



KALAMATA ASSET MANAGEMENT LLC  
7315 Wisconsin Avenue, Suite 550E  
Bethesda, MD 20814  
443.367.9095

Brochure

December 24, 2020

*This Brochure provides information about the qualifications and business practices of Kalamata Asset Management LLC. If you have any questions about the contents of this Brochure, please contact us at the address or telephone number shown above. The information in this brochure has not been approved or verified by the U. S. Securities and Exchange Commission or by any state securities authority. Kalamata Asset Management LLC is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.*

*Additional information about Kalamata Asset Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2 – Material Changes**

This Section addresses only the material changes that have been made to this Brochure since it was last updated on March 31, 2020. Since the last ADV filing, Kalamata Asset Management LLC (“KAM”) has revised its disclosures regarding affiliated Origination and Servicing Platforms and their related fees, types of products in which the Funds (as defined below) invest (i.e., Acquired Receivables, Term Financings and Asset Based Financings) and updated risks inherently associated with those investments. We have also revised language throughout the document, although we do not believe these individual edits are material, we nonetheless urge all clients and investors to read this updated Brochure in its entirety.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. To request a Brochure, please contact KAM's Chief Compliance Officer at [compliance@kalamataassetmanagement.com](mailto:compliance@kalamataassetmanagement.com).

Additional information about KAM is also available via the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with KAM who are registered, or are required to be registered, as investment adviser representatives of KAM.

### Item 3 – Table of Contents

Item 2 – Material Changes .....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	2
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	5
Item 7 – Types of Clients .....	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 – Disciplinary Information .....	20
Item 10 – Other Financial Industry Activities and Affiliations .....	20
Item 11 – Code of Ethics .....	21
Item 12 – Brokerage Practices .....	23
Item 13 – Review of Accounts .....	23
Item 15 – Custody .....	23
Item 16 – Investment Discretion .....	24
Item 17 – Voting Client Securities .....	24
Item 18 – Financial Information .....	25

## **Item 4 – Advisory Business**

KAM is an investment advisory firm that is registered with the U.S. Securities and Exchange Commission. KAM is owned by Kalamata Intermediate Holdings, LLC, which is owned by a family trust controlled by Steven G. Mandis. KAM has been in business since 2016.

KAM provides portfolio management for private pooled investment vehicles that operate as private funds (each a “Fund” and collective the “Funds”). KAM’s private Fund clients invest in the following (collectively, the “Acquired Receivables”): Merchant Cash Advances (as defined herein), lines of credit, loans, asset based financings, accounts receivable, trade receivables, original issue convertible debt, loans to non-bank lenders and alternative capital providers, original issue warrants, equity securities underlying convertible debt or warrants, term loan financings and other debt obligations, loans secured by real property and other alternative credit investments.

### **ASSETS UNDER MANAGEMENT**

As of December 31, 2019, the value of the Funds under KAM’s management was \$95,342,037.

As discussed in more detail below, KAM has discretionary authority over all Fund investments, but as a matter of practice, it obtains the approval of the Investment Committee (as defined herein) for all Fund investments.

## **Item 5 – Fees and Compensation**

### **FEES FOR INVESTMENT ADVICE**

For each Fund’s series established prior to February 15, 2020 that KAM manages (“Existing Series”), KAM provides investment management services for a fee based on a percentage of the purchase price of the Existing Series’ Acquired Receivables. KAM charged up to 2% of the purchase price of the Acquired Receivables, depending on the type of Acquired Receivable. Advisory fees were charged at the closing of each purchase of Acquired Receivables. The Funds remitted payment to KAM after receipt of the closing documents evidencing the purchase, typically at the end of the month.

For each Fund’s series established after February 15, 2020 that KAM manages (“New Series”), KAM provides investment management services for a fee based on the equity assets under management of up to 3.0%. The fee is higher than that normally charged by other advisers that provide similar services; however as assets under management grow, past seven pre-established balance tiers, the fee decreases, eventually reaching 2.0% (once equity assets under management exceed \$160 million). Advisory fees are charged at the closing of each month based on the ending equity assets under management.

KAM has sole discretion to negotiate fees it collects on investments that it manages. The fee to be charged for each Fund Series is stipulated in the Series’ offering memorandum or subscription booklet. Pursuant to the offering memorandum and subscription booklet, fees passed through to individual investors are permitted to differ; the fee charged to each investor is set forth in a specific written agreement with that investor. As a result, some investors could pay fees that are higher or lower than the fees charged to other investors.

## GENERAL INFORMATION ON ADVISORY SERVICES AND FEES

### **Fee Differentials**

KAM may price its services based upon assets under management or other subjective factors, and fees are typically set or negotiated by each Fund and/or investor. As a result, any Fund advised by KAM could pay fees that are higher or lower than the fees charged to other Funds, based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered.

All advisory agreements may be terminated upon written notification by the General Partner of the applicable Fund.

### **Other fees or expenses**

For the Existing Series, Funds advised by KAM paid servicing and/or management fees to the funder or certain third parties and affiliates (including Kalamata Capital LLC and/or Kalamata Capital Group LLC, and their affiliates) to source Acquired Receivables (collectively “Origination and Servicing Platforms”), which originated and/or serviced the financing. While these payment of fees to KAM’s affiliates initially seems to present a conflict of interest between KAM and its advisory clients, the payment of such fees are specifically provided for in the relevant organizational documents of the applicable Fund, thereby specifically being approved by the advisory clients, or otherwise are approved through the relevant conflict of interest protocol established for the applicable Fund advisory client. Funds also pay commissions, volume bonuses, origination fees, transaction fees, representative fees, and/or other charges in connection with the acquisition and holding of Acquired Receivables. A “volume bonus” is an amount paid to an independent sales organization (“ISO”) as an incentive to the ISOs to find pre-determined levels of investments for the Fund within a specified time period; it is in the nature of additional commission. A “representative fee” is an amount paid to a relationship manager who refers third party ISOs and assists in maintaining relationships with those third-party ISOs, which is in the nature of additional commission. The representative to whom the representative fee is paid may be an independent third party or may be a person employed by an affiliate of KAM. All of these fees, commissions, volume bonuses, representative fees, and other third-party costs are passed through to the Fund and are an expense of the Fund.

Any charges levied by the funders or Origination and Servicing Platforms after the termination of KAM’s advisory agreement will remain the Fund’s responsibility and not the responsibility of KAM. KAM has no obligation to refund these fees to its clients.

With respect to each New Series, for originations purchased from entities which are not affiliates of KAM, Funds advised by KAM pay servicing, management fees and/or profit splits to the Origination and Servicing Platforms, which originated and/or serviced the financing. For originations purchased from affiliates of KAM, Funds advised by KAM pay KAM a scoring, originating and servicing fee depending on the underlying Acquired Receivable type, noting however that this servicing fee is subordinated in priority of payment to a Fund’s preferred return threshold outlined in the applicable subscription booklet. For Acquired Receivables originated by Kalamata Capital Group LLC and/or Kalamata Capital LLC the scoring, originating, and servicing fee may be up to 5.0% of the original

principal balance. For Acquired Receivables originated by Black Olive Capital LLC the scoring, originating, and servicing fee may be up to 3% annualized on the outstanding balance of the Acquired Receivables, calculated daily on a 365-day basis. KAM may enter into new fee arrangements for new types of Acquired Receivables originated by affiliates, subject to approval by the Investment Committee. KAM may subcontract the scoring and servicing of such assets to third parties (including affiliates of KAM) and distribute part or all of the scoring, originating and servicing fee to third parties (including affiliates of KAM) as compensation for such services.

### **Additional compensation**

Employees of KAM do not receive additional compensation from the purchase of Acquired Receivables by the Funds that KAM advises. However, KAM is an affiliate of Kalamata Capital LLC, Kalamata Capital Group, LLC, Black Olive Capital LLC, Payment Servicing Solutions LLC and Kalamata Advisors LLC, all or some of which may receive financial compensation as a result of the purchase, scoring, sourcing or servicing of Acquired Receivables by any third party, including a client Fund. KAM's affiliates do not charge any markup/markdown on any investments placed with any Fund advised by KAM. These affiliates generally pay commission, including volume bonuses, on sourced deals and those charges are passed through to the Fund(s) at cost.

Kalamata Asset Management LLC, Kalamata Capital LLC, Kalamata Capital Group, LLC, and Black Olive Capital LLC each serve as servicing funders of Acquired Receivables.

For Existing Series, when the affiliate was the servicing funder of Acquired Receivables, it charged the Fund a servicing fee. The servicing fee was generally up to 5.8% of the amount of principal collected or originated, but in certain circumstances, the Fund may have negotiated a lower fee. The fee was typically paid at the closing of the purchase of the Acquired Receivable. For each New Series, the scoring, originating and servicing fee is subordinated to the Funds' preferred return and is non-refundable once earned.

If Kalamata Advisors LLC (an affiliate of KAM), is the "broker of record" on an investment that KAM manages for a Fund, it will be paid commission at market rate, which generally amounts to 2% to 20% of the principal amount of the transaction. Although Kalamata Advisors LLC is an ISO, it will not be eligible for a volume bonus in addition to commission. Any commissions paid to contractors or employees of Kalamata Capital Group, LLC or Kalamata Advisors LLC will be paid based on arms-length transactions which are of a size and nature comparable to the transactions for which such contractors or employees of Kalamata Capital Group, LLC or Kalamata Advisors LLC are earning such commissions. 100% of any commission paid to Kalamata Capital Group, LLC or Kalamata Advisors LLC will be remitted to such contractor or employee; no KAM or affiliated entity will receive any economic benefit as a result of such commission except via the performance fee or residual.

Payment Servicing Solutions, LLC (an affiliate of KAM) provides back-end servicing and accounting services for third-party funding companies. When Payment Servicing Solutions, LLC is providing these services to a third party that has successfully sent a financing to a Fund, Payment Servicing Solutions, LLC is indirectly providing these services to the Fund. Payment Servicing Solutions, LLC is compensated by the third party that is its client. Depending on the terms of its payment arrangement with its client, Payment Servicing Solutions, LLC or an affiliate sometimes receives a portion of fees owed from the Fund to the third party. The total amount paid by the Fund is not increased as a result

of the third party's use of services provided by Payment Servicing Solutions, LLC. Further, Payment Servicing Solutions, LLC provides accounting, processing, cash management and other services to other, unaffiliated Origination and Servicing Platforms. Some or all of these services will relate to financings which will ultimately be purchased by KAM client Funds. The other Origination and Servicing Platforms pay Payment Servicing Solutions, LLC fees in exchange for providing such services. The total service fee paid by the Fund is not increased as a result of Payment Servicing Solutions, LLC performing these services. To the extent transactions with Payment Servicing Solutions LLC give rise to a conflict of interest between KAM and a Fund, such conflicts are either approved expressly in the relevant organizational documents or through the use of KAM's conflict of interest procedures.

For Existing Series, this compensation structure among affiliates presents a conflict of interest, as it gives KAM an incentive to acquire investment products based on the compensation to be received by its affiliates rather than on a Fund's needs. KAM managed this conflict by ensuring that it acts in the best interest of its clients, ensuring that the fees charged by affiliates were no greater than the equivalent fees charged by unaffiliated third parties, ensuring that each asset to be acquired were evaluated with reference to the client Fund(s)' investment guidelines, and by disclosure to and review by the Investment Committee (defined below). For each New Series, both the advisor fee and Scoring, Originating and Servicing fee for KAM (and affiliates) are subordinated to a Fund's preferred return threshold, significantly mitigating conflicts of interest.

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

For Existing Series, KAM does not charge performance-based fees. Fund investors should note, however, that pursuant to the limited partnership agreements establishing each of the Funds, the general partner of a Fund (the "General Partner") is entitled to receive a performance fee and/or a residual. For Existing Series, if a Fund achieves a preferred return of 8% on invested capital, the General Partner will receive 20% of the net profit of the Fund.

For each New Series, the General Partner and/or KAM is entitled to 50% of the residual income stream after paying a Fund's preferred return of 10%, the scoring sourcing and servicing fee, and the Advisory Fee. To date, the General Partner has not received and/or waived any performance fees.

#### **Item 7 – Types of Clients**

KAM offers its advisory services only to private Funds.

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

**Investing in securities involves risk of loss that clients should be prepared to bear.**

KAM analyzes, recommends, and manages investments in Acquired Receivables on behalf of its private Fund clients.

Small business financings:

Upon receipt of a deal submission, representatives of KAM or its affiliates review the details of a recently funded small business financing (or a soon to be funded small business financing) by a lead

funder. Lead funders can be either affiliated entities (i.e., Kalamata Capital LLC, Kalamata Capital Group, LLC, or Black Olive Capital LLC) or an unrelated third party. Once a submission is sent to KAM, KAM collects and analyzes key information, metrics, and statistics on the small business financing submission.

The KAM investment team ensures the potential financing meets the Fund(s)' investment guidelines or is otherwise appropriate for the Fund(s).

Lines of credit and/or term financings backed by portfolios of Acquired Receivables:

Upon receipt of a request by a syndication participant with whom KAM or its affiliates has a business relationship (a "Participant"), KAM examines the Participant's portfolio of Acquired Receivables, equity balance and other information it deems relevant to evaluate the creditworthiness of the Participant. KAM ensures that the proposed line of credit meets the Fund's applicable investment guidelines or is otherwise appropriate for the Fund(s). Because the Participants may use the proceeds of the line of credit to purchase interests in small business financings, there is a potential conflict because the Participants could use the money borrowed from the Funds to compete with the Funds to purchase the same Acquired Receivables that KAM may be eligible to purchase, and Acquired Receivables generally bear higher rates of interest than the lines of credit. Nonetheless, KAM believes that providing the lines of credit is in the best interest of the Funds because: (a) the Funds generally purchase most or all Acquired Receivables meeting the Fund's guidelines that are offered to them and so, to the extent the Participants use proceeds of a line of credit provided by the Funds to purchase Acquired Receivables, they are purchasing interests that were not offered to the Funds or did not meet (or are in a quantity greater than that permitted by) the Fund's investment guidelines; (b) to the extent the Participants use the proceeds to purchase interests in Acquired Receivables that the Fund declined, for whatever reason, the Fund is essentially benefitting indirectly from income derived from those Acquired Receivables, but without bearing direct risk on those investments while at the same time adding a primary borrower with better creditworthiness than would have been the case if direct investment had been made; and (c) investors should realize greater returns from providing the lines of credit than they would if the cash were undeployed.

All:

All potential investments are sent to the Fund's independent Investment Committee (the "Investment Committee") for approval. This is an independent person, who is not an employee of KAM or any of its affiliates, but who works for the Fund. If the potential investment meets the Fund(s)' investment guidelines, the investment team provides the Investment Committee with a summary of the basis for the recommendation. The Investment Committee currently consists of a sole member. The composition of the Investment Committee is ultimately determined by the Fund's investors, as they may replace its member(s) at their collective discretion.

## **General Risks**

General Investment Risks. No assurance can be given that the investment strategies to be used by KAM will be successful under all or any market conditions. Market prices of Acquired Receivables in which a Fund invests may be unavailable.



Waterfall Structure Vehicle. The waterfall structure vehicle of the New Series is not a private equity fund or hedge fund and is more comparable to a structured product with a waterfall of payments to different investor tranches. A preferred return of 10% is paid to the Fund(s) before KAM is paid a Scoring, Originating and Servicing fee. In addition, as a result of precedence Fund distributions, KAM may not be entitled to any management fees, even though Limited Partners have received a return. If KAM doesn't collect management fees, KAM may not have the income to compensate employees or pay for operations, which could impair the ability of KAM to conduct operations. Any such impairment may have a material adverse effect on a Fund.

Market Competition. A Fund advised by KAM competes with other companies that provide financing to small- and mid-size businesses. These companies include traditional banks, providers of cash advances to merchants (such cash advances, "Merchant Cash Advances"), newer, technology-enabled finance providers and so-called "closed-loop lenders" that both process sales and/or payments transactions for businesses and offer loans to those businesses. In addition, other companies that primarily provide financing to individual consumers have been focusing, or may in the future focus, their efforts on providing financing to such businesses. Competition has intensified in small- and mid-size business financing and this trend may continue. In some cases, a Fund's competitors focus their marketing on such Fund's industry sectors and seek to increase their financing and other financial relationships with specific industries such as restaurants. In other cases, some competitors may offer a broader range of financial products to clients, and some competitors may offer a specialized set of specific products or services. Many of these competitors have significantly more resources and greater brand recognition than a Fund does and may be able to attract customers more effectively than a Fund does. When new competitors seek to enter one of a Fund's markets, or when existing market participants seek to increase their market share, they sometimes undercut the pricing and/or credit terms prevalent in that market, which could adversely affect a Fund's market share and/or ability to exploit new market opportunities. A Fund's credit terms could deteriorate if it were to act to meet these competitive challenges. Further, to the extent that the commissions KAM or a Fund pays to its strategic partners and funding advisors are not competitive with those paid by our competitors, whether on new loans or renewals or both, these partners and advisors may choose to direct their business elsewhere. Increased competition for customer response could require KAM or a Fund to incur higher customer acquisition costs and make it more difficult for a Fund to grow its Acquired Receivable originations in both unit and volume for both new as well as repeat customers. All of the foregoing could adversely affect KAM's or a Fund's business, results of operations, financial condition and future growth.

Investment and Trading Risks. All investments involve the risk of a loss of capital. KAM believes that its investment program and its research and risk-management techniques moderate this risk through the careful selection of Acquired Receivables for investment. No guarantee or representation is made that a Fund's investment program will be successful, and investment results may vary substantially over time.

Trade Errors. An investment selected by KAM for a Fund may inadvertently fall outside the definition of "Acquired Receivable", and any such inadvertent acquisition of non-compliant investments, and the cost of remediation (both of such acquisition and of other trade errors), could harm a Fund and its business, results of operations and financial condition.

**Leverage Risks.** A Fund may utilize borrowings and other types of financing, also known as leverage, to acquire Acquired Receivables. Leverage is generally considered a speculative investment technique. As a result, a Fund may be exposed to increased risk of loss due to the acquisition of debt-financed investments. For example, an increased use of leverage would permit the Fund(s) to acquire more Acquired Receivables than it would otherwise be able to acquire solely from capital contributions; any subsequent decrease in the value of such debt-financed Acquired Receivable would therefore have a greater negative impact on the Fund(s)' performance than if such debt-financed investments had not been acquired. Similarly, any decrease in the Fund(s)' income would cause net income to decline more sharply than it would have had the Fund(s) not borrowed. Furthermore, the agreements that may govern certain of the Fund(s)' debt instruments may require the Fund(s) to comply with certain financial and operational covenants. These covenants may require the Funds to, among other things, maintain certain financial ratios, including asset coverage. A Fund's ability to comply with these covenants depends on many factors, some of which are beyond the Fund's control. Deterioration in the capital markets and pricing levels, and resultant net unrealized loss in the Fund(s)' portfolio could result in non-compliance with certain covenants. Failure to comply with these covenants would result in a default which, if the Fund(s) were unable to obtain a waiver from the debt holders, could accelerate repayment under the instruments and thereby have a material adverse impact on the Fund(s)' liquidity, financial condition, results of operations and its ability to make distributions; any amounts that the Fund uses to service its indebtedness will not be available for distributions to Partners.

### **Risks Inherent in Investing in the Acquired Receivables**

**Merchant Cash Advance Market Risks.** The Merchant Cash Advance markets are characterized by rapidly changing technologies, processes and rules and regulations, evolving industry, legal and regulatory standards, frequent new product, processes and service introductions, and changing customer demands. The introduction of new products, processes and services embodying new technologies and the emergence of new industry, legal and regulatory standards and practices could render a Fund's existing products and services obsolete and unmarketable or require unanticipated technology or other investments.

**Investments Primarily in Acquired Receivables.** Other than cash investments, the Acquired Receivables are generally short-term financings, which may pose greater risks than longer term financings. In addition, as the Funds' portfolios are not generally diversified among types of financings, investments in Acquired Receivables may be subject to more risk than would be the case if investments maintained a wider diversification among types of investments, financings, promissory notes or other financing obligations with greater variation in maturities.

**Investments in Term Financings.** KAM may recommend investments in term financings backed by non-Acquired Receivables with varying characteristics. These may have a term of up to 3 years, which is materially longer than the maximum duration of other Acquired Receivables. Additionally, repayment mechanics may differ materially from other Acquired Receivables, and may have payment frequencies ranging from monthly to full (bullet) repayment at maturity including all accumulated interest (no interim cash pay). These financings have varying levels of subordination and are subject to the performance of the underlying assets and borrower performance. If the underlying assets do not perform in line with expectations, this will result in an inability of the obligor to effect a full and timely repayment of the obligation.

Investments in Asset Based Financings: Acquired Receivables may be collateralized by the assets of the obligor, including, but not limited to, the Net Orderly Liquidation Value (NOLV) of obligor's inventory. In periods of market stress, the realizable value of these inventory assets upon a liquidation will likely materially differ from the appraised NOLV potentially resulting in a partial or full principal loss.

Limited Number of Acquired Receivables to Purchase. At times there may be a limited number of Acquired Receivables available for purchase, which could impair KAM's ability to invest a Fund's capital in Acquired Receivables. To the extent KAM is unable to invest a Fund's capital in Acquired Receivables, such capital will be held in bank deposits or money market accounts that generate far lower expected rates of return than Acquired Receivables, which will depress the return to Limited Partners.

Financing or Receivable Participations. KAM may select investments in financing participations. Investment in financing participations involves certain risks in addition to those associated with the purchase of entire financings. A financing participant has no contractual relationship with the merchant utilizing the underlying financing. As a result, the participant is generally dependent upon the financing provider to enforce its rights and obligations under the financing agreement in the event of a default and may not have the right to object to amendments or modifications of the terms of such financing agreement. A participant in a syndicated financing generally does not have the voting rights, which are retained by the financing provider. In addition, a financing participant is subject to the credit risk of the financing provider as well as the merchant, since a financing participant is dependent upon the financing provider to pay its percentage of payments of principal and interest received on the underlying financing. KAM will seek to mitigate this risk by having principal and interest payments on syndicated financings paid into a third-party escrow account, but this may not be possible in all investments. The financing provider in syndicated financings may provide false, misleading or unverified information to KAM, and all KAM investments in financing participations are subject to the risks discuss below.

Dependence on Certain Origination and Servicing Platforms. KAM does not have the infrastructure to originate, source or service most Acquired Receivables on its own, and is dependent on certain third parties and affiliates of KAM (including Kalamata Capital Group LLC and its affiliates) to source Acquired Receivables, conduct appropriate due diligence, service the Acquired Receivables, and collect payment on Acquired Receivables. KAM may pay fees to the Origination and Servicing Platforms (which may include affiliates of the General Partner and KAM). Origination and Servicing Platforms do not have a legal obligation to offer or sell Acquired Receivables to KAM. If the Origination and Servicing Platforms with which KAM has relationships were to dissolve, liquidate, become bankrupt or otherwise cease operations or change their businesses and cease originating, servicing, or collecting payments with respect to Acquired Receivables, KAM could be adversely affected in a variety of ways, including but not limited to, the following: (i) KAM may be unable to acquire Acquired Receivables or otherwise conduct its business as intended, (ii) the Origination and Servicing Platforms may fail to properly service (or, if applicable, collect proceeds on KAM's behalf with respect to) Acquired Receivables, and (iii) a Fund's capital invested in any Acquired Receivables may fail to be adequately segregated or otherwise become subordinated to the claims of other capital providers supporting an Origination and Servicing Platform. As a result, KAM's ability to invest a Fund's assets in (and to receive proceeds from) quality Acquired Receivables is not guaranteed. In addition, the greater demand for merchants may enable qualified merchants to shop around and

reduce overall interest rates paid on high-quality Acquired Receivables, which could hurt KAM's investment returns.

Exposure to Wide Variance in Risk Environments. A Limited Partner of a Fund may have exposure to Acquired Receivables acquired when market conditions and perceived or actual risks as well as default rates were significantly different than in effect on the date of such Limited Partner's admission to a Fund (or increase in capital contributions to a Fund).

Prepayment Risk. Merchants may decide to prepay all or a portion of the remaining principal amount at any time, and no interest will be earned on the financing after it is prepaid. However, some but not all Acquired Receivables contain prepayment or guarantee fees which compensate KAM for the loss in interest income when a financing is prepaid. If a merchant prepays a portion of the remaining unpaid principal balance on a financing, the term of the financing will not change, but interest will cease to accrue on the prepaid portion. In addition, KAM may not be able to find a similar rate of return on another investment at the time at which a financing is prepaid in part or in full.

Interest Rate Risk. Most of the Acquired Receivables bear fixed, not floating, rates of interest. If prevailing interest rates increase, the interest rates on Acquired Receivables the Funds purchase might be less than the rate of return investors in a Fund could earn if they did not invest in a Fund and instead invested in a different investment. The interest rate risk is mitigated by the short-term nature of the Acquired Receivables in which KAM selects to invests.

Illiquidity of Acquired Receivables. The Acquired Receivables are unlikely to be listed on any securities exchange or traded on the over-the-counter market. There will not likely be an available secondary market for the Acquired Receivables. Therefore, KAM must likely hold its Acquired Receivables to maturity.

Reliance on KAM. The General Partner will rely on KAM to manage all aspects of a Fund's investment portfolio, including but not limited to sourcing, scoring, conducting risk management, and recommending purchases of Acquired Receivables. KAM has the right to delegate all or a portion of its responsibilities with respect to a Fund to one or more third parties, including to parties affiliated with KAM and other sub-managers and consultants who may not be registered as an investment adviser with the Securities and Exchange Commission or any other regulatory agency.

Regulatory Changes in the United States Could Adversely Affect a Fund's Business. Over the last few years, federal and state regulatory and other policymaking entities have taken an increased interest in marketplace and online financing, including online small business financing. A material failure to comply with any such laws or regulations could result in regulatory actions, lawsuits and damage to the Merchant Cash Advance industry, which could have a material adverse effect on KAM's business and financial condition.

Worsening Economic Conditions May Cause Merchant Cash Advance or Other Credit-Related or Acquired Receivables' Default Rates to Increase and Harm KAM's or a Fund's Operating Results. Uncertainty and negative trends in general economic conditions in the United States and abroad, including significant tightening of credit markets, historically have created a difficult environment for companies in the financing industry. Many factors, including factors that are beyond KAM's control, may have a detrimental impact on its operating performance. These factors include general economic conditions, unemployment levels, energy costs and interest rates, as well as events such as natural

disasters, acts of war, terrorism, pandemics and catastrophes. The merchants who receive the Merchant Cash Advances in which the Funds participate tend to be relatively small businesses. Accordingly, the merchants historically have been, and may in the future remain, more likely to be affected or more severely affected than large enterprises by adverse economic conditions. These conditions may result in a decline in the demand for cash advances by merchants, higher default rates, or both. No assurance can be given that economic conditions will remain favorable for the Merchant Cash Advance business or that demand for Merchant Cash Advances or default rates by merchants will remain at current levels. Reduced demand for Merchant Cash Advances would negatively impact KAM's results, while increased default rates by merchants may inhibit KAM's access to capital and negatively impact its performance.

COVID-19/Coronavirus. The emergence of the COVID-19 virus around the world has rapidly depressed economic activity. The resulting market conditions are so novel that there is no way to predict what the short-, medium- or long-term effect on KAM's business might be or on any investments made by an advisory client. Clients should weigh the risks of placing assets at KAM's investment discretion including by discussing any such risks with their appropriate financial, legal or other advisor.

Inability to Accurately Forecast Delinquency Rates and Loss Rates. Estimated delinquency and loss rates are based on the historical performance of financings with similar characteristics and are partially determined by credit scores. Financing delinquency and loss rates may be significantly affected by economic downturns or general economic conditions beyond KAM's control and beyond the control of individual merchants. In particular, delinquency and loss rates on financings may increase due to factors such as prevailing interest rates, the rate of unemployment, the level of consumer confidence, residential real estate values, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors. Any increase in the delinquency and loss rates forecast by KAM and other originators may adversely affect the ability of a Fund to make distributions.

Trends, Risks and Uncertainties. KAM has sought to identify what it believes to be the most significant risks to its business, but KAM cannot predict whether, or to what extent, any of such risks may be realized nor can it guarantee that it has identified all possible risks that might arise such as a "black swan event", an absolute worst case scenario with sufficient potential impact to risk the future of KAM or the Funds as an independent business operating in its chosen markets. Significant adverse impact as a result of a major issue affecting the credit markets, the regulation of the credit markets, the reputation of the online finance industry, or extreme adverse press coverage and viral social media related to the foregoing, may lead to a catastrophic drop in value of the Funds' investments.

## **Risks Related to Merchant Default**

Speculative Nature of Acquired Receivables. The Acquired Receivables offered through Origination and Servicing Platforms are risky and speculative investments. KAM may invest in high risk/high return Acquired Receivables to improve investment performance. The Acquired Receivables are obligations of small business owners (and may not be personally guaranteed); however, there is no assurance that the collateral and any guarantees that secure the Acquired Receivables (if any) will be sufficient to obtain full payment of any financing in the event a merchant defaults. Accordingly, KAM may lose the entire amount of its investment in the Acquired Receivables it purchases.

Additional Financings; Renewals. There is no guarantee that a merchant will be able to renew or obtain additional financing from an Origination and Servicing Platform, and such renewal or additional financing may not be on terms favorable to the merchant and may increase the default risk inherent in the Acquired Receivables. KAM may acquire Acquired Receivables in one Fund Series which are renewed or extended after the closing of that Fund Series, and investors in one Fund Series may not participate in all renewals with respect to the Acquired Receivables purchased by that Fund Series.

Risks Related to the Size and Creditworthiness of Merchants. Merchants are expected to be comparatively small and susceptible to changes in the markets they serve and the financial markets generally. Merchants may have been turned down by others for financing because of cyclicalities, earnings, distress, customer concentration, low credit scores, background checks, or industry, and such Merchants are more likely to be impacted by unexpected events that are unique to their businesses, including but not limited to: illness, incapacity or death of owners or key employees, climactic and other weather-related events, and the loss of important customers.

Acquired Receivables May be Unsecured. Acquired Receivables may include unsecured merchant financing obligations that are junior to other indebtedness of a merchant. As a consequence, the Funds may lack adequate protection in the event a merchant obligor on an unsecured financing becomes distressed or insolvent, and the Funds will likely experience a lower recovery than more senior debtholders in the event that such merchant obligor defaults on its indebtedness. In addition, unsecured financing investments of small- and middle- market companies are often highly illiquid and in adverse market conditions may experience steep declines in valuation even if they are fully performing.

Dependence on Payments on Financings. Origination and Servicing Platforms only act as a servicer of the Acquired Receivables after their purchase by the Funds, and do not have any obligation to pay the Acquired Receivables. Origination and Servicing Platforms will only forward to KAM payments on an Acquired Receivable after it receives a merchant's payment on the corresponding financing Note, net of its servicing fees and net of any collection fees and costs it incurs. Origination and Servicing Platforms may not pay a Fund any non-sufficient funds fees they receive.

False Information Supplied by Merchants. Merchants supply a variety of information regarding the purpose of a financing, income, occupation, and employment status in the form of a standard financing application. Origination and Servicing Platforms report that they utilize various automated and manual methods to verify some of the information included in the financing application, but this information may be inaccurate or intentionally false. An Origination and Servicing Platform's merchants may misrepresent their intentions for the use of financing proceeds. Origination and Servicing Platforms may not take steps to verify any statements by the Origination and Servicing Platform's merchants as to how financing proceeds are to be used. An Origination and Servicing Platform's merchants may supply inaccurate or intentionally false documents and statements in association with the financing application they submit to the Origination and Servicing Platform, and the nature of the merchant's misrepresentations may be hard for the Origination and Servicing Platform or KAM to detect prior to a default by the merchant. A Fund and KAM do not generally take any steps to verify any of the financing information provided by a merchant and relies on the steps taken by the Origination and Servicing Platform. The Origination and Servicing Platforms may be unable to determine if a financing to a particular merchant causes a breach or default under any agreements or restrictions to which the merchant may be subject. To the extent a Fund or KAM relies

on false, misleading or unverified information supplied by merchants in deciding to purchase Acquired Receivables, a Fund may lose all or part of the purchase price it pays for a financing.

Inaccurate Credit Information. An Origination and Servicing Platform generally will obtain business and personal credit information about each merchant and personal guarantors (if any) from reporting agencies, and will assign merchant listings a rating based in part on the merchant's and any guarantor's credit score. A credit score that forms a part of the Origination and Servicing Platform's rating assigned to a merchant listing may not reflect that merchant's or any guarantor's actual creditworthiness because the credit score may be based on outdated, incomplete or inaccurate consumer reporting data. Therefore, there is a risk that a merchant or any guarantor may have become delinquent in a payment, defaulted on a debt obligation, taken on more personal or business debt, or sustained other adverse financial events after the date the Origination and Servicing Platform's rating assigned to the merchant which may not accurately reflect the merchant's, or a guarantor's, actual current creditworthiness at the time Acquired Receivables are purchased.

Risks Related to Lack of Verifiable Merchant Financial Information. Merchants under Acquired Receivables may not produce audited financial statements or otherwise record financial information that can be verified by and relied upon by KAM. Lack of regulation and scrutiny or oversight of merchants may similarly increase the likelihood that merchants may misrepresent financial and other data or file false or misleading tax returns or other statements of income. This increased risk of inaccurate merchant financial and performance data may impair the ability of KAM to receive the income it anticipates from any Acquired Receivables.

Credit Scores Do Not Predict Future Defaults. All Acquired Receivables purchased by KAM are subject to risk of payment default by the merchant. Credit scores of business owners may (but will not always) be obtained. Credit scores are heavily dependent on the historical default or delinquency rate of the person rated. However, there can be no assurance that historical default or delinquency rates of a particular merchant will be indicative of future loss rates or the likelihood of the delinquency or default by the same merchant.

Limits of an Origination and Servicing Platform's Ratings; Underwriting Process. Origination and Servicing Platforms may use proprietary methodologies to assign a credit rating to a potential merchant; however, there is no assurance it actually will reflect the creditworthiness of a merchant. These methodologies are inherently subjective and may vary significantly between Origination and Servicing Platforms. An Origination and Servicing Platform's rating is not a recommendation by the Origination and Servicing Platform to buy, sell or hold the Acquired Receivables. An Origination and Servicing Platform's underwriting processes are likely to be highly automated. During the underwriting process, it is possible that an Origination and Servicing Platform may be required to make an investment decision based on incomplete information, due to merchant needs or competitive market pressures. In addition, Origination and Servicing Platforms may need to deviate from their standard underwriting criteria in certain unique circumstances.

Dependence on Outside Sources for Data. KAM depends on data (including but not limited to data recognition, credit scores, industry information, write-off information, projections and financial models) from various outside sources, including but not limited to Origination and Servicing Platforms, merchants, and their respective representatives (including brokers). This information may not be accurate or reliable. Some of this information (and the presumption that such information is accurate) affects various processes and procedures as well as algorithms and scoring models utilized

in the origination of Acquired Receivables and the acquisition of Acquired Receivables by the Funds. Any inaccurate data supplied directly or indirectly by outside sources, and any interpretation thereof (including any presumption of accuracy), may cause KAM to make investment decisions that it may not otherwise have made, and may negatively impact the performance of any Acquired Receivable and the Funds.

Collection Efforts. If a merchant fails to make a required payment on a financing, the Origination and Servicing Platform as servicer of the financing is only required to pursue “reasonable collection efforts” in respect of the financing. An Origination and Servicing Platform may handle collection efforts in respect of a delinquent financing directly, or an Origination and Servicing Platform may refer the financing to a collection agency or a law firm. If a delinquent financing is referred to a collection agency or law firm, that collection agency or law firm will retain a percentage of any funds recovered before any amount is payable to KAM which will range from 15% to 50% of recovered amounts. In addition, in the event a defaulted Acquired Receivable is sold on behalf of KAM, such sale is likely to generate only 1-3% of the amount of such receivable outstanding at the time of default. Although efforts will be made during the collections process to recover any collection costs including legal fees, in many cases state law will not allow the recovery amounts to be increased beyond a specific fixed or percentage premium over the principal and compounded interest due. Therefore, the Funds will most likely suffer a loss on any financing that is referred to an outside collection agency or law firm, even if the principal and interest owing on the financing is collected in full, after taking into account unrecovered costs of collection on the financing. Neither the Origination and Servicing Platform nor the collection agency may be able to recover some or all of the unpaid balance of a non-performing financing.

No Restriction on Incurrence of Additional Debt. If a merchant incurs additional debt or other obligations after the date of a financing, the additional debt or any such obligation may impair the ability of that merchant to make payments on its financing and a KAM’s ability to receive the principal and interest payments as provided by the amortization schedule. In addition, the additional debt or other obligation(s) may adversely affect the merchant’s creditworthiness generally, and could result in the financial distress, insolvency or bankruptcy of the merchant. To the extent that the merchant has or incurs other indebtedness and cannot pay all of his or her indebtedness, the merchant may choose to make payments to other creditors rather than the Origination and Servicing Platform. To the extent merchants incur other indebtedness that is secured, such as a mortgage, home equity or auto financings, the ability of the secured creditors to exercise remedies against the assets of the merchant may impair merchants’ ability to repay the indebtedness evidenced by the Acquired Receivables. Merchants may also choose to repay obligations under other secured indebtedness before repaying Acquired Receivables originated through an Origination and Servicing Platform. KAM will not be made aware of any additional debt incurred by a merchant which may impair its ability to pay. Certain Origination and Servicing Platforms may include covenants prohibiting “stacking” of additional debt by merchants, but not all Acquired Receivables will include such covenants. KAM may purchase Acquired Receivables where the merchant has stacked debt obligations. This stacking could put the merchant into default or litigation may occur as a result of the stacking.

Lack of Cross-Default Provisions. The Acquired Receivables typically do not contain cross-default provisions. If a merchant defaults on debt obligations owed to a third party and continues to satisfy the payment obligations under a financing, the third party may seize the merchant’s assets or pursue other legal action against the merchant, which could render the merchant unable to satisfy the balance of a financing. Payments on Acquired Receivables may be substantially reduced or eliminated if a



merchant subsequently defaults on a separate obligation, and an Origination and Servicing Platform may be unable to recoup any or all of the expected principal and interest payments on these Acquired Receivables.

Merchant Relief under Bankruptcy Laws. Merchants on Acquired Receivables may seek protection under federal bankruptcy law or similar laws. If a merchant files for bankruptcy (or becomes the subject of an involuntary petition), a stay will go into effect that will automatically put any pending collection actions on hold and prevent further collection action absent bankruptcy court approval. Judicial proceedings related to recovery of amounts due to the Funds can take long periods of time. Whether any payment will ultimately be made or received from a merchant after a bankruptcy is declared, depends on the merchant's particular financial situation. It is possible that the merchant's liability will be discharged in bankruptcy. In most cases, unsecured or undersecured creditors, including an Origination and Servicing Platform as the owner of the Acquired Receivables, will receive nothing, or only a fraction of any amount outstanding on their financings. It is also possible that payments to the Funds by a merchant who has filed for bankruptcy may, if made within 90 days before the related claim for bankruptcy relief was filed, be required to be returned by the Funds. The Funds may ultimately receive a fraction of any amount it is required to return pursuant to any such bankruptcy "clawback".

Absence of Collateral. Acquired Receivables may not be secured by collateral and may be based on cash flow of the merchant. Acquired Receivables may not be personally guaranteed and may be subordinated to other financings or recorded liens. Some Origination and Servicing Platforms require that merchants grant a general security interest in all of their business assets (other than real estate) to secure the Acquired Receivables. Some Origination and Servicing Platforms take steps to perfect the security interests by filing a UCC-1 financing statement, while other Origination and Servicing Platforms do not take any steps to perfect their security interests or only do so where the financing amount exceeds a certain amount. In those cases where an Origination and Servicing Platform does not take steps to perfect its security interests, the Acquired Receivables issued by the Origination and Servicing Platform are subject to intervening liens and transfers of the collateral. Origination and Servicing Platforms typically do not take any steps to verify that any collateral exists or that no prior liens exist against the collateral beyond the representations that a merchant makes in its financing application. As a result, there is a possibility that collateral for a financing is found not to exist or that it has been pledged to third parties, and therefore it may not be seized and sold to pay the financing.

Asset Based Financings. Some Acquired Receivables may be in the form of small business financings that are "asset-based" and not necessarily supported by the cash flow of the business. The assets securing these Acquired Receivables may be small business receivables, inventory and equipment leases, or luxury assets such as fine art as part of a small business financing. In these situations, there may be a lien against the merchant's assets and/or the financing provider may take physical possession of such assets as collateral. Sale of this collateral in the event of a merchant default will result in additional lead times and costs related to collection.

## **Risks Relating to Origination and Servicing Platforms and their ability to perform**

Competitive Financing Market. The financing market is competitive and rapidly changing. With the introduction of new technologies and the influx of new entrants, an Origination and Servicing Platform generally expects competition to persist and intensify in the future, which could harm an Origination and Servicing Platform's ability to increase its volume. The Origination and Servicing Platforms' principal competitors include major banking institutions, credit unions, and other consumer and business finance companies, as well as other Origination and Servicing Platforms. Competition could result in reduced volumes, reduced fees or the failure of an Origination and Servicing Platform to achieve or maintain more widespread market acceptance, any of which could harm an Origination and Servicing Platform's business. If an Origination and Servicing Platform is unable to compete with other companies and meet the need for innovation, its ability to originate new Acquired Receivables may substantially decline, which could impair KAM's ability to implement its investment strategy.

Inability to Increase or Maintain Transaction Volumes. KAM's investment strategy assumes that the Origination and Servicing Platforms with which it deals are able to generate sufficient financing volume to qualified Merchants to utilize the Funds' investable cash. An Origination and Servicing Platform may fail to attract new Merchants in a cost-effective manner and, as a result, KAM may be unable to acquire Acquired Receivables in sufficient quantities to satisfy a Fund's investment needs.

Extensive Federal, State, and Local Regulation. An Origination and Servicing Platform may be subject to extensive federal, state and local regulation, including compliance with applicable laws, non-compliance with which may expose it to adverse consequences. Additionally, new laws and regulations could be enacted that could have a negative impact on an Origination and Servicing Platform's ability to service the Acquired Receivables effectively and profitably. KAM cannot guarantee that an Origination and Servicing Platform has complied with all applicable laws.

Arrangements for Back-Up Servicing Are Limited. If an Origination and Servicing Platform goes out of business, KAM may need to engage a third-party servicer to service the Acquired Receivables, which may be an affiliate of KAM. If a back-up servicer is not able to service the Acquired Receivables effectively, or charges higher servicing fees than an Origination and Servicing Platform, KAM's ability to receive principal and interest payments on the Acquired Receivables may be substantially impaired. If KAM purchases Acquired Receivables from certain Origination and Servicing Platforms (such as Kalamata Capital Group, LLC) using commercial financing or credit facilities, the financing provider may require that the Origination and Servicing Platform allow the financing provider to service the Acquired Receivables in the event of a default under such commercial financing or credit facility.

Reliance on Third-Party Commercial Banks and Credit Card Processors. Because an Origination and Servicing Platform is not a bank, it cannot belong to and directly access the ACH payment network. As a result, Origination and Servicing Platforms currently rely on an FDIC-insured depository institution to process their transactions. In addition, Origination and Servicing Platforms rely on credit card processors to transmit payments from certain merchants under specialized repayment arrangements. If an Origination and Servicing Platform cannot continue to obtain such services from this institution or elsewhere, or if an Origination and Servicing Platform cannot transition to another bank or processor quickly, an Origination and Servicing Platform's ability to process payments will suffer and the Fund's ability to receive principal and interest payments on the Acquired Receivables will be delayed or impaired. Acquired Receivables may be serviced by a factoring company, which is responsible for collecting, reconciling, and remitting payments from end clients of the obligor to the financing participant, pursuant to the terms of an intercreditor or subordination agreement. As a result,

the financing participant is subject to the performance risk and credit risk of the factoring company, which may cause delays or failure to repay the contractual amounts owed.

Bankruptcy of Origination and Servicing Platform. If an Origination and Servicing Platform were to become subject to a bankruptcy or similar proceeding, the Fund's recovery on Acquired Receivables may be substantially delayed in time and may be substantially less in amount than the principal and interest due on the Acquired Receivables.

Failure to Retain Key Personnel. An Origination and Servicing Platform's future depends, in part, on its ability to attract and retain key personnel. An Origination and Servicing Platform's future also depends on the continued contributions of its executive officers and other key technical personnel, each of whom would be difficult to replace. If an Origination and Servicing Platform fails to retain its employees, it could incur significant expenses in hiring and training their replacements and the quality of an Origination and Servicing Platform's services and an Origination and Servicing Platform's ability to serve Merchants and financing providers could diminish, resulting in a material adverse effect on an Origination and Servicing Platform's business.

## **Risks Relating to Compliance and Regulation**

Extensive Regulations. An Origination and Servicing Platform must comply with regulatory regimes applicable to credit transactions. Certain state laws generally regulate interest rates and other charges and require certain disclosures, and also require licensing for certain activities. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of Acquired Receivables on an Origination and Servicing Platform. During its collection process, an Origination and Servicing Platform may also be subject to other laws, such as: the Federal Fair Credit Reporting Act, which regulates the use and reporting of information related to each merchant member's credit history; the Federal Fair Debt Collection Practices Act, which regulate debt collection practices by "debt collectors" and prohibit debt collectors from engaging in certain practices in collecting, and attempting to collect, outstanding consumer financings; or state counterparts to the above consumer protection laws.

An Origination and Servicing Platform may not always have been, and may not always be, in compliance with these laws. An Origination and Servicing Platform's merchants may make counterclaims regarding the enforceability of their obligations under merchant or consumer protection laws after collection actions have commenced, or otherwise seek damages under these laws. An Origination and Servicing Platform's failure to comply with such laws could also result in civil or criminal liability. Compliance with these requirements is also costly, time-consuming and limits an Origination and Servicing Platform's operational flexibility.

Actions by State Regulators. A state regulator could pursue legal and regulatory action against an Origination and Servicing Platform or financing provider, including KAM. In addition, state regulators could pursue claims against an Origination and Servicing Platform or financing providers for violations of state usury laws based on the terms of the underlying financings to merchants, which, in some cases, can result in treble damages and criminal liability. If a state regulator were to pursue action against KAM or a Fund as an unlicensed financing provider, KAM or such Fund could incur significant monetary liability, be subject to extensive claims and litigation.

Non-Compliance with Laws and Regulations. Generally, failure to comply with the laws and regulatory requirements applicable to an Origination and Servicing Platform's business may, among other things, limit an Origination and Servicing Platform's, or a collection agency's, ability to collect all or part of the principal amount of or interest on the Acquired Receivables on which the Acquired Receivables are dependent for payment. In addition, an Origination and Servicing Platform's non-compliance could subject an Origination and Servicing Platform to damages, revocation of required licenses, class action lawsuits, administrative enforcement actions, and civil and criminal liability, which may harm an Origination and Servicing Platform's business and ability to be maintained and may result in Merchants rescinding their Acquired Receivables. Where applicable, an Origination and Servicing Platform will generally seek to comply with state financing, servicing and similar statutes. Nevertheless, if an Origination and Servicing Platform is found to not comply with applicable laws, an Origination and Servicing Platform could lose one or more of its licenses or face other sanctions, which may have an adverse effect on its ability to continue to facilitate the origination of Acquired Receivables, perform its servicing obligations or make itself available to Merchants in particular states, which may impair a Fund's ability to receive the payments of principal and interest on its Acquired Receivables that KAM expects to receive.

CCPA/GDPR. In the course of KAM's activity on behalf of an advisory client KAM may receive numerous types of data or information protected by the California Consumer Privacy Act, the Global Data Protection Regulation of the European Union or similar privacy regulations. Accordingly, the advisory client may be deemed to have received such protected data or information. Based on this, an advisory client could have exposure to liability resulting from a data breach at KAM or KAM's failure to otherwise adequately comply with these regulations.

## **Business Risks**

General. The Funds' investment success depends on the ability of KAM, its personnel, its affiliates, and its vendors and service providers, to implement and perform necessary tasks. The Fund's business depends on employees of KAM and Origination and Servicing Platforms (including Kalamata Capital Group, LLC, and its affiliates) to process a large number of increasingly complex transactions, including payment processing transactions that involve significant amounts and transactions that involve the processing, use, disclosure and evaluation of personal and business information and data, among other things. The Fund(s) are subject to the risk of errors and fraudulent activity associated with KAM, the Funds' administrator (the "Administrator") or Origination and Servicing Platforms (including Kalamata Capital Group, LLC, and its affiliates) or their respective employees, officers, affiliates, contractors, and third-party service providers. It is not always possible to identify and deter misconduct or errors and the precautions the Funds take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. Moreover, arrangements for back-up servicing are limited; if KAM needs to engage third parties to perform services, there is risk that the back-up provider may not be as effective, or may charge higher fees, than the original provider. If an Origination and Servicing Platform were to become subject to a bankruptcy or similar proceeding or be unable to obtain necessary services from depository institutions or credit card processors, the Funds' recovery on Acquired Receivables may be delayed and may be reduced in amount. Business could be delayed or rendered more expensive if service providers are unable to retain key personnel. Similarly, KAM relies on computer programs and systems to evaluate certain investments, to monitor the portfolio and to generate reports that are critical to the oversight of KAM's investment activities; these programs or systems may be subject to defects, failures, breaches, or interruptions, which could have a material adverse effect on the Funds.

Dependence on Key Personnel. The General Partner is dependent on the services of KAM and its majority owners. The departure or incapacity of Steven G. Mandis could have a material adverse effect on KAM's operations.

Proprietary Nature of Investment Strategy. All documents and other information concerning KAM's portfolio of investments will be made available to the Funds' auditors, accountants, attorneys and other agents in connection with the duties and services performed by them on behalf of such Fund. However, neither KAM nor any of its auditors, accountants, attorneys or other agents will disclose to any person, including investors in a Fund, any of the investment techniques employed by the General Partner or KAM in managing a Fund's investments or the identity of specific investments held by a Fund at any particular time.

Short-Term Lending to Affiliates. The Funds may lend funds on a short-term basis to Origination and Servicing Platforms (including Kalamata Capital Group, LLC and its affiliates) in connection with the origination of financings by such Origination and Servicing Platforms.

### **Conflicts of Interest**

Certain conflicts of interest arise from the fact that KAM and its affiliates are or may be involved in other investment related businesses and carry on other investment or business activities in which the Fund has no interest. In addition, the Fund(s) may engage in transactions with, loan money to, and pay fees or expenses to affiliates of the General Partner, members of the Investment Committee and KAM, including Kalamata Capital Group, LLC (which is indirectly, majority owned and controlled by Steven G. Mandis), Black Olive Capital LLC (also indirectly, majority owned and controlled by Steven G. Mandis) and Kalamata Advisors LLC (which is 100% owned by Kalamata.com, LLC). The Fund(s) may also purchase Acquired Receivables and pay fees in connection thereto to Kalamata Capital Group, LLC, Black Olive Capital LLC, Kalamata Advisors LLC, and their respective affiliates. All such transactions will be on arm's length commercially reasonable terms.

### **Investment Risk**

Different types of investments involve varying degrees of risk. All investments involve the risk of a loss of capital. No one should assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by KAM) will be profitable or equal any specific performance level(s). There is no guarantee that investment in Acquired Receivables will be successful, and investment results may vary substantially over time. The foregoing description of risks is intended as an overview and does not purport to be a complete enumeration or explanation of the risks involved in an investment in a private Fund. Investors should review the Subscription Booklet, especially the section entitled, Risk Factors, for more details. Further, clients and investors should take careful note that:

- Securities are not FDIC insured.
- Securities are not a Deposit.
- Securities may lose value.
- Securities are not bank guaranteed.
- Securities, unless issued by a governmental entity, are not insured by any governmental entity.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KAM or the integrity of KAM's management. KAM has no information applicable to this item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

KAM is owned 100% by Kalamata Intermediate Holdings, LLC. Kalamata Intermediate Holdings, LLC is owned by a family trust that is controlled by Steven G. Mandis. Mr. Mandis is also the ultimate owner, through his family trust, of the General Partner of the Funds. In addition, his family trust is an investor in Kalamata Short Duration, High Yield Fixed Income Fund (Domestic) LP, which is advised by KAM.

Kalamata Intermediate Holdings, LLC is the majority owner of Kalamata.com, LLC and Black Olive Capital LLC. Kalamata.com, LLC, owns 100% of Payment Servicing Solutions, LLC, Kalamata Capital Group, LLC, Kalamata Advisors LLC, and Kalamata Capital LLC. Accordingly, each of these entities is deemed to be an affiliate of KAM, as they are under common ultimate control.

KAM does not permit its employees to receive commissions or any other form of transaction-based compensation for transactions executed in accounts under its advisory portfolio management.

Payment Servicing Solutions, LLC provides back-end servicing and accounting services for third party funding companies. When Payment Servicing Solutions, LLC is providing these services to a third party that has successfully sent a financing to a Fund, Payment Servicing Solutions, LLC is indirectly providing these services to the Fund. Payment Servicing Solutions, LLC is compensated by the third party that is its client. Depending on the terms of its payment arrangement with its client, Payment Servicing Solutions, LLC sometimes receives a portion of fees owed from the Fund to the third party. The total amount paid by the Fund is not increased as a result of the third party's use of services provided by Payment Servicing Solutions, LLC.

KAM's affiliates; Kalamata Capital LLC, Kalamata Capital Group, LLC, and Black Olive Capital LLC; provide key services for KAM, including accounting, cash management, processing, book-keeping, preparation of documents and information, and other back-office, administrative support. Kalamata Capital LLC, Kalamata Capital Group, LLC, and Black Olive Capital LLC are compensated for these services. This is an overhead expense of KAM and is not passed through to the Funds. In addition, like all origination sources, each of Kalamata Capital LLC, Kalamata Capital Group, LLC, and Black Olive Capital LLC provides underwriting on deals it originates.

Kalamata Capital Group, LLC, Kalamata Capital LLC, and Black Olive Capital LLC provide small business funding investment opportunities to the Funds. Kalamata Capital LLC provides accounting and back-office processing services for each of these affiliated entities.

As discussed in Item 5 above; Kalamata Capital LLC, Kalamata Capital Group, LLC, or Black Olive Capital LLC may earn fees as a result of transacting with the Fund(s).

Further, to the extent the Funds do not purchase 100% of a given Acquired Receivable, Kalamata Capital LLC or Kalamata Capital Group, LLC may purchase some or all of the remainder, which means that Kalamata Capital LLC or Kalamata Capital Group may be a co-investor together with the Funds on those investments. Further, Kalamata Capital Group, LLC sells to third parties. This means that, in many cases, there are third parties who are investors in Acquired Receivables alongside the Fund(s). From time to time, KAM or the Funds may sell a portion of an Acquired Receivable or underlying investment to non-fund investors in order to promote diversification or avoid excess risk concentration within any single asset or asset class.

KAM's Chief Compliance Officer is also the General Counsel of Kalamata.com, LLC, and provides legal service to KAM through an intercompany agreement.

KAM recognizes that these affiliations and dual roles can create actual or potential conflicts of interest or can give rise to the appearance of conflict even where there is none. Some types of conflicts are addressed by specific rules or regulations; they are identified and covered in KAM's Code of Ethics or Compliance Manual. KAM is engaged in a process of identifying all other relationships and situations that may create conflicts and developing policies and procedures to resolve them. It maintains a written set of Conflicts and Resolution Procedures, which it will update as it continues to work through the identification and resolution of conflicts and potential conflicts. KAM's clients and prospective clients, as well as investors or prospective investors in any KAM-advised Fund, may request a copy of KAM's current Conflicts and Resolution Procedures by contacting Paul Breme, Chief Compliance Officer, at: [compliance@kalamataassetmanagement.com](mailto:compliance@kalamataassetmanagement.com).

## **Item 11 – Code of Ethics**

KAM has adopted a Code of Ethics pursuant to the SEC's rules. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumormongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other topics. All supervised persons at KAM must acknowledge the terms of the Code of Ethics annually, or as amended.

KAM or its related persons may recommend to clients, or buy or sell for client accounts, securities in which KAM's related persons have a material financial interest. Under certain circumstances, this may present a conflict of interest. KAM's Code of Ethics addresses this conflict; employees and associated persons are required to follow KAM's policy and applicable laws. Officers, directors and employees of KAM and its affiliates are permitted to purchase interests in Acquired Receivables for their own accounts, subject to compliance with KAM's Code of Ethics and policies and procedures. Any purchases of securities that are related to the business of KAM or its affiliates must be disclosed to management and be made in compliance with the Code of Ethics.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of KAM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of KAM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics

in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from activity by a client in a security held by an employee. KAM regularly monitors employee trading to ensure that clients' interests are protected in the event of any conflict of interest between KAM, its representative and a Fund that it advises.

As noted above, to the extent the Funds do not purchase 100% of a given financing, Kalamata Capital Group, LLC, Kalamata Capital LLC, or Black Olive Capital LLC sometimes purchases some or all of the remainder, which means that in those instances, Kalamata Capital Group, LLC, Kalamata Capital LLC, or Black Olive Capital LLC is a co-investor together with the Funds on those investments. In these circumstances, Kalamata Capital Group, LLC, Kalamata Capital LLC, or Black Olive Capital LLC, and KAM's client Funds will share commission costs (if any) on a *pro rata* basis and receive investments at a total average price.

KAM retains records of each transaction order (specifying each participating Fund) and its allocation. KAM allocates investment opportunities on a *pro rata* basis to the greatest extent possible after taking into account each client Fund's available cash, position limits and other pertinent factors as set forth in the applicable limited partnership agreement. KAM includes information about the allocation for each deal in the package sent to the Investment Committee as part of its decision process, so that the Investment Committee can ensure that each Fund is receiving appropriate allocations.

KAM's clients and prospective clients, as well as investors or prospective investors in any KAM-advised Fund, may request a copy of KAM's Code of Ethics by contacting Paul Breme, Chief Compliance Officer at [compliance@kalamataassetmanagement.com](mailto:compliance@kalamataassetmanagement.com).

It is KAM's policy that KAM will only execute any agency cross securities transactions for client accounts under very rare circumstances, and in each such case, all transactions are pre-approved by the Investment Committee before processing the transaction and have a price based on a recent valuation completed by an independent, third party valuation firm. Except under very rare circumstances, KAM will also not cross trades between client accounts; in the context of KAM's business, this means that KAM does not typically transfer or move investments between Funds or series. Upon reaching the end of a harvest period and/or low remaining Acquired Receivable balance, KAM has historically had any remaining assets valued by an independent, third party valuation firm and then sold at the fair value to an affiliate of KAM to finish the series shut down. In general, these "series ending" asset liquidation sales are typically less than \$50,000. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

From time to time, one of KAM's affiliates, Kalamata Capital LLC or Kalamata Capital Group, LLC accommodates KAM's Fund clients by purchasing investments that meet the Funds' investment criteria pending approval by the Investment Committee, and then if the Investment Committee approves the transaction, the investment is transferred at cost (with no markup, markdown, service fee or other charge) to the applicable Fund. These transactions are deemed to be "principal" transactions because the adviser's affiliate, acting as principal for its own account, buys from or sells to the client Fund. KAM specifically discloses any such transaction to the Investment Committee and receives its approval prior to the completion of the transaction/transfer between Kalamata Capital



LLC or Kalamata Capital Group, LLC, and the client Fund. Principal transactions inherently present potential conflicts of interest. KAM addresses these conflicts by, among other things, ensuring that any transfer between Kalamata Capital LLC, or Kalamata Capital Group, LLC, and a Fund is at cost, that the security to be transferred meets the Fund's investment criteria, by disclosure to the Investment Committee, and by ensuring that KAM has obtained the approval of the Investment Committee before transferring the investment.

#### **Item 12 – Brokerage Practices**

KAM does not select or recommend broker-dealers for client transactions or determine the reasonableness of the compensation of any broker-dealer for its participation, if any, in client transactions.

In light of the nature of the Acquired Receivables it selects for its client Funds, KAM does not “aggregate” the purchase or sale of securities for different client accounts. This does not affect the price or other quality of the execution of these transactions. Information relating to KAM's allocation policy is set forth in Item 11, above.

The Funds may invest in cash equivalents and short-term investments for cash management purposes. Some of these cash equivalent and short-term investments may be in the form of tradable securities. In such cases, the Funds will purchase those tradable securities through a broker-dealer which, in addition to traditional brokerage services, will also provide custodian services to the Funds on those assets. Outside of cash equivalent and short-term investments for cash management purposes, the Funds do not intend to own other tradable securities.

#### **Item 13 – Review of Accounts**

Reviews are based on objectives or parameters established by the Funds, which are generally memorialized through their individual advisory agreements and/or investment policy statements.

The Administrator sends investors an official statement of the investor's holdings in the Fund(s), no less than quarterly. Clients are urged to compare the summaries provided by KAM with the transaction confirmations and other documents provided by the Administrator.

KAM also provides each client Fund with an audited annual financial statement, a copy of which is distributed to all limited partners (or members or other beneficial owners) within 120 days of the end of its fiscal year.

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

No person who is not a client provides KAM with an economic benefit for providing investment advice or other advisory services to its clients. KAM does not compensate for client referrals.

#### **Item 15 – Custody**

The Acquired Receivables in which Firm clients invest are acquired from a funder/issuer in a transaction or chain of transactions typically not involving a public offering; Acquired Receivables are

uncertificated and ownership is recorded only on the books and records of the issuer (or lending or servicing agent) in the name of the client Fund; and to the extent the Acquired Receivables are securities, they are transferable only with the prior consent of the issuer or holders of the outstanding securities of the issuer.

The Funds also anticipate holding cash equivalents and short-term investments as part of its cash management processes. Should a Fund's cash equivalent and short-term investments be held in a tradable security other than cash, such Fund will utilize a broker-dealer to provide custodian services of those assets, with each Fund series having a separate, segregated account. The broker-dealer custodian will provide statements directly to each client Administrator and KAM at least quarterly.

Clients' cash is held at a bank selected by the client Fund, in accounts in the sole name of the Fund. Banks send statements directly to each client Administrator at least quarterly. The Administrator is responsible for reviewing those statements on behalf of the Fund.

All of the Funds which KAM advises are administered by the Administrator, which sends statements to each investor at least quarterly.

KAM is deemed to have custody of client assets because its associated person (and indirect owner), Steven Mandis, has authority, in his capacity as the General Partner of the Funds, to obtain possession of client funds and assets in connection with advisory services that KAM provides to clients.

As required by Rule 206(4)-2, the account of each pooled investment vehicle that is advised by KAM is subject to audit at least annually, and distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or other beneficial owners) within 120 days after the end of its fiscal year, by a PCAOB-regulated, independent public accountant.

KAM does not receive research or "soft dollar" benefits from any custodian.

#### **Item 16 – Investment Discretion**

KAM receives discretionary authority from the Fund at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. The discretionary authority is set forth in the advisory agreement or in another writing, such as a power of attorney. In all cases, discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Fund, and Funds may impose reasonable restrictions on KAM's authority.

When selecting securities and determining amounts, KAM observes the investment policies, limitations, and restrictions of the clients it advises. Notwithstanding its discretionary authority, as a matter of practice, KAM obtains approval for each investment from the Investment Committee.

Investment guidelines and restrictions, and any subsequent modifications thereto, must be provided to KAM in writing. Clients should also understand that the imposition of portfolio restrictions may affect performance of the affected portfolio(s), either positively or negatively.

#### **Item 17 – Voting Client Securities**

Funds that KAM advise do not typically invest in equity securities (outside of warrants, options or equity linked instruments which are used to enhance returns). In such cases where the Fund(s) obtains voting equity securities, KAM will vote such way as KAM determines is in the best interest of the investors.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about KAM's financial condition. KAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.