with an investor will govern solely with respect to such investor (but not any of such investor's assignees or transferees unless so specified in such side letter) and will not require the approval of any other investor notwithstanding any other provision of the applicable Fund Agreement.

In addition, Sightway has, and it can be expected that Sightway in the future will, enter into agreements with investors involving an investor's overall relationship with Sightway, including one or more strategies in addition to a Sightway Fund's strategy with terms and conditions applicable to such investor and its investment in multiple Sightway strategies that would not apply to such investor's investment in such Sightway Fund. Such an agreement would often involve an investor agreeing to make a capital commitment to multiple Funds, one or more of which may include a Sightway Fund. Investors will not receive a copy of the agreement memorializing such an investment program and will be unable to elect any rights or benefits granted to such multi-strategy investor.

It is also expected that Sightway will from time to time confirm factual matters to incoming investors, make statements of intent or expectation to such investors or acknowledge statements by such incoming investors that relate to the Sightway Funds and/or Sightway's activities pertaining thereto in one or more respects. In addition, Sightway may from time to time agree to certain matters relating to knowledge transfer and/or secondments with one or more investors as part of an overall firm relationship. Additionally, it is expected that investors who designate representatives to participate on a Sightway Fund's Advisory Board may, by virtue of such participation, have more information about the Sightway Funds and investments in certain circumstances than other investors generally and may be provided information in advance of communication to other investors generally. Any such statements, confirmations agreements or acknowledgements, including those made in response to an investor's due diligence requests, will not involve the granting of any legal right or benefit, and therefore will not be subject to the "most favored nations" process or election by investors, and investors generally will as a result not typically receive notice thereof or copies of the documentation (if any) in which they are contained. There can be no assurance that any such arrangements will not have an adverse effect on the Sightway Funds or that such arrangements will not influence Sightway's activities or the operation of a Sightway Fund.

**Market Conditions.** The state of the private equity industry and the success of the Sightway Funds' activities will be affected by general economic and market conditions in the

U.S., Europe and rest of the world, such as (i) financial market volatility, (ii) illiquidity and/or decline, (iii) interest rates, (iv) availability of credit, (v) credit defaults, (vi) inflation rates, (vii) economic uncertainty and instability, (viii) changes in laws and regulations (including laws relating to taxation of the Sightway Funds' investments), (ix) trade barriers, (x) currency exchange controls, (xi) rate of inflation, currency depreciation, (xii) asset reinvestment, (xiii) resource self-sufficiency, and (xiv) national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts or security operations) in respect of the countries in which the Sightway Funds may invest. Such factors are unpredictable and cannot be controlled by Sightway. These factors may affect the level and volatility of securities prices and the liquidity of the Sightway Funds' investments, which could impair the Fund's profitability or result in losses.

In addition, general fluctuations in the market prices of securities and interest rates may negatively impact the performance and/or valuation of the Sightway Funds' investments and/or the Sightway Funds' ability to dispose of investments.

Sightway's financial condition may be adversely affected by a significant general economic downturn and it may be subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on Sightway's business and operations and thereby could impact the Sightway Funds. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Sightway Funds to sell and/or partially dispose of their portfolio investments. Such adverse effects may include the requirement of a Sightway Fund to pay breakup, termination or other fees and expenses in the event a Sightway Fund is not able to close a transaction and/or the inability of a Sightway Fund to dispose of investments at prices that Sightway believes reflect the fair value of such investments.

Declines in the performance of national economies or the credit markets in certain jurisdictions have had a negative impact on general economic and market conditions globally. A continuation of this trend could have a material adverse effect on the Sightway Funds' business, financial condition, results of operations, and performance. A recession, slowdown and/or sustained downturn in the U.S. or global economies (or any particular segment thereof) or weakening of credit markets will adversely affect the Sightway Funds' profitability, impede the ability of the Sightway Funds' portfolio investments to perform under or refinance their existing obligations, and impair the Sightway Funds' ability to effectively exit investments on favorable terms. For example, recent volatility in the global financial markets and political systems of certain European countries (e.g., United Kingdom) may have adverse spill-over effects into the global financial markets generally and the U.S. markets in particular.

Sightway itself could also be affected by difficult conditions in the capital markets, market events (such as the onset of the credit crisis in the summer of 2007 and the downgrading of the credit rating of the United States in 2011) and any overall weakening of the financial services industry in particular or of the U.S. and/or global economies generally. Such deterioration in the capital markets could impact the public market comparable earnings multiples used to value privately held portfolio investments and investors' risk-free rate of return.

The capital markets have experienced great volatility and financial turmoil. Moreover,



governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions.

The impact of market and other economic events may also affect the Sightway Funds' ability to raise funding to support its investment objective. Any market turmoil, coupled with the threat of an economic slow-down, as well as a perceived increase in counterparty default risk, may have an adverse impact on the availability of credit to businesses generally, which in turn may adversely affect or restrict the ability of the Sightway Funds to sell or liquidate investments at favorable times or at favorable prices or which otherwise may have an adverse impact on the business and operations of the Sightway Funds, restrict the Sightway Funds' investment activities and/or impede the Sightway Funds' ability to effectively achieve its investment objective.

Any of the foregoing events could result in substantial or total losses to the Sightway Funds in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a particular portfolio investment's capital structure.

While Sightway expects that the current environment will yield attractive investment opportunities for the Sightway Funds, there can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more portfolio investments, the Sightway Fund's access to capital for leverage, a portfolio investment or the Sightway Funds' overall performance. As more fully described above, the Sightway Funds' investment strategy and the availability of opportunities satisfying the Sightway Funds' risk-adjusted return parameters rely in part on the continuation of certain trends and conditions observed in the market for investments (e.g., the inability of certain companies to obtain financing solutions from traditional lending sources or otherwise access the capital markets) and the broader financial markets as a whole and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast or predict future events and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made or the beliefs and expectations currently held by Sightway will prove correct and actual events and circumstances may vary significantly.

***Limited Access to Information.*** Investors' rights to information regarding the Sightway Funds will be specified, and strictly limited, in the applicable Fund Agreement. In particular, it is anticipated that Sightway and certain investors affiliated with Sightway will obtain certain types of material information from investments that will not be disclosed to investors because such disclosure is prohibited for contractual, legal or similar obligations outside of Sightway's control. Decisions by Sightway to withhold information may have adverse consequences for investors in a variety of circumstances. For example, an investor that seeks to transfer its interests in a Sightway Fund may have difficulty in determining an appropriate price for such interests. Decisions to withhold information also may make it difficult for investors to monitor Sightway, the Sightway Funds and their performance.

***Material Non-Public Information.*** As a result of the extensive operations of Sightway and its affiliates, Sightway and its affiliates frequently comes into possession of confidential or material, non-public information. Therefore, Sightway and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a

Sightway Fund. Consequently, a Sightway Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, Sightway or its affiliates, may have been undertaken on account of applicable securities laws or Sightway's internal policies. Due to these restrictions, a Sightway Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold. Additionally, there may be circumstances in which one or more individuals associated with Sightway or its affiliates will be precluded from providing services to Sightway or a Sightway Fund because of certain confidential information available to those individuals or to Sightway or its affiliates, which could have an adverse effect on a Sightway Fund.

***Placement Agents.*** One or more parties may act as placement agents (each, a "Placement Agent", and together, the "Placement Agents") for the interests of a Sightway Fund and, in that capacity, act for Sightway and in such capacity would not act as investment advisers to potential investors in connection with the offering of such interests. Potential investors must independently evaluate the offering and make their own investment decisions. The Sightway Funds generally will pay each Placement Agent a placement fee based upon the amount of interests committed to by investors that each such Placement Agent introduces to the applicable Sightway Fund. Potential investors should also note that at various times, the Placement Agents may act as placement agents for other fund sponsors and funds, including unaffiliated fund sponsors and funds, which may offer interests that are similar to the interests and/or otherwise compete with the Sightway Funds for investments. Those unaffiliated sponsors may pay placement fees on terms different from the fees that the Placement Agents will receive from Sightway in connection with this offering, and this difference in fees may influence the Placement Agents to introduce or not introduce potential investors to the applicable Sightway Fund. Furthermore, certain Placement Agents may, and other Sightway affiliates will, seek to do business with and earn fees or commissions from other investment funds and their portfolio investments and affiliates of Sightway. Examples of such business may include, without limitation, provision of financing or other investment banking services; lending or arranging credit; and provision of prime brokerage. Each potential investor should consider these issues in making its investment decision.

***Valuation of Assets.*** There is not expected to be an actively traded market for most of the securities owned by the Sightway Funds. When estimating fair value, Sightway will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by Sightway may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of the Sightway Fund Management Fees.

***Contingent Liabilities upon Disposition.*** In connection with the disposition of an investment, the Sightway Funds and Sightway may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable portfolio investment, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties

typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Sightway Funds and, ultimately, their investors.

***Risk of Early-Stage Investments.*** A substantial portion of a Sightway Fund's investments will be in equity or equity-related investments that by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. Among these risks are the general risks associated with investing in companies at the growth stage of development or with limited operating history, companies operating at a loss or with substantial variations in operating results from period to period, companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position and companies dependent on new or developing technology. Part of the Adviser's investment strategy involves funding the creation of companies by third-party management teams identified by the Adviser. Unlike traditional private equity and venture capital strategies, the Adviser expects to commit to fund businesses at an early stage or before a formal company exists. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable. Investors in the Sightway Funds will therefore rely on the Adviser's judgment to identify successful management teams and such management teams' ability to create successful businesses.

There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a Sightway Fund's activities. As a result, a Sightway Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods. The portfolio companies may be unseasoned, unprofitable or have no established operating history or earnings and may lack technical, marketing, financial and other resources. These companies may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of its manager or management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Furthermore, these companies may be more vulnerable to competition and to overall economic condition than larger, more established entities.

In early-stage enterprises, a major risk exists that a proposed service or product cannot be developed successfully with the resources available to the portfolio company. There is no assurance that the development efforts of any portfolio company will be successful or, if successful, will be completed within the budget or time period originally estimated. The services and products may also be subject to a high degree of technical obsolescence. There is no assurance

that any portfolio company can successfully develop future generations of its services or products. Additional funds may be necessary to complete such development, and there is no assurance that such funds will be available from any particular source.

***Counterparty and Settlement Risk.*** The Sightway Funds may invest in various types of OTC instruments, and the Sightway Funds may take on credit risk with regard to parties with whom they transact and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market, daily settlement, segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Under certain circumstances, a counterparty of a Sightway Fund may be granted the right to sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any collateral it holds from a Sightway Fund, free from any claim or right of any nature whatsoever of such Sightway Fund. Furthermore, a Sightway Fund's assets may not be held at a diverse number of custodians, brokers or dealers, subjecting such Sightway Fund to concentrated credit risk with a small number of such parties (or one such party). In valuing OTC derivative instruments, it is anticipated that the Sightway Funds will typically rely on quotes or other information provided by counterparties.

***Co-Investments.*** Subject to any contractual obligations (whether in a Side Letter or a Fund Agreement), Sightway may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more investors and/or other persons, in each case on terms to be determined by Sightway. Conflicts of interest may arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by Sightway, may not be in the best interests of the Sightway Funds or any individual investor. In exercising its sole discretion in connection with such co-investment opportunities, Sightway may consider some or all of a wide range of factors, which may include factors which benefit Sightway such as the likelihood that an investor may invest in a future fund sponsored by Sightway or its affiliates.

The Sightway Funds may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of a Sightway Fund, or may be in a position to take action contrary to the investment objectives of a Sightway Fund. In addition, a Sightway Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner. There can be no assurance that a Sightway Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by Sightway or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other investors. When and to the extent that

employees and related persons of Sightway make capital investments in or alongside a Sightway Fund, Sightway is subject to conflicting interests in connection with these investments. Sightway's allocation of co-investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. Please see "Potential Conflicts of Interest" below for additional considerations.

***Additional Industry-Specific Risks.*** An investment in the Sightway Funds is subject to additional risk factors specific to the industries in which it invests. Investors should consult the applicable Memorandum or subscription materials, as applicable, for a discussion of such additional risk factors.

## **Potential Conflicts of Interest**

Sightway expects its private equity investment professionals and specialists in fund management, portfolio operations, transaction structuring and management, risk and analytics, and other areas (collectively, the "Sightway Team") to spend a portion of its business time and attention pursuing investment opportunities for other investment funds or separate accounts (the "Other Managed Accounts") other than the Sightway Funds that have or will in the future be sponsored or managed by Sightway or its affiliates, some of which may have third party investors or may be owned exclusively by the TSPI Fund. Such Other Managed Accounts include the Funds (other than the Sightway Funds).

The TSPI Fund focuses on private equity-style investments, including through negotiated transactions in operating entities, investments in private investment funds managed by unaffiliated third-party managers and investments in private investment vehicles managed by Sightway's affiliates. All of its investors are, directly or indirectly, current or former partners or employees of Sightway and its affiliates or their estate planning vehicles (or similar investors). Additionally, the TSPI Fund invests in certain venture capital investments and investment vehicles, including certain private investment funds—the TSV Funds—that are managed by an affiliate of Sightway. Because the Sightway Funds will also focus on operating entities, Sightway's services to the Sightway Funds will be similar to the services Sightway provides to the TSPI Fund, such as identifying and evaluating such management teams and investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Due to Sightway's affiliation with the TSPI Fund's investors, the Sightway has an incentive to provide support to the TSPI Fund that it may not otherwise provide to the Sightway Funds, the other investors in the Sightway Funds or the other vehicles whose investors are comprised of unrelated third-parties. Aggregate compensation and incentive payments to the Sightway Team may also be affected by the performance of such other funds and accounts. Accordingly, such personnel may be undercompensated even where a Sightway Fund experiences successful returns. The TSPI Fund is expected to participate one or more Sightway Funds, alongside such Sightway Funds' investors.

As noted above, the Securitized Asset Fund is a securitized asset fund that issues collateralized fund obligations. The TSPI Fund holds the equity interests in the Securitized Asset Fund, and third-party noteholders own the Notes. The Notes are secured by (i) the Securitized Asset Fund's limited liability interests in its wholly-owned subsidiary, Holdings, (ii) certain bank

accounts of the Securitized Asset Fund and (iii) the proceeds of distributions that the Securitized Asset Fund receives from its interest in Holdings. Holdings owns a portfolio of investments in pooled investment vehicles managed by third-party managers. Sightway Capital manages Holdings' investments and performs various other management services with respect to Holdings. The Securitized Asset Fund or Holdings may make additional investments consistent with their organizational documents. Sightway and the Sightway Team will continue to manage and monitor the TSPI Fund, the Securitized Asset Fund, and the Other Managed Accounts and investments.

Sightway and the Sightway Team will also seek to make new investments on behalf of successor Sightway Funds, some of which investments have already been identified at the time of a Sightway Fund's closing. The economics of a successor fund may be more favorable to Sightway than an existing Sightway Fund, and may create additional incentives for Sightway to allocate investments to such successors. The success of a Sightway Fund and its portfolio investments will be dependent in large part upon the Sightway Team's successful deployment of capital to support such portfolio investments, including, but not limited to, (i) traditional follow-on investments into such portfolio investments, (ii) deployment of capital for add-on investments by or through such portfolio investments, (iii) deployment of capital into such portfolio investments to support expansion of such portfolio investments, (iv) funding capital that will be placed on the balance sheet of such portfolio investments for working capital purposes, general business purposes or M&A activity, (v) investments in portfolio investment operations, (vi) other additional investments in portfolio investments, whether on a primary or secondary basis, or (vii) the acquisition of or investment in new distinct portfolio investments, which Sightway elects in its sole discretion to allocate to a Sightway Fund following a determination by Sightway that such opportunities relate to or would be accretive to, or relate to or would be consistent with the mandate of, another portfolio investment or group of portfolio investments then held by such Sightway Fund (such opportunities, "Follow-On Investments"). The Sightway Team will be subject to conflicts as to whether, when, and how to deploy such capital and to whom investment opportunities will be allocated. Availability of capital, diversification and economic incentives of the Sightway Team may cause assets that are related to, in the same sector as, or may otherwise be beneficial to a given portfolio investment, to be allocated to Other Managed Accounts rather than to a Sightway Fund.

Sightway believes that the significant investment of certain members of the Sightway Team in the Sightway Funds, directly or indirectly, as well as such members' interest in the carried interest, operate to align, to some extent, the interest of the Sightway Team with the interest of the investors in the Sightway Funds, although members of the Sightway Team have or will in the future have economic interests in such Other Managed Accounts and investments as well and receive management fees and carried interest in respect of such Other Managed Accounts. Such Other Managed Accounts and investments that Sightway or such Other Managed Accounts may finance, control, transact with or manage may compete with or be competitive with a Sightway Fund generally or a Sightway Fund's portfolio investments individually. The Sightway Team may have conflicts of interest in allocating their time and activity between a Sightway Fund and the Other Managed Accounts and in effecting transactions between such fund and the Other Managed Accounts, including transactions in which Sightway (and its principals) may have a greater financial interest.

Sightway generally will manage the a Sightway Fund's portfolio and pursue Follow-on Investments arising pursuant to the rights held by a Sightway Fund in the portfolio investments for the benefit of such Sightway Fund. The nature of Follow-On Investments will vary depending on the nature and business of the companies in the Sightway Fund's portfolio. There are expected to be investment opportunities that (i) do not constitute Follow-On Investments but which are nonetheless related to a Sightway Fund's portfolio investment or (ii) do constitute Follow-On Investments that may not be allocated to a Sightway Fund, subject to the terms of the applicable Fund Agreement. Such opportunities may be allocated to the TSPI Fund, other Funds or Other Managed Accounts, third-party co-investors or other parties. Sightway generally makes any such determinations in its sole discretion. A Sightway Fund will have no right to participate in any opportunities that are not allocated to such Sightway Fund, even if they turn out to be highly profitable or would otherwise be accretive or otherwise beneficial to a given portfolio investment or a Sightway Fund's portfolio more broadly. Such investment opportunities that may arise from a Sightway Fund's portfolio investments but that are expected not to be allocated to such Sightway Fund include, but are not be limited to: (i) investments in passive pooled investment funds, managed accounts or individual investments sponsored or managed by companies in, or integrally related to, a Sightway Fund's portfolio and (ii) individual assets that have been presented to but passed upon by a Sightway Fund's portfolio investment, and in which such Sightway Fund has no contractual right to participate.

It is expected that, in some cases, a Sightway Fund's portfolio investments will provide services to such investment funds and assets held by Other Managed Accounts. In such cases, the Sightway Team would be subject to conflicts of interest in entering into, setting the terms of, and renewing or determining to cancel or modify contracts for the provision of such services. Sightway may determine that it in the best interests of an Other Managed Account to withdraw from an investment product managed by a Sightway Fund's portfolio investment, or to cease having such a portfolio investment service such an asset. In such cases, there is no obligation to make any such determination in the best interest of a Sightway Fund or any portfolio investment, and such withdrawal or cessation of services may materially affect the value of a portfolio investment in which a Sightway Fund is invested. Such arrangements, and the opportunity to acquire assets in such manager, may also influence the Sightway Team in its capacity as a manager or director of a platform company when determining whether the company should make or pass on an investment. Sightway may also have an incentive to cause a portfolio investment to accept lower rates for services performed in respect of such assets held by an Other Managed Account than it otherwise would accept.

One or more Other Managed Accounts may participate alongside a Sightway Fund in certain investments, which may involve risks not present in investments where a co-investor is not involved. While the Sightway Team generally expects that a Sightway Fund and such Other Managed Accounts will, in such cases, make Follow-On Investments in, and exit from, such investments on substantially the same terms and at substantially the same time, subject to legal, tax and regulatory considerations, this may not always be the case and the investment performance of such Sightway Fund and such Other Managed Account(s) may differ due to, among other things, the use of leverage (or absence of leverage) as between such vehicles, different investment horizons or terms, the exercise of remedial measures by one or more of such vehicles, or the absence of available carry. There can be no assurance that the applicable Sightway Fund and such Other Managed Account will exit the investment at the same time or on

the same terms, and there can be no assurance that such Sightway Fund's return on such an investment will be the same as the returns achieved by any Other Managed Account participating in such transactions. Such Sightway Fund may also be obligated to contribute more capital to a portfolio investment than it otherwise would or elect not to exercise additional funding rights or pursue additional rights and, in either case, such Sightway Fund's investment could suffer material adverse effects. Please also see "Need For Follow-On Investments" and "Dilution" above.

Furthermore, as a Sightway Fund and any Other Managed Account that participates alongside such Sightway Fund will have different portfolios, it is possible that the Sightway Team's incentives to take risks would differ as between the two investment accounts in an effort to generate additional carried interest proceeds. In determining whether a Sightway Fund should participate in an investment opportunity or in making a determination as to whether an investment opportunity is part of an applicable Sightway Fund, the Sightway, its affiliates and the Sightway Team are subject to potential conflicts of interest among the investors in such Sightway Fund and investors in such Other Managed Accounts. The terms of any such Other Managed Accounts may differ from the terms of a Sightway Fund with respect to carried interest, management fees or other terms. Such differences in terms may also create an incentive for Sightway to cause a Sightway Fund to make riskier or more speculative investments in conjunction with an Other Managed Account or to hold such an investment longer than otherwise would be the case.

In addition, because the interests of a Sightway Fund and an Other Managed Account may vary, Sightway will face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of, such Sightway Fund versus an Other Managed Account with respect to an investment, especially controlled portfolio investments (*e.g.*, whether to cause a portfolio investment to invest in an asset or engage in a strategic transaction such as a merger or sale). Given the nature of such conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both the applicable Sightway Fund and the Other Managed Account, and the action taken for the Other Managed Account may be adverse to such Sightway Fund. Additionally, it is possible that a Sightway Fund may be invested in a portfolio company in which an Other Managed Account already has an interest in a different part of the capital structure, or vice versa. For example, one or more Funds may have investments in funds that provide financing to the types of companies in which an Other Managed Account invests. Sightway's ability to implement the Sightway Funds' strategies effectively may be limited to the extent that contractual obligations entered into in respect of investments made by Sightway or an Other Managed Account impose restrictions on a Sightway Fund engaging in transactions that Sightway may otherwise be interested in pursuing. Investments by a Sightway Fund and an Other Managed Account in a portfolio investment may also raise the risk of using assets of such Sightway Fund to support positions taken by an Other Managed Account, or that an Other Managed Account may remain passive in a situation in which it is entitled to vote. Furthermore, actions may be taken for one or more Other Managed Account (or not taken by a Sightway Fund) that adversely affect a Sightway Fund, and it is possible that such Other Managed Account may have financial difficulties or constraints resulting in an adverse impact on a Sightway Fund. As an example, if additional capital is necessary for a Sightway Fund's portfolio investment as a result of financial or other difficulties, or to finance growth or other opportunities, one or more Other Managed Accounts may or may not have or provide such additional capital alongside with,



or in lieu of a Sightway Fund, including because such Sightway Fund does not have available capital. Sightway will generally determine in its sole discretion whether any such Other Managed Account will supply such additional capital and, if so, the amount of such capital. To the extent a Sightway Fund and an Other Managed Account invest side-by-side in an investment, such Other Managed Account will be free to make decisions regarding the investment based on its own interests. Such interests may include strategic goals as well as, or in lieu of, financial goals. The interests of the applicable Sightway Fund and such Other Managed Account may diverge: Other Managed Accounts may have (a) investment goals, (b) investment timelines, and/or (c) resources available to effectuate investments that, in each case, differ from those of such Sightway Fund. These differences may affect the timing and amount of such Sightway Fund's gain or loss on its investment. Such Other Managed Account may also have greater control or influence over an investment and therefore a greater ability to promote its interests. As an example, a Sightway Fund and such Other Managed Account may enter into contractual obligations providing that such Sightway Fund and such Other Managed Account will simultaneously take the same action with respect to a portfolio investment on a *pro rata* basis, such that even if a potential action would be to the benefit of the Other Managed Account and the detriment of such Sightway Fund, such Sightway Fund would be contractually obligated to take such action on the basis that such action is being taken by the Other Managed Account.

The Sightway Funds are expected to co-invest with Other Managed Accounts through partnerships, joint ventures or other entities. Such investments may involve risks not present in investments where a co-investor is not involved, including the possibility that such Other Managed Account may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with that of the Sightway Funds, or may be in a position to take action contrary to the Sightway Funds' investment objectives. Sightway will be responsible for allocating expenses between the Sightway Funds and such Other Managed Account and may have considerable latitude in doing so, and there can be no assurances that Sightway will allocate such expenses in the manner most favorable to any Sightway Fund. In addition, a Sightway Fund may in certain circumstances be liable for the actions of an Other Managed Account alongside which it has co-invested. Furthermore, differences in terms between a Sightway Fund and such Other Managed Account may create a conflict of interest for Sightway and its respective affiliates, as the compensation of Sightway and its affiliates, as applicable, may be impacted by the allocation of such expenses.

Conflicts would also arise in situations where Sightway could potentially cause portfolio investments owned by a Sightway Fund and an Other Managed Account to merge in whole or part with each other or to be purchased or sold in whole or in part to each other. Such transactions may lead to a conflict of interest because Sightway controls the investment vehicles and/or portfolio investments on each side of such transactions. Depending on the transaction structure, such transaction may disproportionately benefit the purchasing, selling, or merging entity (or Sightway as a result of its interests in the investment vehicles), and the applicable Sightway Fund may incur expenses or forego gains that would have been obtained had it not exited such company or companies. Sightway's determination of consideration or other terms of such transactions may create a conflict of interest because the terms (including the fee and carried interest terms) of a Sightway Fund and the Other Managed Account may create an incentive for Sightway to cause a Sightway Fund to overpay or to accept lesser consideration than it would otherwise accept. The acquisition or merger by an Other Managed Account may

also lead to the Other Managed Account holding the remaining portion of the company, if any, longer than it otherwise would have, which may increase the risk for loss. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will not be adverse to any Sightway Fund.

In addition, the Sightway Team currently manages, and may in the future manage, Other Managed Accounts with investment strategies similar to the Sightway Funds and investments similar to those in which the Sightway Funds will be investing and may direct certain relevant investment opportunities to those Other Managed Accounts. Pursuant to the terms of the applicable Fund Agreement, one or more Sightway Funds will have no right to participate and will not be offered an opportunity to participate in investment opportunities that are not specifically set forth in the applicable Fund Agreement.

Investors in the Sightway Funds, directly and indirectly, include persons or entities organized in various tax jurisdictions, which may have conflicting investment, tax and other interests with respect thereto. As a result, conflicts of interest may arise in connection with decisions made by Sightway that may be more beneficial for one type of investor than for other types of investors, especially with respect to investors' individual tax situation (including with respect to the nature or structuring of investments). In making decisions, Sightway intends to consider the investment objectives of each Sightway Fund as a whole, and not the investment objectives of any investor of a Sightway Fund individually. Because a significant portion of certain Sightway Funds' capital commitments will be, directly or indirectly, committed by Sightway's affiliates and certain of the founding members of the Adviser and its affiliates (collectively, the "Founder Investors"), conflicts may arise between the interests of the Founder Investors and those of a Sightway Fund and its investors who are not Founder Investors in relation to certain decisions regarding, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing of disposition of investments.

The Adviser's parent company, TSI, an asset management firm that advises private funds and separately managed accounts (the "Two Sigma Accounts"). Certain TSI partners and professionals have or will have a direct or indirect ownership interest in Sightway or its affiliates that entitles them to the right to invest capital and a portion of the carried interest distributions received by Sightway in respect of the Sightway Funds. The Sightway Funds will generally not be given access either to the strategies utilized by TSI on behalf of the Two Sigma Accounts or to investment opportunities identified by TSI or its affiliates (other than Sightway itself). In addition, instances may arise where Sightway exercises its discretion not to pursue a particular investment opportunity on behalf of a Sightway Fund because of the potential restrictions that such pursuit may have on Sightway's or its affiliates' ability to invest in or trade certain securities (or other assets) related to such investments on their own behalf or on behalf of the Two Sigma Accounts. In addition, TSI may, directly or indirectly, cause Sightway to allocate certain investment opportunities that may be appropriate for the Sightway Funds to TSI, its affiliates or Two Sigma Accounts. If an opportunity is allocated entirely to TSI, its affiliates or a Two Sigma Account instead of a Sightway Fund, such Sightway Fund will not participate in any investment gains it could have otherwise realized with respect to such opportunity if such Sightway Fund had participated. Moreover, none of the Sightway Funds or Sightway may be compensated for the time and effort involved in identifying such investment opportunity.

The Sightway Team has the ability to invest in financial instruments for their own accounts. This may on occasion create conflicts of interest with the Sightway Funds with regard to such matters as deciding whether to participate in particular investments or to dispose of certain investments. The Sightway Team is permitted to engage in personal investment activities, subject to Sightway's policies and procedures. Such personal investment activities could involve a conflict of interest with the investment activities of the Sightway Funds.

The fact that Sightway's carried interest is based on a percentage of net profits may create an incentive for Sightway to cause a Sightway Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case. In addition, because the Sightway Funds have a fixed investment period after which capital from investors generally may only be drawn down in limited circumstances, and because the Sightway Fund Management Fee is calculated based upon the invested capital of the Sightway Funds, the management fee structure may create an incentive for Sightway to deploy capital when it might not otherwise have done so.

Sightway may be faced with a variety of potential conflicts of interest when it determines allocations of various expenses to the Sightway Funds and the Other Managed Accounts. Sightway, in its sole discretion, will allocate fees and expenses in accordance with the applicable Fund Agreement and in a manner that it believes in good faith is fair and equitable to the Sightway Funds under the circumstances and considering such factors as it deems relevant. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of funds or co-investors receiving related benefits or proportionately in accordance with asset size.

The Sightway Funds have controlling interests in many of their portfolio investments. With respect to such companies, Sightway typically has the right to appoint portfolio investment board members (including current or former Sightway personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio investment board members may approve compensation and/or other amounts payable to Sightway and/or its affiliates, and, except to the extent such amounts are subject to the applicable Fund Agreement's offset provision, are in addition to the Sightway Fund Management Fee or carried interest discussed herein. Sightway's authority to appoint or influence the appointment of portfolio investment board members who may be involved in approving compensation payable to the Sightway subjects Sightway and any such portfolio investment board appointees to potential conflicts of interest.

Additionally, a Sightway Fund's portfolio investment typically will reimburse Sightway or service providers retained at Sightway's discretion for expenses (including without limitation travel expenses) incurred by Sightway or such service providers in connection with its performance of services for such portfolio investment. This subjects Sightway and its affiliates to conflicts of interest because the Sightway Funds are not expected to have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Sightway will typically determine the amount of these reimbursements for such services in its own discretion, subject to the applicable Fund Agreement and its internal reimbursement policies and practices.

Sightway will generally exercise its discretion to recommend to a Sightway Fund or to a portfolio investment thereof that it contract for services with (i) Sightway or a related person of Sightway (which may include another portfolio investment of a Sightway Fund), (ii) an entity with which Sightway or its affiliates or current or former members of their personnel has a relationship or from which Sightway or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain investors or their affiliates. For example, subject to certain limitations, Sightway may cause the Fund to retain an affiliate of Sightway or Two Sigma to provide data-analytics, marketing, technology, acquisition, integration, rationalization, and/or other operations, due diligence or similar services to a Sightway Fund or a portfolio investment. These situations will subject Sightway to conflicts of interest, because although Sightway selects service providers that it believes are aligned with its operational strategies and will enhance portfolio investment performance and, relatedly, returns of the Sightway Funds, Sightway may have an incentive to recommend the related or other person (including an investor) because of its financial or other business interest. There is a possibility that Sightway, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to a Sightway Fund or Sightway), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not Sightway has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost. Furthermore, certain amounts paid to Sightway, Two Sigma or their affiliates in respect of such services will not reduce the Sightway Fund Management Fee.

Service providers often charge different rates or have different arrangements for services. For example, the fee for a given type of work may vary depending on the complexity of the matter as well as the expertise required and demands placed on the service provider. Therefore, to the extent the types of services used by a Sightway Fund and/or a portfolio investment are different from those used by Sightway or its affiliates, such entities may pay different amounts or rates than those paid by a Sightway Fund and/or a portfolio investment. Similarly, Sightway, its affiliates, a Sightway Fund or its portfolio investments may enter into agreements or other arrangements with vendors and other similar counterparties (whether such counterparties are affiliated or unaffiliated with Sightway) from time to time whereby such counterparty may charge lower rates (or no fee) and/or provide discounts or rebates for such counterparty's products and/or services depending on certain factors, including, without limitation, the volume of transactions entered into with such counterparty by Sightway, its affiliates, the Sightway Funds and portfolio investments in the aggregate. Sightway is under no duty to offer any discounts or lower rates it may receive to any Sightway Fund.

Sightway and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio investments owned by a Sightway Fund or Other Managed Accounts; conversely, former personnel or executives of Sightway and/or its affiliates may serve in significant management roles at portfolio investments or service providers recommended by Sightway. Similarly, Sightway, its affiliates and/or personnel maintain relationships (including family relationships) with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in,

engage in transactions with and/or provide services (including services at reduced rates) to Sightway and/or its affiliates, and/or a Sightway Fund or Other Managed Accounts. Sightway may have a conflict of interest with a Sightway Fund in recommending the retention or continuation of a third-party service provider to such Sightway Fund or a portfolio investment if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in a Sightway Fund, will provide Sightway information about markets and industries in which Sightway or its affiliates operate (or is contemplating operations) or will provide other services that are beneficial to Sightway. Sightway may have a conflict of interest in making such recommendations, in that Sightway has an incentive to maintain goodwill between it and the existing and prospective portfolio investments for a Sightway Fund, while the products or services recommended may not necessarily be the best available to the portfolio investments held by the applicable Sightway Fund.

Affiliates of Sightway may determine that there are conflicts of interest that limits their or their employees' ability to engage in potential transactions. A Sightway Fund's activities may be constrained as a result of these conflicts of interest.

Sightway, its affiliates, and equity holders, officers, principals and employees of Sightway and its affiliates may buy or sell securities or other instruments that Sightway has recommended to the Sightway Funds. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Sightway Fund. Such transactions are subject to the policies and procedures set forth in Sightway's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of the Sightway Funds. Employees and related persons of Sightway have, and are expected to continue to have, capital investments in the Sightway Funds, or in prospective portfolio investments, directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

Certain expenses are paid for by the Sightway Funds and/or their portfolio investments or, if incurred by Sightway, are reimbursed by the Sightway Funds and/or their portfolio investments. This subjects Sightway to conflicts of interest because Sightway will not necessarily seek out the lowest cost options when incurring (or causing the Sightway Funds or their portfolio investments to incur) such expenses.

Any of the situations described above will subject Sightway and/or its affiliates to potential conflicts of interest. To the extent that an investment or relationship raises particular conflicts of interest, Sightway will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict.

### The TSPI Fund

#### **General**

Sightway's investment advisory services with respect to the TSPI Fund consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are

predominantly made in non-public companies although investments in public companies are permitted.

The TSPI Fund generally seeks to achieve U.S. dollar-denominated returns by building a portfolio of investments, with a focus on diversification from and low correlation with the Two Sigma Funds. The TSPI Fund generally seeks to invest in markets which it perceives to have limited efficiency and liquidity and in private entities, seeking to capitalize on investment opportunities that potentially offer significant illiquidity premiums, including across private equity, credit and special opportunities, real assets and infrastructure, real estate and venture capital. The TSPI Fund engages in transactions to partner with third-party management teams in order to form new businesses, in addition to other diversifying investments. Additionally, the TSPI Fund invests in privately placed investments and investment vehicles, including vehicles and other investments that are managed by an affiliate of the Adviser (such as the Other Private Equity Managed Funds) as well as investments and investment vehicles that are managed by Third-Party Managers. Typically investments are made with Third-Party Managers that have demonstrated investment expertise and where such investment provides access to particular investment opportunities that may not otherwise be available to the investors in the TSPI Fund. The TSPI Fund also invests in the equity of the Securitized Asset Fund, a securitization vehicle managed by the Adviser (described further below). Investors in the TSPI should also review the risks associated with the Sightway Funds and the Securitized Asset Fund set forth herein.

The strategies the TSPI Fund pursues are long-term in nature and generally include investment lock-up provisions. These strategies are generally discretionary in nature, and seek to achieve absolute returns commensurate with a corresponding level of investment and liquidity risk.

There can be no assurance that the Adviser or the TSPI Fund will achieve the investment objectives of the TSPI Fund, and a loss of investment is possible.

## **Risks of Investment**

Prospective investors should carefully consider the following risk factors. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the TSPI Fund will meet its investment objective or otherwise be able successfully to carry out its investment program.

***An investment in the TSPI Fund is highly speculative, entails substantial risks and is subject to various conflicts of interest.*** The TSPI Fund's investment program is not suitable as the sole investment vehicle for an investor and should be part of an overall investment strategy. An investor should invest in the TSPI Fund only if such investor can bear a total loss of its entire investment in the TSPI Fund, understands that there will be significant volatility in the TSPI Fund's performance and has limited need for liquidity in its investment.

The following is not, and does not purport to be, a complete description of the risks associated with an investment in the TSPI Fund. Rather, the following are only certain particular risks to which the TSPI Fund is anticipated to be subject and that prospective investors should discuss in detail with their professional advisers.

***Risks Related to Investment Program.*** The investment objective of the TSPI Fund is to achieve dollar-denominated returns by building a diversified portfolio with investments in private entities, with Third-Party Managers and in other diversifying assets. The TSPI Fund's investment portfolio is intended to have a low correlation to that of the Two Sigma Funds.

Interests in the TSPI Fund are subject to all of the risks associated with the purchase and sale of various instruments, including, among others, the difficulty of accurately predicting price movements in particular positions, and the difficulty of assessing the impact that an unpredictable multitude of economic and other events may have on prices. The Adviser utilize a variety of speculative investment strategies which, if unsuccessful, could result in a complete loss of an investor's entire investment in the TSPI Fund.

The TSPI Fund is also subject to certain additional risks, many of which will be magnified by the likely nature of the TSPI Fund's investment activities. For example, in the event of a material market dislocation, the TSPI Fund may find itself holding positions that, due to such crisis scenario, are difficult to liquidate, and therefore may suffer material losses as a result of such temporary illiquidity.

There can be no assurances that the strategies pursued will be profitable, and various market conditions may be materially less favorable to certain strategies than others. Mispricings, even if correctly identified, may not be corrected by the market, at least within a time frame over which it is feasible for the TSPI Fund to maintain a position.

***Risk of Early-Stage Investments.*** A substantial portion of the TSPI Fund's investments will be in equity or equity-related investments that by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. Among these risks are the general risks associated with investing in companies at the growth stage of development or with limited operating history, companies operating at a loss or with substantial variations in operating results from period to period, companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position and companies dependent on new or developing technology. Part of the Adviser's investment strategy involves funding the creation of companies by third-party management teams identified by the Adviser. Unlike traditional private equity and venture capital strategies, the Adviser will commit to fund businesses before a formal company exists. There generally will be little or no publicly available information regarding the status and prospects of these companies. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable. Investors in the TSPI Fund will therefore rely on the Adviser's judgment to identify successful management teams and such management teams' ability to create successful businesses.

There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as

domestic or international economic and political developments, may significantly affect the results of the TSPI Fund's activities. As a result, the TSPI Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods. The portfolio companies may be unseasoned, unprofitable or have no established operating history or earnings and may lack technical, marketing, financial and other resources. These companies may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of its manager or management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Although the Adviser may seek to aid or influence certain of its investment companies, the TSPI Fund will not have an active role in the day-to-day management of each company in which it invests. To the extent that the management of a portfolio company performs poorly, the TSPI Fund's investment in such company could be adversely affected. Furthermore, these companies may be more vulnerable to competition and to overall economic condition than larger, more established entities.

In early-stage enterprises, a major risk exists that a proposed service or product cannot be developed successfully with the resources available to the portfolio company. There is no assurance that the development efforts of any portfolio company will be successful or, if successful, will be completed within the budget or time period originally estimated. The services and products may also be subject to a high degree of technical obsolescence. There is no assurance that any portfolio company can successfully develop future generations of its services or products. Additional funds may be necessary to complete such development, and there is no assurance that such funds will be available from any particular source.

The receptiveness of potential acquirers to the TSPI Fund's portfolio companies will vary over time and, even if a portfolio company investment is disposed of pursuant to a merger, consolidation or similar transaction, the TSPI Fund's stock, security or other interests in the surviving entity may not be marketable. Further, the public market for emerging growth companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the TSPI Fund to dispose of investments and the value of investment securities on the date of sale or distribution by the TSPI Fund. There can be no guarantee that any investment will result in a liquidity event through a merger, acquisition, public offering or otherwise, and there is a significant risk that some or all the TSPI Fund's investments will yield little or no return.

***Risks of Minority Investments.*** The TSPI Fund occasionally makes minority investments in portfolio companies where it has limited influence. Such a portfolio company may have economic or business interests or goals that are inconsistent with those of the TSPI Fund and the TSPI Fund may not be in a position to limit or otherwise protect the value of its investment in such portfolio company, although as a condition of making such investments, it is expected that appropriate shareholder rights generally will be sought to protect the TSPI Fund's investments. The TSPI Fund's control over the investment policies of such portfolio companies may also be limited.

***Co-Investment Risks.*** The TSPI Fund often co-invests in portfolio companies with financial, strategic or other third-party investors. Such investments will involve additional risks not present in investments where a third-party is not involved, including the possibility that the



co-investor may have interests or objectives that are inconsistent with those of the TSPI Fund or may be in a position to take (or block) action in a manner contrary to the TSPI Fund's investment objectives.

***Illiquid and Long Term Investments; Risk of Capital Loss; No Assurance of Profit.*** Investments in the TSPI Fund's portfolio typically will involve unregistered securities that will be subject to restrictions on resale. Thus there will often, or always, be a significant period of time between an investment and the realization of proceeds from sale or other cash realization from such investment. Investors will generally not receive distributions. Dispositions of investments may require a lengthy time period or may result in distributions in-kind to investors. Most of the TSPI Fund's investments are expected to be in the equity and/or other securities of private companies. In some cases, the TSPI Fund may be prohibited by contract from selling certain securities for a period of time. As a result, there generally will be limited or no marketability of the TSPI Fund's investments, and such investments may decline in value while the Adviser is seeking to dispose of them. Furthermore, the Adviser may find it necessary to sell investments at a discount or to sell over extended periods of time when disposing of the TSPI Fund's portfolio investments. Therefore, it is expected that the TSPI Fund's investments generally will be relatively illiquid and difficult to value. The marketability and value of any such investments will depend upon many factors beyond the control of Sightway.

***Difficulty of Locating Suitable Investments.*** There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the TSPI Fund to invest in opportunities that satisfy the TSPI Fund's investment objectives. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. Competition for such opportunities is expected to be substantial. Finally, instances may arise where the Adviser exercises its discretion not to pursue a particular investment opportunity on behalf of the TSPI Fund because of the potential restrictions that such pursuit may have on the Adviser's or its affiliates' ability to invest in or trade certain securities (or other assets) related to such investments on their own behalf or on behalf of their other clients.

***Computation of Capital Accounts.*** Sightway's discretion with respect to all matters concerning the computation of investors' capital accounts may result in potential or actual conflicts of interest between Sightway and the investors in the TSPI Fund, and Sightway's determinations with respect to such matters may be materially different than if such determinations were made by a third-party.

***Incentive Allocation.*** Any Incentive Allocation will reduce the allocations and distributions that would otherwise have been made to the investors absent any Incentive Allocation. In addition, the Incentive Allocation's existence may incentivize Sightway to make riskier or more-speculative investments on the TSPI Fund's behalf than it would otherwise make absent such performance-based allocations, which could result in adverse consequences for an investor, including but not limited to reduced returns or a complete loss of an investor's entire investment in the TSPI Fund. Moreover, the manner in which Sightway determines the Incentive Allocations may create a conflict between Sightway's interests and the investor's interests as to the manner, timing and sequencing of the disposition of investments, which could result in

adverse consequences for the investors, including, but not limited to, reduced returns and less efficient tax treatment. Furthermore, recently enacted tax reform legislation relating to the taxation of incentive allocations provides for a lower capital gains tax rate in respect of investments held for at least three years. Sightway may be incentivized to operate the TSPI Fund, including holding and/or selling investments, in a manner that takes into account the tax treatment of Sightway's Incentive Allocation. While Sightway generally intends to seek to maximize pre-tax returns for the TSPI Fund as a whole, Sightway may nonetheless be incentivized, for example, to hold investments longer to ensure long-term capital gains treatment. To date, the Internal Revenue Service ("IRS") has issued only limited guidance on how these new rules apply.

***Changes in Market Environment.*** Some of the investment strategies developed by the Adviser make certain assumptions about the persistence or "stationarity" of the market environment. The strategies assume that repeated past behavior of the markets can be used to predict the future, at least in limited ways. At their core, financial and economic patterns are not immutable and there can be no guarantees that relationships that appeared to govern securities and their prices in the past will continue in the future.

While the Adviser will make efforts to estimate and control the risks associated with market changes, and will attempt to identify changes as they occur, market environment changes can be sudden and extreme. When these changes occur, certain market dynamics can make the changes more severe and can cause their adverse effects to spread to other markets not affected by the initial changes.

***Unspecified Transactions.*** Other than to the extent described in the Memorandum of the TSPI Fund and any supplement thereto, the offering will not specify particular investments that the TSPI Fund will acquire. Investors rely on the Adviser's ability to evaluate and acquire investments using available proceeds. The TSPI Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives.

***Non-U.S. Investments.*** The TSPI Fund invests in non-U.S. instruments and derivatives on non-U.S. instruments. Investing in non-U.S. instruments and derivatives on non-U.S. instruments may involve risks and considerations not present in the investing of U.S. instruments and derivatives thereon. Since non-U.S. instruments generally are denominated, pay interest, and are settled in non-U.S. currencies, the value of the assets of the TSPI Fund as measured in U.S. dollars may be affected favorably or unfavorably by changes in the exchange rate between the U.S. dollar and other currencies. The weakening of a country's currency relative to the U.S. dollar will adversely affect the dollar value of the TSPI Fund's investments that are denominated in such country's currency. As a result, the TSPI Fund could realize a net loss on an investment, even if there were a gain on the underlying investment before currency losses were taken into account. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, and long-term opportunities for investment and capital appreciation. Currency exchange rates can also be affected unpredictably by controls or restrictions imposed by U.S. or non-U.S. central banks or other governmental agencies in joint or unilateral efforts to alter exchange rate trends. Political developments in the United States or abroad may also affect currency exchange rates. To the extent the TSPI Fund invests in instruments denominated in non-U.S. currencies, it may be

adversely affected by restrictions on the conversion or transfer of non-U.S. currencies. The Adviser may (but may not necessarily) seek to hedge these risks through currency futures contracts, forward currency contracts, swaps, or any combination thereof (whether or not exchange traded), but there can be no assurance that such strategies will be effective. Swaps, “synthetic” or derivative instruments, and certain types of customized financial instruments are subject to the risk of non-performance by the other party to the contract. As a result, a default on the instrument may deprive the TSPI Fund of unrealized profits and/or collateral held by the counterparty or may force the TSPI Fund to cover its commitments for purchase or resale of the underlying currency at the then current market price.

In addition, there may be less publicly available information about non-U.S. economies and non-U.S. companies than the U.S. economy and U.S. companies. Non-U.S. companies may not be subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Many non-U.S. securities markets have substantially less volume than U.S. securities markets and, therefore, securities of non-U.S. companies are generally less liquid and at times their prices may be more volatile than securities of comparable U.S. companies. In addition, in many non-U.S. markets there is less government supervision of exchanges, brokers, dealers and issuers than in the United States. Although the TSPI Fund typically would invest in instruments (and derivatives thereon) of or related to companies and governments in countries that the Adviser believes to have stable political environments, there is a possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits, establishment of exchange controls, the adoption of foreign government restrictions or other adverse political, social or diplomatic developments that could adversely affect any such investment. Some of the instruments may be subject to taxes levied by foreign governments, which has the effect of increasing the cost of such investing and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income from non-U.S. instruments held by the TSPI Fund may be reduced by a withholding tax at the source. Tax conventions between certain countries and the United States, however, may reduce or eliminate such taxes, and some or all of such taxes may be creditable against the U.S. federal income tax liability of investors that are U.S. taxpayers.

***United Kingdom Exit from the EU.*** On June 23, 2016, the people of the UK voted in a referendum to leave the EU. As at the date hereof, there has been no change in the status of the UK as a member of the EU. Pursuant to the EU constitution, the only method of withdrawal is via Article 50 of the Treaty of the EU, which itself provides for a period of up to two years during which the terms of the UK’s ongoing relationship with the EU will be negotiated. The Article 50 procedure was triggered by the UK government on 29 March 2017; accordingly, it is currently anticipated that the UK will cease to be a member of the EU by the end of March 2019 (subject to any transitional arrangements or extensions which may be agreed).

As a result of the UK ceasing to be a member of the EU, the manner in which the Sightway Funds invest in assets located within the EU may be impacted. The terms of the UK’s exit from the EU are not clear, and the shape of the regulatory landscape following exit is not yet defined; the legal, political and economic uncertainty generally resulting from the UK referendum result and anticipated exit from the EU may adversely impact UK-based businesses, and may also result in an economic slowdown and/or a deteriorating business environment in one or more EU Member States.

***Risks Related to Investments in the Other Private Equity Managed Fund.*** The TSPI Fund will invest with the Sightway Funds and the TSV Funds, and, as a result, the following additional risks may be associated with these investments:

- ***Limited Rights.*** The TSPI Fund, as an investor in the Other Private Equity Managed Fund, generally will not have the ability to evaluate investment opportunities or relevant business, economic, financial or other information that will be used by the Other Private Equity Managed Funds in implementing their respective investment programs. Further, investors in the TSPI Fund will not be members, limited partners or shareholders of the Other Private Equity Managed Fund, will have no direct interest in any Other Private Equity Managed Fund, will have no direct interest in or direct voting rights with respect to any Other Private Equity Managed Fund and will have no privity of contract with any Other Private Equity Managed Fund. The offering of interests in the TSPI Fund does not constitute an offering of interests in any Other Private Equity Managed Fund, and no Other Private Equity Managed Fund is responsible for the formation or operation of the TSPI Fund. The Other Private Equity Managed Fund in the early stages of development may not fully deploy capital, raise sufficient capital or execute the investment strategy as anticipated due to a variety of factors. In addition, an Other Private Equity Managed Fund may take undesirable tax positions, employ excessive leverage, or otherwise manage investments in a manner not anticipated by the Adviser; while the TSPI Fund may have certain rights to be excused from, or reduce its exposure to, an Other Private Equity Managed Fund, in such events, there is no guarantee that the applicable Other Private Equity Managed Fund will honor or be able to honor the TSPI Fund's request to reduce exposure to, or to be excused from certain investments, and investors in the TSPI Fund will not have any such rights directly.
- ***Multi-Investment Fund Approach.*** While investment in multiple Other Private Equity Managed Funds may provide some diversification of investment risk, no assurance can be given that such diversification will occur, or if it does, that it will not reduce, rather than increase, potential net profits. Also, interests in multiple Other Private Equity Managed Funds may cause the TSPI Fund indirectly to hold opposite positions in an underlying investment, thereby decreasing or eliminating the possibility of positive returns from such investment. No assurance is given that the collective performance of the Other Private Equity Managed Funds will result in profitable returns for the TSPI Fund as a whole under all or any conditions; the possibility exists that good performance achieved by one or more of the Other Private Equity Managed Funds may be neutralized by poor performance experienced by another Other Private Equity Managed Fund. Further, there is no guarantee that the Other Private Equity Managed Funds will not employ similar investment strategies from time to time or with respect to a portion of their respective portfolios; and investments in the Other Private Equity Managed Funds that make overlapping investments may result in the TSPI Fund having increased exposure with respect to those overlapping investments, sectors or asset classes.

***Investments with Third-Party Managers.*** The TSPI Fund will invest with Third-Party Managers and, as a result, the following additional risks may be associated with these investments:

- ***Multiple Investment Managers.*** The Third-Party Managers make their investment decisions independently, and one or more of such Third-Party Managers may, at any time, take positions that may be opposite of positions taken by other Third-Party Managers or the TSPI Fund. It is also possible that the Third-Party Managers retained by the TSPI Fund may on occasion be competing with each other for similar positions at the same time. Also, a particular Third-Party Manager may take positions for its other clients that may be opposite to positions taken for the TSPI Fund.
- ***Lack of Operating History of Third-Party Managers.*** The Third-Party Managers retained by the TSPI Fund may be new Third-Party Managers with a limited performance history in operating their own management company (although such Third-Party Managers typically will have significant prior experience in the investment industry). Therefore, such investments may involve greater risks than investment with more established Third-Party Managers.
- ***Performance-Based Compensation Arrangements with Third-Party Managers.*** Third-Party Managers are typically compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the accounts they manage during specific measuring periods. In certain infrequent cases, Third-Party Managers may be paid an incentive fee or allocation based on appreciation during the specific measuring period without taking into account losses occurring in prior measuring periods. Such performance-based arrangements may create an incentive for such Third-Party Managers to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. Furthermore, the TSPI Fund may be required to pay an incentive fee or allocation to Third-Party Managers who make a profit for the TSPI Fund in a particular fiscal year even though the TSPI Fund may in the aggregate incur a net loss for such fiscal year.
- ***Activities of Third-Party Managers.*** Third-Party Managers will have significant responsibility for making investment decisions on behalf of the TSPI Fund. The Third-Party Managers will have various levels of experience. In addition, the Third-Party Managers may also manage other accounts (including other partnerships and accounts in which the Third-Party Managers may have an interest) which, together with accounts already being managed, could increase the level of competition for the same investments the TSPI Fund might otherwise make. This could make it difficult to take or liquidate a position in a particular investment at a price indicated by the Third-Party Manager's strategy. Furthermore, although the TSPI Fund seeks to select only Third-Party Managers who will invest the TSPI Fund's assets with the highest level of integrity, the TSPI Fund will have no control over the day-to-day operations of any of the selected Third-Party Managers. As a result, there can be no assurance that every Third-Party Manager engaged by the TSPI Fund will conform his conduct to these standards.

- *TSPI Fund Expenses.* The expenses of the TSPI Fund (including the payment of fees by the TSPI Fund to Third-Party Managers and the TSPI Fund's *pro rata* share of expenses of any private investment funds in which it invests) may be a higher percentage of net assets than would be found in other investment entities. Strategies utilized by certain Third-Party Managers retained by the TSPI Fund may require frequent trading and, as a result, portfolio turnover and brokerage commission expenses may significantly exceed those of other investment entities of comparable size.
- *Limits on Information.* The Adviser requests certain information from each Third-Party Manager regarding the Third-Party Manager's historical performance (if any) and investment strategy. However, the Adviser may not be provided with information regarding all the investments made by the Third-Party Managers because certain of this information may be considered proprietary information by Third-Party Managers.

**Risks and Conflicts related to the Seeding Strategy.** The Seeding Strategy investments could involve a high degree of business and financial risks that can result in substantial losses. These include the risks associated with investments in the Other Private Equity Managed Funds that are at an early stage of their development. The Seeding Strategy investments shall be determined on an investment-by-investment basis and negotiated individually with each Other Private Equity Managed Fund, taking into account the objectives and terms of the Other Private Equity Managed Fund and its constituent entities. Alternative structuring of such investments may create additional risks with respect to the TSPI Fund which are not currently anticipated or identified. For example, an Other Private Equity Managed Fund may be pursuing a new and untested investment program. An Other Private Equity Managed Fund that is seeded with Special Investments from the TSPI Fund may benefit from the Adviser's selection and management of such Special Investments, including any associated gain thereon, which will subsequently be shared with other investors in the Other Private Equity Managed Fund.

In addition, any enhanced rights, if applicable, received by the TSPI Fund in connection with a Seeding Strategy investment will be individually negotiated with respect to each Other Private Equity Managed Fund, creating the risk that not all facets of such rights will be available in each portfolio investment or be applied to the same degree. Investments will also be structured based on the structure of the Other Private Equity Managed Fund at the time the TSPI Fund invests in such fund, and there is no assurance that new or different risks will not arise as an Other Private Equity Managed Fund evolves or matures.

Seeding Strategy investments may pose additional and heightened conflicts for the TSPI Fund that are not present in a typical fund of funds or manager of managers strategy, due to among other things the scope and extent of the Adviser's relationships with the TSPI Fund, the Other Private Equity Managed Fund, and the terms/conditions of the arrangement.

Moreover, certain Special Investments will be subject to the TSPI Fund's Incentive Allocation, which is determined at the time of withdrawal or upon distributions related to a realization event; this may create a potential conflict among investors, because their investment in the TSPI Fund may experience different results depending on when such withdrawals or distributions occur. Moreover, although the TSPI Fund provides investors with redemption

rights, the TSPI Fund itself will generally not be permitted to withdraw or redeem from an Other Private Equity Managed Fund that is closed-ended. Any indemnification or liabilities attributed to the TSPI Fund due its investment in such Other Private Equity Managed Fund will be borne by the investors in the TSPI Fund at such time, even if they were not invested in the TSPI Fund at the time of the original investment.

Because the Seeding Strategy may be implemented in any number of ways and will continue to evolve over time, additional or new conflicts may arise or develop depending on the arrangements entered into by the Adviser and the Other Private Equity Managed Funds in which the TSPI Fund may invest. Prospective investors should take such payment arrangements and the resulting conflict of interest into account when considering and evaluating any recommendations relating to an investment in the Interests. Specific information regarding the Adviser's or its affiliates' various seed or similar arrangements is available upon request, subject to any confidentiality restrictions that may exist for such seed arrangements.

***Multiple Levels of Expense.*** Investments in investment funds including those managed by the Adviser or its affiliates may significantly increase the fees, costs and expenses payable by the TSPI Fund and borne by the investors therein. For instance, in addition to any incentive allocation charged at the TSPI Fund level, the Securitized Asset Fund imposes fees, costs and other administrative expenses, including, but not limited to, organizational expenses, management fees and other expenses (as applicable), which will be borne directly and indirectly by the investors in the TSPI Fund. Moreover, the Adviser earns a management fee for managing the Securitized Asset Fund's portfolio, which may introduce potential conflicts in the Adviser's decision to hold certain third party funds of the TSPI Fund that comprise the Holdings Investments through the Securitized Asset Fund.

These various levels of fees, costs and expenses will be charged whether or not the performance of the TSPI Fund generates positive returns for its investors. In addition, the TSPI Fund will indirectly bear a proportionate share of the organizational, offering and ongoing operating expenses, fees and other compensation (including management fee) of affiliated and third party investment funds, which expenses, fees and other compensation will be significant. Because of these fees and expenses payable by the TSPI Fund, its returns may be lower than the returns to a direct investor in such funds.

***Diversification of Strategies and Third-Party Managers.*** Although the Adviser invests with a number of different Third-Party Managers utilizing different investment strategies, it is possible that several Third-Party Managers may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of the TSPI Fund to more rapid change in value than would be the case if the assets of the TSPI Fund were more widely diversified.

Conversely, the Adviser may invest with Third-Party Managers that manage securities in a variety of financial sectors, industries or geographic regions. Thus, investors should be prepared to bear the risks associated with securities in any financial sector, industry or geographic region.

***Hard Assets.*** The production and marketing of hard assets may be affected by actions and changes in governments. In addition, hard assets and hard asset securities may be cyclical in nature.



During periods of economic or financial instability, hard asset securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. In addition, hard asset companies may also be subject to the risks generally associated with extraction of natural resources, such as the risks of mining and oil drilling, and the risks of the hazards associated with natural resources, such as fire, drought, increased regulatory and environmental costs, and others. Hard asset securities may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities may rise at a slower rate, and conversely, in time of falling hard asset prices, such securities may suffer a greater price decline.

***Real Estate Related Risks.*** The TSPI Fund invests in real estate and/or real estate related companies and/or industries and, therefore, is subject to risks associated with the direct and indirect ownership of real estate, such as decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions, increases in operating costs and property taxes, changes in zoning laws, casualty or condemnation losses, possible environmental liabilities, regulatory limitations on rent and fluctuations in rental income.

***Energy and Natural Resources.*** The TSPI Fund's portfolio includes investments in the energy and natural resources sectors. Consequently, the value of the TSPI Fund's portfolio has exposure to factors affecting the energy and natural resources industries, such as increased regulation by both the U.S. and non-U.S. governments, developments in the energy and natural resources sectors and conservation incentives. Increased energy and natural resources regulations may, among other things, increase compliance costs and affect business opportunities for the companies in which the TSPI Fund invests.

***Loan Origination Risk.*** The value of the TSPI Fund's investment in loans may be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted loan. The Adviser may attempt to minimize this risk by maintaining low loan-to-liquidation values with each loan and the collateral underlying the loan. However, there can be no assurance that the value assigned by the Adviser to collateral underlying a loan of the TSPI Fund can be realized upon liquidation, nor can there be any assurance that collateral will retain its value. In addition, certain loans may be supported, in whole or in part, by personal guarantees made by the borrower or a relative, or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a loan may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, the value of collateral supporting loans may fluctuate. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted loans and, if applicable, taking possession of and subsequently liquidating various types of collateral.

***Loan Participations.*** The TSPI Fund may invest in corporate loans acquired through assignment or participations. In purchasing participations, the TSPI Fund will usually have a contractual relationship only with the selling institution, and not the borrower. The TSPI Fund generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. The TSPI Fund may



not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution.

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

***Special Situations.*** The TSPI Fund may have investments in companies or may invest in derivatives on the equity or debt of companies involved in (or the target of) acquisition attempts or tender offers or have investments in companies or invest in derivatives on the equity or debt of companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time 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 TSPI Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the TSPI Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the TSPI Fund may invest, there is a potential risk of loss by the TSPI Fund of its entire investment in such companies. In connection with such transactions (or otherwise), the TSPI Fund may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price and/or interest rate receivable with respect to a when-issued security are fixed when the TSPI Fund enters into the commitment. Such securities are subject to changes in market value prior to their delivery.

***Investing in Emerging Market Equity Securities.*** Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater controls on non-U.S. investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (v) increased likelihood of governmental involvement in and control over the economies; and (vi) governmental decisions to cease support of economic reform programs or to impose centrally planned economies.

The TSPI Fund's investing in equity securities in emerging markets may be subject to such additional risks as (i) greater volatility, less liquidity and smaller capitalization of securities markets; (ii) greater volatility in currency exchange rates; (iii) greater risk of inflation; (iv)

differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (v) less extensive regulation of the securities markets; (vi) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (vii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (viii) certain considerations regarding the maintenance of TSPI Fund securities and cash with non-U.S. brokers and securities depositories. The TSPI Fund may also invest in derivatives on such emerging market equity securities.

***Emerging Market Debt Securities.*** The TSPI Fund may also invest in emerging market debt securities, including short-term and long-term securities denominated in various currencies, which are unrated or rated in the lower rating categories by the various credit rating agencies. In addition to the risks related to investments in emerging markets generally and in emerging market equity securities as outlined above, emerging market debt securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally subject to greater risk than securities with higher credit ratings in the case of deterioration of general economic conditions. Additionally, evaluating credit risk for non-U.S. debt securities involves great uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields or prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for emerging market debt securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which securities are sold. In addition, adverse publicity and investor perceptions about emerging market debt securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such securities.

The sovereign debt obligations in which the TSPI Fund may invest in many cases pertain to countries that are among the world's largest debtors to commercial banks, non-U.S. governments, international financial organizations, and other financial institutions. In recent years, the governments of some of these countries have encountered difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness. The TSPI Fund may have limited legal recourse in the event of a default with respect to certain sovereign debt obligations it holds. For example, remedies from defaults on certain sovereign debt obligations, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself or may even be precluded (or limited) under principles of sovereign immunity. The TSPI Fund may also invest in derivatives on such emerging market debt securities.

***Lack of Liquidity of Fund Assets.*** TSPI Fund assets will include securities and other financial instruments or obligations that are thinly traded or for which no market exists. TSPI Fund assets may also include securities that are restricted as to their transferability under applicable securities laws. Any such investment involves a high degree of business and financial risk that can result in substantial losses. There may be no existing market for such securities, making the purchase or sale of such securities at desired prices or in desired quantities difficult or impossible. Furthermore, the sale of any such investments may be possible only at substantial discounts and it may be extremely difficult to value any such investments accurately.

***Equity of Securitized Asset Fund.*** TSPI Fund assets will include the equity of the Securitized Asset Fund. An investment in the equity of the Securitized Asset Fund involves certain risks, including those described further below in this Item 8 under “The Securitized Asset Fund.” The Securitized Asset Fund has incurred significant indebtedness through issuance of the Notes. An investment in the equity of the Securitized Asset Fund is subordinate to the Notes, and therefore is subject to greater risk of loss.

***Leverage.*** The TSPI Fund expects to utilize leverage in the pursuit of its investment strategy. Such leverage may include both direct borrowing (*i.e.*, “explicit leverage”), as well as exposure obtained by the use of futures or other derivatives (*i.e.*, “implicit leverage”). Trading these instruments may also, directly or indirectly, result in interest charges or costs to the TSPI Fund. The TSPI Fund is not limited in the amount of leverage it may employ. Additionally, as noted immediately above, the TSPI Fund holds the equity of the Securitized Asset Fund which is highly leveraged through the Notes. The equity is subordinate to the Notes and therefore is subject to greater risk of loss.

The Adviser may employ any level of explicit and/or implicit leverage to attempt to enhance returns, subject to regulatory limits, contractual limitations imposed by prime brokers, dealers, counterparties and other lenders and risk management concerns. Borrowings will be effected at the TSPI Fund or the Acquisition Entity level. The TSPI Fund may ultimately be liable for any unsatisfied liabilities. It is noted that the TSPI Fund does not anticipate reducing its leverage in the face of material decreases in the net asset value of the TSPI Fund. Given the opportunistic character of the TSPI Fund’s investment approach, the TSPI Fund’s leverage may actually increase as additional positions are established during such periods of net asset value decreases. It is also noted that the TSPI Fund and/or the Acquisition Entities may provide guarantees to and/or from one or more of the others, as needed from time to time, to support its or their investing activities.

Further, the portfolio companies in which the TSPI Fund invests incur leverage that increase the risk of loss and could negatively impact the TSPI Fund’s investments. Additionally, as noted above, the TSPI Fund’s equity interests in the highly leveraged Securitized Asset Fund are subordinate to the Notes and therefore subject to greater risk of loss.

The use of margin, short-term borrowing and collateral requirements create additional risks to the TSPI Fund. The TSPI Fund may use a substantial portion of its capital to post as margin or collateral. If the value of the TSPI Fund’s assets were to fall below the margin or collateral level required by a prime broker or dealer, additional margin deposits or collateral amounts would be required. If the TSPI Fund were unable to satisfy any margin or collateral call by a prime broker or dealer, the prime broker or dealer could liquidate some or all of the positions in the TSPI Fund’s account with the prime broker or for which the dealer is the counterparty and cause the TSPI Fund to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of other material defaults under margin, collateral or other financing agreements, could trigger cross-defaults under the TSPI Fund’s agreements with other brokers, dealers, lenders, clearing firms or other counterparties, multiplying the adverse impact to the TSPI Fund. In addition, because the use of leverage will allow the TSPI Fund control of or exposure to positions worth significantly more than the margin or collateral posted for such positions, the

amount that the TSPI Fund may lose in the event of adverse price movements will be high in relation to the amount of this margin or collateral amount.

In the event of a sudden decrease in the value of the TSPI Fund's assets, the TSPI Fund might not be able to liquidate assets quickly enough to satisfy its margin or collateral requirements. In that event, the TSPI Fund may become subject to claims of financial intermediaries that extended "margin" loans or counterparty credit. Such claims could exceed the value of the assets of the TSPI Fund. Trading of futures, forward contracts, equity swaps and other derivatives, for example, generally involves little or no margin deposit or collateral requirement and, therefore, provides substantial leverage. Accordingly, relatively small price movements in these financial instruments (and others) may result in immediate and substantial losses to the TSPI Fund.

The banks and dealers that provide financing to the TSPI Fund can apply essentially discretionary margin, haircut, financing 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 TSPI Fund will be able to secure or maintain adequate financing.

**Hedging.** The TSPI Fund may hedge some or all of its portfolio by taking long and short positions in related financial instruments. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of such portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus seeking to moderate the decline in the portfolio position's value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be obtained, and the TSPI Fund may be exposed to risk of loss. In addition, it is not possible to hedge fully or perfectly against any risk, and hedging entails its own costs. Positions which would typically serve as hedges may actually move in the same direction as the instruments they were initially attempting to hedge, adding further risk to the TSPI Fund. The Adviser may determine not to hedge against certain risks and certain risks may exist that cannot be hedged.

**Custody Risk.** There are risks involved in dealing with the TSPI Fund's custodians, dealers and/or prime brokers. The TSPI Fund maintains custody accounts with its custodians, dealers and prime brokers. Although the Adviser monitors the custodians, dealers and prime brokers utilized by the TSPI Fund and believes that they are appropriate custodians, there is no guarantee that the custodians, dealers and prime brokers that the TSPI Fund may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code, as amended, and the U.S. Securities Investor Protection Act of 1970, as amended, seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of the TSPI Fund's assets, the TSPI Fund would not incur losses due to its assets being unavailable for a period of time or the ultimate receipt of less than full recovery of its assets, or both.

The TSPI Fund or its custodians, dealers and prime brokers may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the TSPI Fund. The custodians, dealers and prime brokers may or may not be responsible for cash or assets that are held by sub-custodians in

certain non-U.S. jurisdictions, nor for any losses suffered by the TSPI Fund as a result of the bankruptcy or insolvency of any such sub-custodian. The TSPI Fund may therefore have potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the TSPI Fund. Under certain circumstances, including certain transactions where the TSPI Fund's assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the TSPI Fund and hence the TSPI Fund could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of the TSPI Fund to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the TSPI Fund may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing the TSPI Fund's rights to its assets in the case of a bankruptcy or insolvency of any such party.

***Counterparty and Settlement Risk.*** The TSPI Fund may invest in various types of OTC instruments, and the TSPI Fund may take on credit risk with regard to parties with whom it transacts and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market, daily settlement, segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Under certain circumstances, the TSPI Fund's counterparties may be granted the right to sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any collateral it holds from the TSPI Fund, free from any claim or right of any nature whatsoever of the TSPI Fund. Furthermore, the TSPI Fund's assets may not be held at a diverse number of custodians, brokers or dealers, subjecting the TSPI Fund to concentrated credit risk with a small number of such parties (or one such party). In valuing OTC derivative instruments, it is anticipated that the TSPI Fund will typically rely on quotes or other information provided by counterparties.

***Governmental Filings.*** The Adviser may, in its sole discretion, elect to cause the TSPI Fund to refrain from entering into a transaction that the Adviser may otherwise have caused the TSPI Fund to enter into if such transaction would cause the TSPI Fund, any Two Sigma Fund, a Fund, any Acquisition Entity, the Adviser or any of their respective affiliates to make a governmental or regulatory filing in the United States or any non-U.S. jurisdiction. Any such election by the Adviser may cause the TSPI Fund to (x) forgo an investment opportunity that the Adviser had determined may otherwise generate a profit for the TSPI Fund and/or (y) incur additional expenses, including without limitation, brokerage and/or legal fees.

***Exchange-Traded Funds.*** The TSPI Fund may invest in exchange-traded funds ("ETFs"), which are registered investment companies. Investments in an ETF are also subject to the fees and expenses of the ETF, which may include a management fee, other fund expenses, and a distribution fee. It should be noted that the Investment Company Act places certain restrictions

on the percentage of ownership that a private investment fund may have in a registered investment company.

***Concentration and Diversification.*** Even though the Adviser expects to generally follow the investment policies and guidelines as set forth in the Memorandum, the TSPI Fund will not be limited to such policies or guidelines with respect to diversification of its portfolio.

Because the TSPI Fund has the ability to concentrate its investments in a few industries, issuers and financial instruments, the negative impact on the value of the assets of the TSPI Fund to adverse movements in a particular economy or industry or in the value of the securities of particular issuer or financial instrument could be considerably greater than if the TSPI Fund were not permitted to concentrate its investments to such an extent. Any loss with respect to a financial instrument held by the TSPI Fund may have a significant adverse impact on the TSPI Fund.

***Fund Expenses.*** The expenses of the TSPI Fund may constitute a higher percentage of its net assets than would be found in other investment entities. In addition, legal and research expenses, including the fees and expenses associated with advisers, third-party research, recommendations, pricing tools and/or other services utilized by the Adviser in its investment decision making process may be a higher percentage of net assets than would be found in other investment entities based on certain strategies utilized by the TSPI Fund. Such fees and expenses may be an even greater percentage of net assets in the initial phase of implementation of any such strategy.

***Reliance on Human Discretion.*** The TSPI Fund's investment strategies and, the investment decisions are largely based on human discretion, and in particular on that of the personnel of the Adviser. The Adviser and its employees will endeavor to exercise that discretion in a reasonable manner, but no guarantee can be made that such decisions will be successful or not have unintended or unforeseen consequences.

There can be no assurance that the Adviser has or will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on the TSPI Fund's investments. Prices of the TSPI Fund's investments may be volatile, and a variety of factors that are inherently difficult to predict may significantly affect the results of the TSPI Fund's activities and the value of its investments. No guarantee or representation is made that the TSPI Fund's investment objective will be achieved or that the TSPI Fund will be able to avoid significant losses.

***Investment Company Act.*** The TSPI Fund is not registered under the Investment Company Act. Consequently, the significant investor protection provisions of the Investment Company Act will not apply to an investment in the TSPI Fund.

***Investment Advisers Act.*** The Adviser is registered as an investment adviser with the SEC pursuant to Section 203 of the Advisers Act and is therefore subject to the rules and regulations promulgated thereunder. However, the Adviser's registration with the SEC should in no way be viewed as an endorsement of the Adviser or the TSPI Fund by the SEC or any other regulatory body.



**Regulatory Changes.** It is possible that changes in applicable laws and regulations may affect the TSPI Fund's operations. In addition, a number of substantial regulatory changes are pending or in the process of changing in certain markets. However, the consequences of additional regulation on the liquidity and the functioning of the markets in which the TSPI Fund invests (and, possibly, on the Adviser itself) cannot be predicted and may materially diminish the profitability of investment opportunities for the TSPI Fund.

The financial services industry generally, and the activities of alternative investment funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the exposure of the TSPI Fund and/or Sightway to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on Sightway, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert Sightway's time, attention and resources from portfolio management activities. Significant amounts of the time and operational capacity of the Adviser will be spent dealing with regulatory changes and, particularly as an investment adviser registered with the SEC, dealing with current regulations and timely responses to inquiries from the SEC and other regulators. Significant amounts of the time and operational capacity of the Adviser may be expended to address regulatory changes and, particularly as an investment adviser registered with the SEC, to address current regulations and to provide timely responses to inquiries from the SEC and other regulators.

**FATCA.** Certain of the Acquisition Entities formed outside of the United States may be subject to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") and the U.S. Treasury Regulations promulgated thereunder ("FATCA"). Under FATCA, a foreign financial institution, which may include certain of the Acquisition Entities, is required to disclose the name, address and taxpayer identification number of certain United States persons that own, directly or indirectly, an interest in such entity, as well as certain other information relating to any such interest. If an Acquisition Entity fails to comply with these requirements, then a 30% withholding tax may be imposed on payments to the Acquisition Entity of U.S. source income (such as interest or dividends) and, after December 31, 2018, gross proceeds from the sale or other disposition of property that could give rise to U.S. source interest or dividends. The TSPI Fund intends to cause the Acquisition Entities to satisfy any obligations imposed on them to avoid the imposition of this withholding tax, although no assurance can be given that the TSPI Fund will be able to do so. If an Acquisition Entity becomes subject to a withholding tax as a result of FATCA, the value of shares in the Acquisition Entity held by the TSPI Fund may be materially affected, which will in turn effect the value of membership interests in the TSPI Fund.

**Valuation.** Generally, Sightway will determine the value of all the TSPI Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of the TSPI Fund's investments because, among other things, the securities of portfolio companies held by the TSPI Fund generally will be illiquid and not quoted on any exchange. Sightway, in its sole discretion, will determine the value of all the TSPI Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted

accounting principles as promulgated in the United States. There can be no assurance that Sightway will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of Sightway with respect to an investment will represent the value realized by the TSPI Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by Sightway may adversely affect the diversification and management of the TSPI Fund's portfolio of investments.

Investments in funds managed by Third-Party Managers will be valued based on the capital statements provided by such funds. To the extent that they take part in the valuation, such Third-Party Managers are not free from conflict in valuing their own funds.

Additionally, in light of the foregoing, there is a risk that an investor who withdraws all or part of his investment while the TSPI Fund holds such private or thinly traded investments will be paid an amount less than the actual value of such investments, to the extent that such actual value is higher than the value designated by the TSPI Fund. Similarly, there is a risk that such investor might, in effect, be overpaid if the actual value of the private or thinly traded investment is lower than the value designated by the TSPI Fund.

Sightway also uses and relies on financial models, third-party or affiliated, in pricing securities or other assets. Sightway and its affiliates are entitled to rely, without independent investigation, upon pricing information and valuations furnished by third parties, including brokers, dealers, market makers and/or third-party pricing services.

***Reliance on TSI.*** TSI provides various services to the Adviser, including, but not limited to, administrative, legal, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other related and miscellaneous services. It is expected that this arrangement will be formalized in the Services Agreement pursuant to which the Adviser will pay TSI a fee for the provision of these services. Such fee will be borne by the Adviser and not directly or indirectly by its clients. All personnel of the Adviser will have a direct employment relationship with TSI.

Because of the services provided to the Adviser by TSI, the Adviser's performance will be materially dependent on TSI and the talents and efforts of individuals employed by TSI. TSI is not a fiduciary to the Adviser or to any of its clients. The success of the Adviser and the TSPI Fund will largely be dependent upon TSI's ability to continue to provide services to the Adviser. If TSI ceases to do so, or to do so effectively, the Adviser and the TSPI Fund will be adversely affected. The Adviser has no control over TSI, and TSI may make decisions without regard to, knowledge or consideration of, the business objectives of the Adviser or the investment objective of the TSPI Fund (subject to the Services Agreement).

***Cybersecurity Risk.*** The information and technology systems of the Adviser, TSI and of key service providers to the TSPI Fund may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals,



power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has (directly or through its affiliates) implemented various measures designed to seek to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser or a service provider to make a significant investment to fix or replace them and to seek to remedy the effect of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the TSPI Fund and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

In addition, in connection with the services provided to the TSPI Fund, an investor's personal data will be subject to the Adviser's privacy policy. An investor's personal data may be shared with certain Sightway Affiliates and may be transferred and/or stored in various jurisdictions in which Sightway Affiliates, the TSPI Fund's administrator or sub-administrator and/or their respective affiliates have a presence. Such jurisdictions may not offer a level of personal data protection equivalent to the investor's country of residence.

***General Economic Conditions.*** General economic conditions may affect the value and number of investments made by the TSPI Fund or considered for prospective investment.

***Competitive Marketplace.*** The TSPI Fund will compete with other funds (potentially including the Other Private Equity Managed Funds) and institutional investors for the same or similar investment opportunities. There is no guarantee that the TSPI Fund will be successful in doing so.

***Distributions-In-Kind.*** Sightway may in its sole discretion cause the TSPI Fund to distribute securities or other investments as distributions in-kind to investors that request or consent to such distributions in writing or without such consent in connection with the dissolution or winding-up of the TSPI Fund. Such securities or other investments may not be readily marketable or salable and may have to be held by the TSPI Fund's investors for an indefinite period of time. Additionally, the fair market value of such securities or other investments will be determined by Sightway in its sole discretion. Accordingly, the fair market value of such securities or other investments may not reflect the price at which they could be sold in the market, and the difference between fair market value and the ultimate sales price could be material. If the valuations made by Sightway are incorrect, the amount of any Incentive Allocations in respect of such securities or other investments also could be incorrect, which could result in adverse consequences for an investor, including but not limited to reduced returns.

***Tax Obligations.*** Investors will be allocated their proportionate share of the taxable income of the TSPI Fund. The TSPI Fund may make distributions, including tax distributions and to return excess cash that the Adviser does not anticipate utilizing in the foreseeable future, although the Adviser may in its sole discretion decide not to do so. Accordingly, investors may have to satisfy any tax obligations arising from their investment in the TSPI Fund from sources other than income from the TSPI Fund.

***Reliance on the Adviser.*** The success of the TSPI Fund's investments is dependent upon the ability of the Adviser to develop and implement investment strategies that achieve the TSPI

Fund's investment objective. If the Adviser ceases to be involved in the management of the TSPI Fund or its portfolio, the TSPI Fund could be adversely affected. There is no prohibition on the Adviser or any principal, officer or employee of the Adviser or its affiliates resigning. Investors have no special withdrawal rights if the Adviser (or any principal, officer or employee of the Adviser or its affiliates) was to cease to be involved in the management of the TSPI Fund; rather, such investors would have the right to withdraw their interests only in accordance with the withdrawal provisions detailed in the Fund Agreement. Investors will be notified if the Adviser no longer participates in the business operations of the TSPI Fund. In such case, it is possible that a significant number of investors would exercise their right to withdraw at the next applicable withdrawal date and the remaining investors could experience significant losses. In addition, there can be no assurance that enough investors would choose to maintain interests in the TSPI Fund to make it feasible to continue to manage the TSPI Fund's portfolio. Moreover, the performance and investment profile of other investment funds, entities or accounts managed by the Adviser or its affiliates should not be used as an indicator of the likely performance or investment profile of the TSPI Fund.

***Reliance on Other Managers.*** The TSPI Fund's performance is expected to be materially dependent on the talents and efforts of individuals employed by Third-Party Managers and the manager of the TSV Funds. Sightway will have no control over the day-to-day operations of any of the selected Third-Party Managers or the manager of the TSV Funds. There can be no assurance that the TSV Funds' manager or each Third-Party Manager engaged by the TSPI Fund will invest as expected by Sightway.

***Trading Restrictions.*** In the course of its activities, there is a risk that the Adviser will receive material non-public information. The Adviser may receive such information directly as a result of its investment advisory activities for the benefit of the TSPI Fund, or indirectly as a result of its relationship with affiliates. In such event, the TSPI Fund may be restricted from investing in certain securities regardless of whether the activities leading to the receipt of material non-public information were for the benefit of the TSPI Fund or otherwise. Such restrictions may have a material impact on the gains and losses of the TSPI Fund.

***Limited Withdrawal and Transfer Rights.*** An investment in the TSPI Fund provides limited liquidity because investors generally will be permitted to make withdrawals only as of the last calendar day of each calendar year. In addition, TSPI Fund interests may only be transferred with the prior written consent of Sightway. Under certain circumstances, Sightway may restrict the right of any investor to withdraw its interest in its sole discretion and Sightway may delay, the payment of such proportion of a proposed withdrawal as is reasonably related to the reasons for such delay. Accordingly, the TSPI Fund interests should only be acquired by investors willing and able to commit their assets for an appreciable period of time.

***Portfolio Company Reliance on Sightway.*** Sightway or its affiliates often provide significant support to certain portfolio companies in the form of support sourcing, evaluating, negotiating and executing transactions and financings, as well as accounting, recordkeeping, transaction processing and other back-office services. If Sightway or its affiliates became unable to provide such services, the performance of the applicable portfolio companies and, accordingly, the performance of the TSPI Fund, could be materially affected.

***Lack of Management Control.*** The interests in the TSPI Fund are generally non-voting, so investors are generally precluded from participating in the TSPI Fund's management. Investors must rely on the Adviser to manage and conduct the affairs of the TSPI Fund. The Adviser has wide latitude in making management decisions and may issue new interests at any time in its sole discretion. With limited exceptions, investors will have no right to participate in the decisions of the Adviser. Accordingly, investors have no direct control over the assets of the TSPI Fund. If an investor becomes dissatisfied with the operation of the TSPI Fund or the investment of its assets, its only recourse will be to seek the consent of the Adviser, which may be withheld in its sole discretion for any reason or no reason at all, to withdraw its interests in the TSPI Fund, which recourse may be further limited by Sightway's ability to suspend or restrict the determination of the TSPI Fund's net asset value.

***Third-Party Litigation.*** The TSPI Fund's investment activities are subject to third-party litigation risks. In connection with such litigation actions, the TSPI Fund may be obligated to indemnify certain covered persons under the terms of the Fund Agreement and certain other agreements entered into by the TSPI Fund.

## **Conflicts of Interest**

The Adviser's affiliates currently serve in similar capacities to the Funds, and expect to advise other clients and funds, whose accounts may purchase or sell the same and/or related financial instruments or other investments as those purchased or sold by the TSPI Fund. In addition, the Adviser's affiliates may organize other U.S. or non-U.S. funds, which may be managed by the TSPI Managing Member, the Adviser or their affiliates and which may have investment objectives substantially similar to those of the TSPI Fund. The Adviser's affiliates may also manage other funds and accounts that may purchase or sell the same and/or related financial instruments as those purchased or sold by the TSPI Fund and may seek investment opportunities that may be of interest to the TSPI Fund. In managing such other funds and accounts, conflicts of interest may arise.

Investors in the TSPI Fund include persons or entities organized in various tax jurisdictions, which may have conflicting investment, tax and other interests with respect thereto. As a result, conflicts of interest may arise in connection with decisions made by the Adviser that may be more beneficial for one type of TSPI Fund investor than for other types of TSPI Fund investors, especially with respect to investors' individual tax situation (including with respect to the nature or structuring of investments). In making decisions, the Adviser intends to consider the investment objectives of the TSPI Fund as a whole, and not the investment objectives of any investor of the TSPI Fund individually. Because the commitments contributed by the TSPI Fund's investors are primarily composed of commitments by certain of the founding members of the Adviser and its affiliates (the "TSPI Founder Investors"), conflicts may arise between the interests of the TSPI Founder Investors and those of the TSPI Fund and its investors who are not TSPI Founder Investors in relation to certain decisions regarding, among other things, the nature of investments made by the TSPI Fund, the structuring or the acquisition of investments and the timing of disposition of investments. The TSPI Founder Investors retain certain rights with respect to the TSPI Fund's investment decisions, which may create a conflict of interest between the interests of the TSPI Founder Investors and the interests of other investors in the TSPI Fund.

As stated above, the TSPI Fund seeks to achieve U.S. dollar-denominated returns by building a diversified portfolio, with a focus on low correlation to the Two Sigma Funds. In seeking this low correlation, many, if not all, of the Two Sigma Funds may achieve higher and, at times, substantially higher returns than the TSPI Fund. Regardless of their ability to generate high returns, the TSPI Fund will generally not be given access to the strategies utilized by the Adviser and its affiliates on behalf of the Two Sigma Funds. In addition, instances may arise where the Adviser exercises its discretion not to pursue a particular investment opportunity on behalf of the TSPI Fund because of the potential restrictions that such pursuit may have on the Adviser's or its affiliates' ability to invest in or trade certain securities (or other assets) related to such investments on their own behalf or on behalf of their other clients. Additionally, because the TSPI Fund's investors are comprised of current or former partners or employees of the Adviser and its affiliates or their estate planning vehicles (or other similar investors), the Adviser has an incentive to provide support to the TSPI Fund that it may not otherwise provide to vehicles whose investors are comprised of unrelated third-parties.

Two Sigma may, directly or indirectly, cause Sightway to allocate certain investment opportunities that may be appropriate for the TSPI Fund to Two Sigma, its affiliates or Two Sigma Accounts. If an opportunity is allocated entirely to Two Sigma, its affiliates or a Two Sigma Account instead of the TSPI Fund, the TSPI Fund will not participate in any investment gains it could have otherwise realized with respect to such opportunity if the TSPI Fund had participated. Moreover, neither the TSPI Fund nor Sightway may be compensated for the time and effort involved in identifying such investment opportunity. In addition, Two Sigma has no obligation to provide investment opportunities to Sightway or the TSPI Fund, and the TSPI Fund will generally have no access opportunities identified by Two Sigma or its affiliates (other than Sightway).

The Adviser and its affiliates have the ability to invest in financial instruments for their own accounts. This may on occasion create conflicts of interest with the TSPI Fund with regard to such matters as allocation of opportunities to participate in particular investments or to dispose of certain investments. Employees of the Adviser are permitted to engage in personal investment activities, subject to the Adviser's policies and procedures. Such personal investment activities could involve a conflict of interest with the investment activities of the TSPI Fund.

The Adviser's personnel may have conflicts of interest in allocating their time and activity between the TSPI Fund and the other funds and accounts managed by Sightway (including the other Funds), in allocating investments among the TSPI Fund and such other funds and accounts and in effecting transactions between the TSPI Fund and such other funds and accounts, including ones in which the Adviser (and its principals) may have a greater financial interest.

Subject to any relevant restrictions or other limitations contained in the TSPI Fund's Fund Agreement, the Adviser will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, the Adviser may be faced with a variety of potential conflicts of interest.

The TSPI Fund has controlling interests in many of its portfolio companies. With respect to such companies, the Adviser and/or its affiliates typically have the right to appoint portfolio company board members (including current or former Adviser personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members may approve compensation and/or other amounts payable to the Adviser and/or its affiliates. Such amounts will be in addition to any Incentive Allocation paid by the TSPI Fund to the Adviser.

Additionally, a portfolio company typically will reimburse the Adviser or service providers retained at the Adviser's discretion for expenses (including without limitation travel expenses) incurred by the Adviser or such service providers in connection with its performance of services for such portfolio company. This subjects the Adviser and its affiliates to conflicts of interest because the TSPI Fund is not expected to have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. The Adviser will typically determine the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices.

The Adviser will generally exercise its discretion to recommend to the TSPI Fund or to a portfolio company thereof that it contract for services with (i) the Adviser or a related person of the Adviser (which may include a portfolio company of the TSPI Fund), (ii) an entity with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, the Adviser may be presented with opportunities to receive financing and/or other services in connection with the TSPI Fund's investments from certain investors or their affiliates that are engaged in lending or related business. This will subject the Adviser to conflicts of interest, because although the Adviser selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the TSPI Fund, the Adviser may have an incentive to recommend the related or other person (including an investor) because of its financial or other business interest. There is a possibility that the Adviser, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the TSPI Fund or the Adviser), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not the Adviser has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Adviser and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the TSPI Fund or other investment vehicles advised by the Adviser and/or its affiliates; conversely, former personnel or executives of the Adviser and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by the Adviser. Similarly, the Adviser, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to,

the Adviser and/or its affiliates, and/or the TSPI Fund or other investment vehicles they advise. The Adviser may have a conflict of interest with the TSPI Fund in recommending the retention or continuation of a third-party service provider to the TSPI Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in the TSPI Fund, will provide the Adviser information about markets and industries in which the Adviser operates (or is contemplating operations) or will provide other services that are beneficial to the Adviser. The Adviser may have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the TSPI Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the TSPI Fund.

The Adviser, its affiliates, and equity holders, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to the TSPI Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by the TSPI Fund. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of the TSPI Fund. Employees and related persons of the Adviser have, and are expected to continue to have, capital investments in the TSPI Fund, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

Certain expenses are paid for by the TSPI Fund and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by the TSPI Fund and/or its portfolio companies. This subjects the Adviser to conflicts of interest because the Adviser will not necessarily seek out the lowest cost options when incurring (or causing the TSPI Fund or its portfolio companies to incur) such expenses.

Any of the situations described above will subject the Adviser and/or its affiliates to potential conflicts of interest. To the extent that an investment or relationship raises particular conflicts of interest, the Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict.

## **The Securitized Asset Fund**

### **General**

The Adviser manages the Holdings Investments in which Holdings is invested, including the acquisition and disposition of, and investment and reinvestment in, the various pooled investment vehicles managed by the Fund Managers. As previously noted, all of the initial Holdings Investments were acquired by Holdings from the TSPI Fund, and Holdings expects to acquire additional Holdings Investments from, or sell Holdings Investments to, the TSPI Fund in the future, subject to the approval of the independent Conflicts Advisory Board. The assets of the Securitized Asset Fund will primarily consist of the interests in Holdings, and the assets of Holdings will primarily consist of the Holdings Investments.

From time to time, however, the Securitized Asset Fund may invest in certain eligible investments, as further specified in the Indenture for cash management purposes.

The funds in which Holdings owns or will acquire an interest employ a number of different strategies in their investments, including, without limitation:

- *Buyout* – Includes the purchase of securities of a company (typically privately placed highly illiquid equity securities) which often results in attaining a substantial or a controlling percentage of such company's securities and thereby exercising control over its assets and operations.
- *Debt* – Includes investments in mezzanine funds which lend to, or take direct equity investments in, small business investment companies ("SBICs"), licensed by the Small Business Administration, and which supply small businesses with financing in both the equity and debt arenas. They provide a viable alternative to venture capital firms for many small enterprises seeking startup capital.
- *Infrastructure* – Includes investments in infrastructure assets and/or related portfolio companies (typically privately placed highly illiquid equity securities). Infrastructure assets can be characterized as assets that provide for essential services and which have (i) significant barriers to entry, (ii) a generally dominant market position, (iii) long duration, (iv) high upfront costs and (v) low ongoing operational costs. Investments in infrastructure generally exhibit long-term, stable cash flows and low volatility as compared to other asset classes and have inflation-linked contracts and pricing that protects investors from the effects of inflation on such long-term cash flows.
- *Natural Resources* – Includes investments in a wide variety of oil and gas exploration, production and transportation assets (typically privately placed highly illiquid equity securities), as well as investments in natural resources other than oil and gas.
- *Real Estate* – Includes investments in both residential properties and commercial properties, as well as investments in real estate portfolio companies.
- *Venture Capital* – Includes investments in start-up or other companies embarking on new ventures. Individual investment horizons tend to be longer as compared to those for the more mature companies commonly found in buyout funds.

## **Risks of Investment**

Prospective investors should carefully consider the following risk factors. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Securitized Asset Fund will meet its investment objective or otherwise be able successfully to carry out its investment program. An investor should invest in the Securitized Asset Fund only if such investor can bear a total loss of its entire investment in the Securitized Asset Fund.

The Securitized Asset Fund will be highly leveraged. Use of leverage is a speculative investment technique and involves certain risks to investors. The leverage provided to the Securitized Asset Fund by the issuance of the Notes will result in interest expense and other costs incurred in connection with the borrowings that may not be covered by the net distributions, redemption proceeds, and, if applicable, appreciation of the Holdings Investments. It is likely, the value of the equity interests in the Securitized Asset Fund would, and market value of the Notes could, be significantly affected by, among other things, changes in the value of the Holdings Investments, changes in the distributions on the Holdings Investments, gains and losses on the Holdings Investments and other risks associated with the Holdings Investments. The use of leverage generally magnifies the Securitized Asset Fund's risk of loss. As a result, the Notes may not be paid in full, and the equity interests and the Notes may be subject to 100% loss.

As such, the equity interests and the Notes will not be appropriate or suitable for all investors. Investors must not invest in the equity or the Notes unless they understand the terms and risks of this transaction, including the conflicts of interest, and are able to bear the economic consequences of such an investment.

Further, the ability of the Securitized Asset Fund to make payments on the Notes is highly dependent on the performance of the Holdings Investments. There can be no assurance that the Holdings Investments will be successful, that investors will receive a return of any or all of their investments in the Notes or that they will receive any return (or avoid any loss, including total loss) on their investment in the Notes. Prospective investors are therefore advised to review the offering circular for the Notes carefully and should consider, among other things, the following risk factors (along with, among other things, the inherent risks of investment activities) before deciding whether to invest in the Notes. Each prospective investor should consult its own legal, tax and financial advisers regarding the desirability of purchasing the Notes and the suitability of an investment in the Securitized Asset Fund.

The following is not, and does not purport to be, a complete description of the risks associated with an investment in the Securitized Asset Fund. Rather, the following are only certain particular risks to which the Securitized Asset Fund is anticipated to be subject and that prospective investors should discuss in detail with their professional advisers.

#### Risks Relating to the Holdings Investments

***Investing in Private Equity Has Inherent Risks.*** Private equity and similar investments involve a high degree of risk. Private equity investments, such as the Holdings Investments, typically do not generate a determinable and scheduled stream of income and the level of distributions thereon is extremely uncertain. The funds in which Holdings owns interests may hold private equity securities or related income-oriented investments, which are not typically debt investments or other investments which by their terms convert to cash in a finite period of time. Such funds generally expect to realize a profit on a portfolio investment upon the sale of such portfolio investment or through distributions of income over substantial periods of time. As a result, the Holdings Investments represent long-term investments that are generally not expected to generate an investment return for a number of years and, consequently, the timing of cash distributions to Holdings and the Securitized Asset Fund from the Holdings Investments may be uncertain and unpredictable. The success or failure of any investment in a fund depends



largely on the ability of its Fund Manager to choose, develop and realize appropriate portfolio investments. Funds may have limited or no operational history, may have no established track record in achieving their investment objectives and may be wholly unregulated investment vehicles. Funds may also invest in highly leveraged companies or in securities of companies or assets that are highly illiquid. As a result of the high degree of risk associated with private equity investments such as the Holdings Investments, there can be no assurance that the Holdings Investments will generate sufficient amounts to repay the Notes. Furthermore, some or all of the Holdings Investments may decline in value, which could result in a decrease of the Securitized Asset Fund's net asset value ("NAV") and, accordingly, in the value of the Notes.

***Calculation of Reported NAV May Not Be Reliable.*** The reported NAV of a Fund Investment will be the valuation of such Fund Investment as reported on the most recent financial reports from the respective Fund Manager. Such report may be outdated and may have been superseded by other materials or events. Annual reports issued by the funds in which Holdings invests will typically be made available to the investors in those funds, including Holdings, several months after year end and, accordingly, information relating to such funds received by Holdings and the Securitized Asset Fund may be significantly outdated. There is generally no obligation on Fund Managers to report material changes in the value of the underlying portfolio of the funds on a basis more frequent than quarterly. In particular, in the case of funds that invest in other funds there may be more significant delay in information reporting. Private company investments made by the funds typically have no active trading market, and their valuation may reflect the subjective determination by the Fund Managers. In addition, there is no single, uniform technique applied to the valuations reported by the different Fund Managers because each Fund Manager performs its own valuation and no one party values investments across the entire portfolio of the Holdings Investments. The valuation reported by the Fund Managers may differ significantly from the values that would have been used had a ready market for the Holdings Investments existed. Furthermore, the data and valuations reported by Holdings or the Adviser will not be calculated, reviewed, verified or in any way sanctioned or approved by the Fund Managers. Such factors may lead to uncertainty in the accuracy of each reported NAV and the adjusted portfolio NAV more generally. As a result, reported NAV may be substantially different from the amount recoverable in connection with a liquidation of the related Fund Investment or the fair market value of the investments that underlie such Fund Investment.

***Holdings May Receive from Holdings Investments Securities or Other Property in Lieu of Cash.*** From time to time, the funds in which Holdings invests may distribute securities to its limited partners or other investors in lieu of cash. Such securities may be restricted securities that are highly illiquid and the liquidation proceeds thereof may be significantly less than the amount of cash which would have been distributed instead of such securities. Under the terms of the Holdings guarantee, Holdings will direct or cause any such securities or other non-cash investments to be paid or distributed directly to the Securitized Asset Fund, for deposit in its custodial account. While the Securitized Asset Fund will attempt to dispose of or otherwise realize upon (including, without limitation, through holding until maturity or a liquidity event with respect to the underlying issuer, as applicable) such securities or other investments in a commercially reasonable manner, there may be substantial delays in such dispositions or realizations and the amounts which may be realized may be impaired, any of which may have a materially adverse effect on the Securitized Asset Fund's ability to meet its obligations on the

Notes.

***Holdings may be Subject to Substantial Penalties for Failures to Satisfy Fund Investment Capital Calls.*** Generally, the documents for a fund in which Holdings invests will usually provide for penalties in the event that an investor (such as Holdings as holder of the Holdings Investments) fails to meet a capital call pursuant to such investor's capital commitment, and such penalties may be severe. There is typically a short grace period during which default interest accrues on the unpaid amount. If the default continues beyond the grace period, the investor may become subject to severe sanctions, including termination of the investor's right to participate in future investments by the pertinent fund, loss of its entitlement to distributions or income but not its liability for losses or partnership expenses, loss of voting rights, mandatory transfer or sale of its Fund Investment at a discount, continuing liability for interest in respect of the defaulted amount, partial or total forfeiture of the Fund Investment and liability for any other rights and remedies (including legal remedies) the Fund Manager may have against the investor. Certain of the funds may give the Fund Manager the right to proceed directly to forfeiture proceedings following notice and continuation of default by an investor, in which case the share of the defaulting investor would generally become assets of the pertinent fund and be divided among the Fund Manager and the remaining investors in the fund. Holdings' sole sources to satisfy capital calls with respect to the Holdings Investments will be from the amounts on deposit from time to time and certain other proceeds as described in the Indenture. To the extent that any Fund Investment capital call exceeds the amount available to Holdings under such sources of funding, Holdings will not have sufficient funds to meet such Fund Investment capital call. Any failure by Holdings to meet any Fund Investment capital call with respect to a Fund Investment may have a material adverse effect on such Fund Investment and on the Securitized Asset Fund's ability to make payments on the Notes.

***Funds Have Rights to Require Contributions for Indemnities and Other Purposes; Holdings may be Subject to Substantial Penalties for Failures to Satisfy Such Required Contributions.*** The documents for a fund in which Holdings invests often contain indemnities from each investor (such as Holdings as holder of the Fund Investment) in favor of the Fund Manager and related persons such as directors, officers, employees and agents, in respect of specified or general liabilities incurred in connection with the business of the fund or as a result of acting in the relevant capacity. To the extent that such risks are not covered by insurance, these actions could expose the fund's investors to claims for indemnification. Such indemnities are sometimes limited to all or a portion of each fund investor's total capital commitment or to distributions from the fund, but some may have no limit. Prospective investors should be aware of the risk that claims under such indemnities could result in the loss in whole or in part of Holdings' investment in any fund. In addition, some of the fund documents provide that upon the failure by a fund investor to meet a Fund Investment capital call, the Fund Manager has the right to require the non-defaulting fund investors (including Holdings as holder of the Fund Investment) to make additional capital contributions on a pro rata basis to make up the amount not paid by the defaulting fund investor. This provision would require the non-defaulting fund investors to contribute a larger share of their capital to a particular investment than they otherwise would have. However, most of the fund documents that contain such a provision also provide that such additional capital contributions will not individually exceed the non-defaulting investor's then unfunded capital commitment or in the aggregate increase the capital

commitment of the non-defaulting investor. Holdings' sole sources to fund such indemnity and additional capital contribution obligations with respect to the Holdings Investments will come from the amounts on deposit from time to time as described in the Indenture. If Holdings fails to meet such indemnity and additional capital contribution obligations, it would be subject to sanctions similar to the sanctions described under "—Holdings may be Subject to Substantial Penalties for Failures to Satisfy Fund Investment Capital Calls" above. Any failure by Holdings to meet any such indemnity and additional capital contribution obligations with respect to a Fund Investment may have a material adverse effect on such Fund Investment and on the Securitized Asset Fund's ability to make payments on the Notes.

***Holdings may be Liable for Returns of Certain Distributions from Funds.*** If a fund in which Holdings invests is otherwise unable to meet its obligations, the fund's investors (including Holdings as holder of the Fund Investment) may, under applicable law and the fund documents, be obligated to return, sometimes with interest, cash distributions previously received by them to the extent such distributions are deemed to constitute a return of their capital contribution or deemed to have been wrongfully paid to them. If Holdings fails to meet such obligations, it would be subject to sanctions similar to the sanctions described under "—Holdings may be Subject to Substantial Penalties for Failures to Satisfy Fund Investment Capital Calls" above. Any failure by Holdings to meet any such obligations with respect to a Fund Investment may have a material adverse effect on such Fund Investment and on the Securitized Asset Fund's ability to make payments on the Notes.

***Certain Funds Contain Withdrawal or Excuse Provisions.*** Certain funds contain provisions permitting the Fund Manager to require the withdrawal of an investor, such as Holdings, if its continued participation in the fund would trigger adverse legal, regulatory or tax consequences. In many cases this power is quite broad and discretionary and can be imposed on an investor which is not in default of its funding obligations.

In addition, certain funds have excuse or exclusion provisions. In some cases the Fund Manager can require an investor be excluded from an investment. In addition, sometimes all or certain limited partners can trigger excuse rights so that they do not invest in Holdings Investments which may violate law or their internal policies. If such provisions are triggered, Holdings may have a less diversified portfolio than anticipated or may have additional exposure to a particular Fund Investment.

***The Holdings Investments are Highly Illiquid.*** No Fund Investment is registered under U.S. federal or state securities laws, and so will be subject to restrictions on transfer contained in such laws. Furthermore, a holder of a Fund Investment, including Holdings, is generally subject to additional restrictions on transfer as set forth in the underlying fund documents and is generally prohibited from assigning, pledging or otherwise transferring any of its Fund Investment, or withdrawing from the fund, without the consent of the Fund Manager.

There may be no secondary market for many or all of the Holdings Investments, and any such markets, to the extent they exist, are likely to be highly illiquid. In addition, the Holdings Investments may also be difficult to value and any disposition of them may require a lengthy period of time to accomplish. Although there is no expectation that the Holdings Investments will be sold, in the event of such a sale, as a result of the highly illiquid nature of the Holdings

Investments, proceeds received in respect of any sale of a Fund Investment may be substantially less than the NAV reported by the Fund Manager. Were the entire portfolio of Holdings Investments to be sold, there can be no assurance that the aggregate sale proceeds would be equal to or greater than the aggregate amount outstanding under the Notes and the Indenture.

***No Rights to Participate in Management of Funds or Portfolio Companies.*** The Fund Managers generally have control over the management and operation of the funds comprising the Holdings Investments (including, without limitation, evaluation of the relevant economic and financial information regarding the structuring, acquisition, monitoring and disposition of portfolio investments of the funds). Neither Holdings, as holder of Holdings Investments, nor the Adviser will have the right to participate in the management or operation of the funds. Holdings, as holder of Holdings Investments, and the Adviser will have only a limited ability to monitor the investments made by the funds, whether any fund has engaged in additional or alternative strategies without consent or advice of any other person or whether the investment strategies and guidelines of the funds are adhered to. Noteholders must rely solely on the ability of the relevant Fund Managers to operate the businesses of the funds and to manage the portfolio investments held by the funds.

***Certain Funds May Invest with Third Parties.*** A Fund may co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests in certain investments. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party partner or investor may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with that of the applicable fund, or may be in a position to take action contrary to the fund's investment objectives. The Fund Manager will be responsible for allocating expenses between the fund and co-investors and may have considerable latitude in doing so, and there can be no assurances that the Fund Manager will allocate such expenses in the manner most favorable to the fund. In addition, a fund may in certain circumstances be liable for the actions of its third-party partners or co-venturers.

***Certain Holdings Investments May Be Structured as Co-Investments.*** Certain Holdings Investments may be structured as co-investments in a portfolio company and co-invest alongside financial, strategic or other third-party investors. Such investments will involve additional risks not present in investments where a third-party is not involved, including the possibility that (i) the co-investors may have financial difficulties resulting in a negative impact on such co-investment or may have interests or objectives that are inconsistent with those of the fund or may be in a position to take (or block) action in a manner contrary to the fund's investment objectives or (ii) in certain circumstances, the Fund Investment (alone or together with other co-investors) may be deemed to have a control position with respect to a portfolio company which could expose it to liabilities not normally associated with minority equity investments, such as additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

***Risk Related to General Economic and Market Conditions.*** General economic or market conditions may adversely affect the performance of the Holdings Investments. Factors affecting economic conditions, including, for example, public market volatility, inflation rates, rising

interest rates, currency devaluation, exchange rate fluctuations, industry conditions, competition, technological developments, domestic and worldwide political, military and diplomatic events and trends and innumerable other factors, none of which will be in the control of a fund, the related Fund Manager, the Adviser or the Securitized Asset Fund, can substantially and adversely affect the business and prospects of a fund and the portfolio companies in which it has invested.

***Leverage.*** The funds may be able to borrow without limitation and may utilize various lines of credit and other forms of leverage, including swaps. In certain cases, a fund may pledge the unfunded capital commitments of Holdings in the fund to a lender in connection with a financing. While leverage presents opportunities for increasing a fund's total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the required interest payments on the borrowings, the value of the fund will decrease. Additionally, any event that adversely affects the value of an investment by a fund would be magnified to the extent such fund is leveraged. The cumulative effect of the use of leverage by a fund in a market that moves adversely to such fund's investments could result in a substantial loss to the fund, and consequently to the Securitized Asset Fund.

***Leveraged Portfolio Investments are Subject to Inherent Risks.*** Funds may invest in leveraged acquisition transactions or in portfolio companies or portfolio investments that have a significant amount of indebtedness. In addition, certain of the portfolio companies may incur indebtedness in connection with various transactions, such as acquisitions, self-tender offers, recapitalizations and others, that may be undertaken contemporaneously with or subsequent to the portfolio investment in such portfolio company. A highly leveraged company or asset is generally more sensitive to downturns in its business and to changes in prevailing economic conditions than is a company with a lower level of debt. The ability of a portfolio company to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise. In addition, the portfolio investments may be among the most junior securities in a portfolio company's capital structure, and thus subject to the greatest risk of loss. Generally, such portfolio investments will not be secured by collateral.

***The Holdings Investments are Subject to the Risks of the Investment Strategies of the Funds and to Concentration Risks.*** The Securitized Asset Fund invests in funds which employ a wide range of strategies and invest in many different equity and debt instruments. Each Fund Manager has, in disclosure provided in connection with the offering of the related Holdings Investments, indicated the strategy it intends to pursue. However, the fund documents for most funds provide the Fund Manager with substantial discretion to modify or vary such strategy or focus. There can be no assurance that a Fund Manager will not substantially vary its investment strategy or focus in a manner that may be materially different from the characterization given to a fund herein. The performance of the Holdings Investments will depend on the success of the Fund Managers of the funds in their employment of the strategies they have adopted.

A number of the Funds invest primarily in particular industries and geographic regions. To the extent that the value of the investments of the Funds is highly correlated with such industries or geographic regions, payments to the Noteholders could be adversely affected by any significant negative developments in such industries and/or geographic regions.

A summary of certain of the risks associated with certain of the strategies and investment focuses of the Holdings Investments follows below:

- *Buyout (Private Equity).* Investments in private equity typically involve the acquisition of junior securities (equity or unsecured, subordinated debt) in privately held companies, often in connection with a leveraged buyout or recapitalization of the company. The successful identification of such portfolio companies will be highly dependent on the skills of the Fund Manager. There is substantial competition for investments in such companies, which may make it difficult for the Fund Manager to identify investment opportunities at attractive values. A fund in this category may invest in a limited number of companies and may focus on one or a limited number of industry segments. The success or failure of a fund may be substantially affected by the resulting concentration in investments or industry segments. Portfolio companies typically incur indebtedness senior to the investment position of the fund, and such indebtedness may be substantial. While such leverage may enhance returns on a fund's investment, the junior position of the investment means that in the event of a failure or bankruptcy of a portfolio company, the fund may receive little or no return, including a total loss of its investment.
- *Debt.* Certain funds may largely invest in mezzanine funds, which funds in turn lend to, or take a direct equity investment in SBICs. SBICs are allowed to borrow from the federal government in order to augment the funds of private investors. SBICs usually focus on investments in the \$100,000 to \$250,000 range, and tend to have more borrower-friendly underwriting requirements than a typical venture capital investment. Equity investments in SBICs may be illiquid and debt investments may be subordinated to other indebtedness.
- *Infrastructure.* Most infrastructure assets have unique locational and market characteristics, which could make them highly illiquid or appealing only to a narrow group of investors. Political and regulatory considerations and popular sentiments can also affect the ability of a fund to purchase or divest Holdings Investments on favorable terms. Moreover, infrastructure assets usually have narrow customer bases. Should any of the customers or counterparties fail to pay their contractual obligations, significant revenues could cease and become irreplaceable. Infrastructure projects are generally heavily dependent on the operator of the assets. There are a limited number of operators with the expertise necessary to successfully maintain and operate infrastructure projects. For example, the insolvency of the lead contractor, a major subcontractor and/or key equipment supplier could result in material delays, disruptions and costs that could significantly impair the financial viability of an infrastructure project and result in a material adverse effect on a fund's investment. Funds that invest in greenfield infrastructure projects are all subject to construction and completion risk.
- *Natural Resources (Oil and Gas).* Investments in this sector are subject to a number of substantial risks which are difficult to predict, and many of which are outside the control of a Fund Manager. Prices for oil and gas are subject to high volatility, fluctuating as a result of many factors including changes in the supply of oil and gas,

weather conditions, market uncertainty, general global economic conditions, governmental regulation and political developments. As a result, the prices at which oil and gas may be sold, and the prices at which oil and gas producing properties or wells may be acquired or sold, are inherently unpredictable. Oil and gas production and the transportation thereof are also subject to operating risks, including fires, explosions, blowouts, uncontrollable flows of well fluids, pollution, earthquakes, transportation breakdowns and work stoppages. The occurrence of any of these operating risks could result in substantial liability and the suspension or termination of operations. The energy industry is also subject to substantial governmental regulation. The adoption of additional regulation may have a material adverse effect on the energy industry generally and the investment return on any Holdings Investments in this industry.

- *Natural Resources (Non-Oil and Gas).* Certain funds may largely invest in assets or businesses invested in natural resources other than oil and gas, including metals, mining, commodities, farmland and timber. Precious metals are subject to high volatility, fluctuating as a result of many factors, including changes in the supply of metals, weather conditions, market uncertainty, general global economic conditions, governmental regulation and political developments. As a result, the prices at which metals may be sold, and the prices at which metal producing properties or mines may be acquired or sold, are inherently unpredictable. To the extent that a fund is investing in unproven mines or other reserves, there can be no assurance that any such well will be successful or that the income from the mine or reserves will exceed the investment made by the fund.
- *Real Estate.* Certain funds may largely invest in real estate and/or related portfolio companies. Real estate investments include investments in both residential properties and commercial properties. The performance of the related Holdings Investments and the underlying portfolio companies may be subject to risks associated with the direct and indirect ownership of real estate, such as decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions, increases in operating costs and property taxes, changes in zoning laws, casualty or condemnation losses, possible environmental liabilities, regulatory limitations on rent and fluctuations in rental income.
- *Venture Capital.* Certain funds may largely invest in venture capital transactions. Such funds will usually acquire equity positions in early stage businesses with limited or no revenues, and which have yet to demonstrate the ability to generate revenues. The successful identification of such portfolio companies will be highly dependent on the skills of the pertinent Fund Manager. There is substantial competition for investments in such companies, which may make it difficult for the Fund Manager to identify investment opportunities at attractive values. An investment in an early-stage business is subject to high risk and uncertainty. The performance of a portfolio company may depend on many factors outside the control of its management as well as the Fund Manager, including general economic conditions, the existence or appearance of competition, technological developments, regulatory developments and events relating to the company personnel. Such businesses are subject to high rates of

failure, and in the event of a failure of a portfolio company, a fund's investment may receive little or no return, including a total loss of its investment.

***Environmental Liabilities.*** Some of the Holdings Investments may be exposed to substantial risk of loss from environmental claims arising in respect of investments made having undisclosed or unknown environmental problems or as to which inadequate reserves with respect to such problems had been established. Environmental claims with respect to a specific investment, net of insurance coverage, may exceed the value of such investment, and under certain circumstances, subject the other assets of such funds to such liabilities.

***Increased Government or Market Regulation.*** Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased governmental as well as self-regulatory scrutiny of the "private equity" industry in general. Certain legislation proposing greater regulation of the industry is periodically considered by the U.S. Congress, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Securitized Asset Fund, the Adviser, the Holdings Investments, the Fund Managers, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse impact on the Securitized Asset Fund, as well as require increased transparency as to the identity of the investors.

***Risks Relating to Financial Fraud.*** Instances of fraud and other deceptive practices committed by senior management of certain portfolio companies in which the funds invest may undermine a fund's due diligence efforts with respect to such portfolio companies and may negatively affect the valuation of Holdings' investments. Holdings does not have custody of the assets or control over their investment by a fund. A fund in which Holdings invests could divert assets, fail to follow agreed upon investment strategies, provide false reports of operations, or engage in other misconduct, resulting in losses to Holdings and the Securitized Asset Fund.

***Investment in Funds Could Cause Litigation and Enforcement Risk.*** Funds might accumulate substantial positions in the securities of a specific company and engage in a proxy fight, become involved in litigation, or attempt to gain control of a company. Under such circumstances, Holdings conceivably could be named as a defendant in a lawsuit or regulatory action. There have been a number of widely reported instances of violations of securities laws through the misuse of confidential information. Such violations may result in substantial liabilities for damages caused to others, for the disgorgement of profits realized, and for penalties. Investigations and enforcement proceedings are ongoing, and it is possible that funds selected for investment may be charged with involvement in such violations. If that were the case, the performance records of such funds would be misleading. Furthermore, if a fund in which Holdings invests engaged in such violations, Holdings and the Securitized Asset Fund could be exposed to losses.

***Certain Holdings Investments may Include Non-U.S. Investments.*** Certain funds may invest in non-U.S. instruments and derivatives on non-U.S. instruments. Investing in non-U.S. instruments and derivatives on non-U.S. instruments may involve risks and considerations not present in the investing of U.S. instruments and derivatives thereon. Since non-U.S. instruments generally are denominated, pay interest, and are settled in non-U.S. currencies, the value of the



assets of the Fund Investment as measured in U.S. dollars may be affected favorably or unfavorably by changes in the exchange rate between the U.S. dollar and other currencies. To the extent a fund invests in instruments denominated in non-U.S. currencies, it may be adversely affected by restrictions on the conversion or transfer of non-U.S. currencies. The pertinent Fund Manager may (but may not necessarily) seek to hedge these risks through currency futures contracts, forward currency contracts, swaps, or any combination thereof (whether or not exchange traded), but there can be no assurance that such strategies will be effective. Swaps, “synthetic” or derivative instruments, and certain types of customized financial instruments are subject to the risk of non-performance by the other party to the contract.

In addition, there may be less publicly available information about non-U.S. economies and non-U.S. companies than the U.S. economy and U.S. companies. Non-U.S. companies may not be subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Many non-U.S. securities markets have substantially less volume than U.S. securities markets and, therefore, securities of non-U.S. companies are generally less liquid and at times their prices may be more volatile than securities of comparable U.S. companies. In addition, in many non-U.S. markets there is less government supervision of exchanges, brokers, dealers and issuers than in the United States. There is a possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits, establishment of exchange controls, the adoption of foreign government restrictions or other adverse political, social or diplomatic developments that could adversely affect any such investment. Some of the instruments may be subject to taxes levied by foreign governments, which has the effect of increasing the cost of such investing and reducing the realized gain or increasing the realized loss on such securities at the time of sale.

### Risks Relating to the Notes

***An Investment in the Notes Will Not Be Suitable for All Investors.*** Structured investment products like the Notes are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. Securities issued in securitization transactions have experienced in the past, and may in the future experience, historically high volatility and significant fluctuations in market value. Any investor interested in purchasing Notes should conduct its own investigation and analysis of the product and consult its own professional advisers as to the risks involved in making such a purchase.

***There is Currently No Market for the Notes.*** There can be no assurance that a secondary market for the Notes will develop, or if a secondary market does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of the Notes. The Notes will not be listed on any securities exchange. In particular, the Notes may be transferred only to persons that are both qualified institutional buyers and qualified purchasers. The restrictions on the transfer of Notes may further limit their liquidity. Consequently, an investor in the Notes must be prepared to hold the Notes until maturity.

***The Notes are Not Guaranteed by Any Party Other Than Holdings.*** The Notes are issued by the Securitized Asset Fund and guaranteed by Holdings. Other than such guarantee, none of the Securitized Asset Fund, the Adviser, the Trustee or any other party makes any

assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) to any investor in the Notes, and no investor may rely on any such party for a determination of expected or projected success, profitability, return, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) to any investor in the Notes.

***The Notes Are Not Secured by a Security Interest in the Holdings Investments.*** The Holdings Investments are owned by Holdings, which is a bankruptcy-remote special purpose vehicle with limited activities. The Notes are obligations of the Securitized Asset Fund, secured by the Holdings LLC interests and guaranteed by Holdings. However, due to restrictions contained in the fund documents, Holdings is not permitted to grant, and is not granting to the Securitized Asset Fund, the Trustee or any other person, a security interest in the Holdings Investments. In the event of acceleration of the Notes and enforcement by the Trustee of its rights against the Securitized Asset Fund (in respect of the Indenture) and Holdings (in respect of the Holdings guarantee), the Trustee will not have the rights of a secured creditor in the Holdings Investments and the Holdings Investments would also be subject to claims of any other creditors of Holdings.

***The Notes Are Subject to Redemption and Prepayment.*** The Notes are subject to redemption in whole prior to the final maturity date under the following circumstances:

- The Notes are subject to optional redemption, in whole but not in part, at the option of the Securitized Asset Fund at any time on or after the distribution date in November 2020. Any optional redemption on or after the distribution date in November 2020 but prior to the distribution date in November 2022 shall be subject to payment of a redemption premium.
- The Notes are subject to redemption, in whole but not in part, upon the election of the Securitized Asset Fund upon the occurrence of certain specified tax events.
- The Notes are also subject to partial optional repayment on any distribution date under certain circumstances as specified in the Indenture, subject to payment of a redemption premium.

The Noteholders receiving payments as a result of such a redemption or repayment may not be able to invest the proceeds of such redemption or repayment in investments providing a return equal to or greater than the Noteholders expected to obtain from their investment in the Notes.

***The Notes are Limited Recourse Obligations.*** The Notes are debt obligations of the Securitized Asset Fund limited in recourse solely to the assets of the Securitized Asset Fund and, as provided in the Holdings Guarantee, Holdings. Other than cash amounts of the Securitized Asset Fund on deposit in its accounts, the principal assets of the Securitized Asset Fund are the Holdings LLC interests, and the principal assets of Holdings are the Holdings Investments. None of the security holders, members, officers, directors, partners or incorporators of the Securitized Asset Fund, the Adviser, the Trustee or any of their respective affiliates or any other person will be obligated to make payments on the Notes. The Securitized Asset Fund's ability to make interest payments and principal repayments on the Notes will be constrained by the terms of the

Indenture. Noteholders must rely solely on the proceeds of Holdings Investments and, to the extent described in the offering circular for the notes, the proceeds of liquidity loans as sources of payment on the Notes, and there can be no assurance that those sources will be sufficient to pay all amounts due on the Notes. If distributions on the assets of the Securitized Asset Fund and Holdings are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all such assets, neither the Securitized Asset Fund nor Holdings will have any obligation to pay any deficiency, which will be extinguished and will not revive.

***Failure of a Court to Enforce Non-Petition Obligations may Adversely Affect Noteholders.*** Each Noteholder will agree, and each beneficial owner of Notes will be deemed to agree, pursuant to the Indenture, that it will be subject to non-petition covenants. If such provision failed to be enforceable under applicable bankruptcy laws, then the filing or presentation of such a petition could result in one or more payments on the Notes made during the period prior to such filing being deemed to be preferential transfers subject to avoidance by the bankruptcy trustee or similar official exercising authority with respect to the Securitized Asset Fund's bankruptcy estate. It could also result in the bankruptcy court, trustee or receiver liquidating the property of the Securitized Asset Fund or Holdings without regard to any votes or directions required for such liquidation pursuant to the Indenture. If the non-petition covenant is unenforceable or is violated by one or more Noteholders or beneficial owners, the petitioning Noteholders or beneficial owners will be subject to the subordination provisions of the Indenture. However, a bankruptcy court may find that such subordination provisions are not enforceable on the ground that it violates an essential policy underlying applicable bankruptcy or insolvency law.

***Supplemental Indentures May Modify the Indenture, and Some Supplemental Indentures Do Not Require Consent of Various Noteholders or Confirmation of the Ratings of the Notes.*** The Indenture provides that the Securitized Asset Fund and the Trustee may enter into supplemental indentures to modify various provisions of the Indenture. Execution of supplemental indentures is subject to various conditions precedent. In certain cases, the consent of the Noteholders is required, but, in certain cases, such consent is not required without regard to whether the Noteholders are materially and adversely affected or is required from less than 100% of the holders of the Notes that would be materially and adversely affected by the supplemental indenture. Non-consenting Noteholders may be materially and adversely affected by a supplemental indenture that is entered into following consent by the required percentage of the Noteholders. In addition, while the rating agency may be provided advance notice of proposed supplemental indentures, confirmation of the ratings of the applicable Notes may not be a condition precedent to the Securitized Asset Fund's entry into a supplemental indenture.

***Remedies Available to Noteholders Relating to Adverse Performance of the Holdings Investments Are Limited.*** If the funds owned by Holdings experience adverse performance, the NAV may decline and the Holdings Investments may otherwise be impaired. The Notes will be subject to repayment as specified in the Indenture.

***The Weighted Average Lives of the Notes May Vary.*** The final maturity date of the Notes is the distribution date in August 2033. The weighted average life of the Notes will be affected by the amount and timing of payments received with respect to the Holdings Investments, and is expected to be materially shorter than the period from the settlement date to

the final maturity date. The timing of payments on investments such as the Holdings Investments, however, are inherently unpredictable. The amount and timing of payments of principal on the Notes will also be affected by, among other things, any redemption of all or any part of the Notes and an acceleration of the principal of the Notes in connection with the occurrence of an event of default as specified in the Indenture. The occurrence of any unscheduled principal repayments of the Notes is, in turn, determined by the amount and timing of payments with respect to the Holdings Investments, which will be dependent on, among other things, the financial condition of the funds and the characteristics of the Holdings Investments, including the existence and frequency of exercise of any prepayment, optional or mandatory redemption or sinking fund features, the prevailing level of interest rates, the redemption price and the actual default rate, the frequency of tender or exchange offers for the Holdings Investments and any sales of Holdings Investments. Prospective investors should make their own determinations of the payments expected to be made in respect of the Notes.

#### Other General Risks

Please see also the discussion of risks pertinent to the TSPI Fund earlier in this Item 8 for a summary of certain risks that are also pertinent, in whole or in part, to the Securitized Asset Fund, including “Reliance on Human Discretion,” “Valuation,” “Reliance on TSI,” “Cybersecurity Risk” and “Conflicts of Interest.”

#### **Conflicts of Interest**

As noted, the Adviser also is an affiliate of the TSPI Fund and acts as the investment manager for the TSPI Fund and the Acquisition Entities, as well as acting as investment manager for the Securitized Asset Fund and Holdings. For these and other reasons, various potential and actual conflicts of interest may arise for the Adviser with respect to its obligations to Holdings and the Securitized Asset Fund from the overall investment activities of the Adviser and the Sightway Affiliates for the accounts of other clients. For example, the Adviser, the Sightway Affiliates and their respective clients (including the TSPI Fund) may invest in assets that are senior to, or have interests different from or adverse to, the Holdings Investments. The Adviser and the Sightway Affiliates may give advice or take action for their own account or their other client accounts which may differ from advice given or action taken for Holdings, or may have an adverse effect on Holdings Investments owned by Holdings. The Adviser may, in accordance with the pertinent investment management agreement, direct Holdings to dispose of certain Holdings Investments. The Adviser and its Sightway Affiliates may also have ongoing relationships with, render services to, or engage in transactions with, or own interests in or obligations of, funds in which Holdings invests and companies whose interests or obligations are owned by such funds.

Additionally, as described above under “Risks Related to the Notes—The Notes Are Subject to Redemption and Prepayment,” the Notes are subject to optional redemption. The Adviser will make determinations as to optional redemptions of the Notes without regard to the effect such redemptions may have on Noteholders. Also, investments at different levels of an issuer’s capital structure or otherwise in different classes of an issuer’s securities, create conflicts of interest. Please see “Item 11. Code of Ethics, Participation or Interest in Fund Transactions &

Personal Trading” for a discussion of this conflict along with conflicts related to principal transactions and other matters.

Please see the discussion of conflicts of interest pertinent to the TSPI Fund above in this Item 8 and the discussions of conflicts of interest in “Item 6. Performance-Based Fees & Side-by-Side Management” for summaries of certain additional conflicts of interest that are also pertinent, in whole or in part, to the Securitized Asset Fund.

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## **Item 9. Disciplinary Information**

The Adviser and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

In addition to the Adviser, Sightway Affiliates include four SEC-registered investment advisers, TSI, Two Sigma Advisers, LP (“TSA”), Two Sigma Investor Solutions, LP (“TSIS”) and TSV, as well as one broker-dealer registered with the SEC, Two Sigma Securities, LLC (“TSS”). TSI, a Delaware limited partnership, manages third-party and proprietary private investment funds. TSA, a Delaware limited partnership, manages third-party private investment funds and provides advisory services to certain separately managed accounts. TSV, a Delaware limited partnership, manages third-party and proprietary private investment funds. TSIS, a Delaware limited partnership, provides non-discretionary investment advice to institutional clients and operates a private, web-based platform that provides institutional subscribers with access to analytic and research tools and data to help such subscribers manage their investment programs.

TSI and TSA are each registered as both a commodity pool operator and a commodity trading advisor with the U.S. Commodity Futures Trading Commission (the “CFTC”) under the Commodity Exchange Act. Additionally, TSIS is registered as a commodity trading advisor with the CFTC under the Commodity Exchange Act.

TSS is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and a number of other self-regulatory organizations and exchanges.

The Adviser and certain of its related persons are affiliated with and/or own interests in TSA, TSI, TSV, TSIS or TSS.

All employees of the Adviser also have a direct employment relationship with TSI.

TSI provides various services to the Adviser, including, but not limited to, trade execution; administrative, legal, technical and clerical services; access to technology equipment and office facilities; maintenance and support services; and other related and miscellaneous services. It is expected that this arrangement will be formalized in the Services Agreement, pursuant to which the Adviser will pay TSI a fee for the provision of these services. Such fee will be borne by the Adviser and will not be borne, directly or indirectly, by investors.

As discussed in Item 4 herein, one or more Funds are expected to invest in the TSV Funds. Potential conflicts of interests in connection with such investments are discussed in Item 6 herein.

Finally, certain related persons of the Adviser are affiliated with and/or own interests in the TSPI Managing Member, which is considered a registered investment adviser and, as the managing member or allocation shareholder of the TSPI Fund, is entitled to receive the performance-based compensation from the TSPI Fund as discussed in Item 5 hereof. Similarly, the certain related persons of the Adviser are affiliated with and/or own interests in the Fund I General Partner and are expected to be affiliated with and/or own interests in the general partner entities of future Sightway Funds. In each case, such persons are or are expected to be entitled to

receive performance-based compensation from the applicable Sightway Fund as discussed in Item 5 hereof.

The Adviser's affiliates (as well as their respective principals and certain personnel) engage in a wide range of investment and other financial activities, many of which are not offered to the Funds (or investors therein). The growth of the Sightway Affiliates may increase competition between and among the Funds, clients of the Adviser's affiliates and the Adviser's affiliates themselves, and may decrease the number of investment opportunities available to the Funds and clients of the Adviser's affiliates. Such competition creates inherent conflicts of interest among the Sightway Affiliates. Each of the Adviser and its affiliated SEC-registered investment advisers owes a fiduciary duty to its own clients to act in their best interests and manage the client's assets in accordance with the Fund Agreement and/or other pertinent investment guidelines, as applicable.



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

The Adviser has adopted a Code of Ethics (the “Code of Ethics”) and certain other policies and procedures that obligate the Adviser and its supervised persons to put the interests of its client, *i.e.*, the Funds before their own interests and to act honestly and fairly in all respects in their dealings with the Funds. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. The Adviser will supply a complete copy of its Code of Ethics to a client, prospective client, any investor or prospective investor who requests a copy. Such requests should be made by contacting Scott Hendry, by email at [scott.hendry@twosigma.com](mailto:scott.hendry@twosigma.com) or by telephone at (646) 690-9612.

The Adviser and the Adviser’s supervised persons effect transactions for their own accounts in the same securities or other investments purchased or sold for the Funds. To ensure that trading by the Adviser’s supervised persons is conducted (i) in a manner that does not adversely affect the Adviser’s trading on behalf of the Funds and (ii) in a manner that is consistent with the fiduciary duties owed by the Adviser to the Funds, the Adviser has adopted the Code of Ethics and attendant policies and procedures governing, among other things, transactions by the Adviser’s supervised persons and other “covered persons” (as defined in the Code of Ethics). The Code of Ethics and attendant policies and procedures contain provisions designed to, among other things, (i) prevent improper personal trading by the Adviser’s supervised persons and other covered persons; (ii) identify actual or potential conflicts of interest; and (iii) provide guidance in resolving certain actual or potential conflicts of which the Adviser is aware. To accomplish these objectives the Adviser is required under the Code of Ethics and attendant policies and procedures to, among other things (i) require pre-clearance of personal trades in “reportable securities” (as defined in the Code of Ethics) by the Adviser’s supervised persons and other covered persons; (ii) restrict the number of such trades by the Adviser’s supervised persons and other covered persons in a given month; (iii) prohibit certain trading by the Adviser’s supervised persons and other covered persons in securities of issuers listed on the Adviser’s, TSA’s and TSI’s “restricted list” (as defined in the Code of Ethics); and (iv) generally, require minimum holding periods.

Such supervised persons and covered persons generally are prohibited from participating in “new issues.” Short selling is prohibited. The Adviser’s current personal trading policies limit the brokers that supervised persons can use for personal trading. All accounts that have the ability to hold securities and all holdings in reportable securities need to be disclosed upon joining the Adviser and confirmed and/or updated periodically thereafter.

The Adviser engages in principal transactions from time to time. When the Adviser and/or its affiliates engage in such transactions, the Adviser seeks to effect any such transaction in accordance with the requirements of Section 206(3) of the Advisers Act. For example, it is intended that Holdings will acquire new Holdings Investments from the TSPI Fund. Such acquisitions may constitute “principal transactions” within the meaning of Section 206(3) of the Advisers Act as the TSPI Fund, an affiliate of the Adviser, will be acting as principal for its own account with respect to the sale of a security to Holdings. In connection with the anticipated

subsequent transfers of assets from the TSPI Fund to Holdings, the board of the Securitized Assets Fund will establish the Conflicts Advisory Board that is responsible for reviewing and consenting on behalf of the Securitized Assets Fund to these transactions in accordance with the Section 206(3) requirements.

Holdings may also sell Holdings Investments to the TSPI Fund pursuant to and subject to the limitations contained in the pertinent investment management agreement. To the extent such dispositions could reasonably be deemed “principal transactions,” they will be submitted to the Conflicts Advisory Board.

The Adviser will endeavor to resolve conflicts with respect to Holdings Investments in a manner that it deems equitable to the extent possible under the prevailing facts and circumstances. Further, the Adviser will be prohibited under the pertinent investment management agreement from directing the disposition of Holdings Investments to a Sightway Affiliate or any account managed by the Adviser, except (1) in a transaction conducted at no less than the greater of (x) the applicable adjusted NAV (as further specified in the offering circular) and (y) fair market value (as defined in the Indenture) and (2) in each case where the transaction otherwise complies with the requirements of the Advisers Act, to the extent applicable (including any required approval by the Conflicts Advisory Board).

As previously noted, the TSPI Fund holds the equity interests in the Securitized Asset Fund, which also has investors who are Noteholders. Investments at different levels of an issuer’s capital structure or otherwise in different classes of an issuer’s securities, create conflicts of interest. For example, conflicts could arise where a Noteholder lends funds to the Securitized Asset Fund while another Fund holds the equity. In this circumstance, for example, if the Securitized Asset Fund goes into bankruptcy, becomes insolvent or is otherwise unable to meet its payment obligations or comply with its debt covenants, conflicts of interest would arise between the holders of different types of securities as to what actions the Securitized Asset Fund should take. Also, as described above under “Item 8. Methods of Analysis, Investment Strategies & Risk of Loss—Risks Related to the Notes—The Notes Are Subject to Redemption and Prepayment,” the Notes are subject to optional redemption. The Adviser will make determinations as to optional redemptions of the Notes without regard to the effect such redemptions may have on Noteholders.

There are additional actual and potential conflicts of interest inherent in the organizational structure and operation of the Adviser and its affiliates, certain of which are described above under “Item 8. Methods of Analysis, Investment Strategies & Risk of Loss.”

The Adviser has also adopted policies and procedures regarding the receipt of gifts and business entertainment by the Adviser’s employees from certain third parties (*e.g.*, vendors, broker-dealers, consultants, etc.). Specifically, these policies and procedures require employees to report the receipt of gifts and business entertainment in excess of pre-established *de minimis* thresholds. The Adviser reviews these reports for any potential conflicts of interest with respect to individual instances of gifts or business entertainment, as well as patterns of the same over time, to seek to prevent employees from placing their own interests ahead of the interest of a Fund.

The Code of Ethics and the Adviser's other policies and procedures also address the following key areas: (i) recordkeeping; (ii) oversight of the Code of Ethics; (iii) conflicts of interest; (iv) the treatment of confidential information; (v) compliance with SEC rules and regulations; and (vi) reporting misconduct. Periodic training regarding the Code of Ethics and the Adviser's other policies and procedures are provided to the Adviser's supervised persons. Additionally, policies and procedures related to, among other things, political contributions, gifts and business entertainment and outside business activities are located in the Adviser's compliance manual.

The Adviser may come into possession of certain information that it believes to be confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security. The Adviser may receive such information directly as a result of its investment advisory activities for a Fund, indirectly as a result of its relationship with affiliates including, but not limited to, TSA, TSI, TSIS and TSS, or through other activities such as strategic partnership negotiations or an employee's board or credit committee service. The Adviser will have no responsibility or liability to the Funds for not disclosing such information to the Funds (or the fact that the Adviser possesses such information), or not using such information for a Fund's benefit, as a result of following the Adviser's policies and procedures which are designed to provide reasonable assurances that it is complying with applicable law.

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## Item 12. Brokerage Practices

The Adviser focuses primarily on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Adviser may also distribute securities to investors in the Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Adviser does not regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If the Adviser sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser expects to consider a variety of factors, including, among others: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Adviser has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Adviser generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Adviser seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Adviser generally does not currently make use of such services and has not made use of such services since its inception.

In connection with the Adviser’s private company securities transactions on behalf of a Fund, the Adviser may retain one or more broker-dealers or investment banks, the costs of which will be borne by the Fund and/or its portfolio companies. In determining to retain such parties, the Adviser expects to consider a variety of factors, including, among others: (i) execution capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Adviser generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and a Fund may not pay the lowest commission or fee for such services.

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

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors companies in which each Fund invests, and such companies are subject to supervision and review by the Adviser's investment professionals.

Each Fund generally will provide to its investors annual audited financial statements prepared in accordance with GAAP and quarterly unaudited financial statements.

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

The Adviser does not currently compensate or have any arrangement to compensate any person for client referrals.

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## **Item 15. Custody**

The Adviser and certain of its affiliates are generally deemed to have custody of the Funds' assets and, where applicable, intend to comply with Rule 206(4)-2 under the Advisers Act (the "Custody Rule") by meeting the conditions of the pooled vehicle annual audit provision.

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## **Item 16. Investment Discretion**

The Adviser has discretionary authority to manage investments on behalf of Sightway Fund I, the TSPI Fund and the Securitized Asset Fund, and expects to have discretionary authority to manage investments on behalf of future Funds, pursuant to the terms of the investment management agreement with these Funds and the powers of attorney executed by each Fund's equity investors. The Adviser has non-discretionary authority to manage investments on behalf of Holdings pursuant to the terms of the investment management agreement with Holdings and the power of attorney executed by the Securitized Asset Fund and pursuant to the terms of the Indenture.



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## Item 17. Voting Client Securities

When the Adviser votes proxies regarding the Funds' investments, the Adviser has adopted proxy voting policies and procedures that require such proxies to be voted in accordance with the Adviser's determination of the best interests of the pertinent Fund. Because few of its investments are in publicly traded securities, the Adviser does not receive a large number of proxy solicitations in connection with such securities, and the proxy solicitations it does receive are generally of a bespoke nature.

In addition to proxy solicitations in connection with the equity securities of traditional public operating companies, "voting client securities" is deemed to include similar consents regarding private companies and consents requested in matters concerning a client's investment such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities. As noted above, the Adviser's general policy is to vote proposals, as well as amendments, consents or resolutions relating to a Fund's securities (including interests in private investment funds) in a manner that serves the best interests of the pertinent Fund. In some circumstances, the Adviser will refrain from voting client securities where the Adviser believes, among other potential reasons, that voting would be inappropriate, taking into consideration the cost of voting the securities, the anticipated benefit to the pertinent Fund, whether that Fund continues to hold the securities on the voting date, or where the Adviser believes that resolution is not relevant to the value of the investment.

Noteholders in the Securitized Assets Fund are entitled to certain voting rights in respect of their Notes as specified in the Indenture. Such voting rights do not pertain to the investments of the Securitized Assets Fund but to the matters specified in the Indenture.

If a material conflict of interest between the Adviser and a Fund exists regarding the voting of client securities, the Adviser will take reasonable steps to address the conflict, including consulting with outside counsel as the Adviser, in its sole discretion, determines necessary or advisable, to ensure that the conflict does not influence the decision to vote in a manner that is not in the best interest of the Adviser's clients.

An investor may obtain (i) a copy of the Adviser's proxy voting policies and procedures and (ii) information on how the Adviser voted proxies for the pertinent Fund by contacting the Adviser at (646) 392-7557.

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## **Item 18. Financial Information**

The Adviser does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.