

FIRM BROCHURE  
OF  
VALSTONE PARTNERS VI, LLC  
(including ValStone Partners V, LLC and ValStone Healthcare Properties Fund Manager,  
LLC)

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**This Brochure provides information about the qualifications and business practices of ValStone Partners VI, LLC, ValStone Partners V, LLC, and ValStone Healthcare Properties Fund Manager, LLC. If you have questions about the contents of this Brochure, please contact us at (248) 646-9200 ext. 36. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**Our reference to ourselves as being a “registered investment adviser” or as being “registered” with the SEC does not imply a certain level of skill or training.**

This Date of this Brochure is March 30, 2020

**Item 2.        Material Changes.**

The purposes of this section is to identify and discuss the material changes between this Firm Brochure of ValStone Partners VI, LLC and ValStone Partners VI, LLC's initial Firm Brochure, which was dated February 14, 2019.

ValStone Partners, LLC is no longer a "relying adviser" of ValStone Partners VI, LLC. The private investment funds to which ValStone Partners, LLC served as investment adviser dissolved on December 31, 2019. Also, ValStone Partners IV(b), LLC is no longer a "relying adviser" of ValStone Partners VI, LLC. The private investment fund to which ValStone Partners IV(b), LLC served as investment adviser dissolved on December 31, 2019.

There are no other material changes between this Firm Brochure and the Firm Brochure dated February 14, 2019.

Item 3. Table of Contents.

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**Item 4. Advisory Business.**

ValStone Partners VI, LLC (“ValStone Partners” or “us” or “we” or a similar term) is a private investment firm with offices in Birmingham, Michigan and Baltimore, Maryland. Among other things, ValStone Partners coordinates the activities of (i) ValStone Partners’ and its affiliates’ sponsored private investment funds (referred to herein as the “ValStone Funds,” through which ValStone Partners makes investments on behalf of its investors and itself and (ii) ValStone Asset Management, LLC (“ValStone Asset Management”), which, among other things, manages the investments made by the ValStone Funds and their institutional partners. The ValStone Funds are not required to register as investment companies under the Investment Company Act of 1940 (the “Investment Company Act”) pursuant to exemptions from registration provided by Section 3(c)(1) and/or Section 3(c)(7) of the Investment Company Act (i.e., a private investment fund).

References herein to “ValStone Partners” (or “us” or “we” or a similar term) includes ValStone Partners V, LLC and ValStone Healthcare Properties Fund Manager, LLC. ValStone Partners VI, LLC, ValStone Partners V, LLC, and ValStone Healthcare Properties Fund Manager, LLC are special purpose vehicles under common control with one another formed for the purpose of serving as the manager and investment advisor of specific ValStone Funds. ValStone Partners V, LLC and ValStone Healthcare Properties Fund Manager, LLC are subject to ValStone Partners VI, LLC’s supervision and control and, like ValStone Partners VI, LLC, are subject to the Investment Advisers Act of 1940 (the “Advisers Act”) and the rules promulgated thereunder, and to examination by the SEC.

ValStone Partners, LLC, an affiliate of ValStone Partners VI, LLC, ValStone Partners V, LLC, and ValStone Healthcare Properties Fund Manager, LLC, commenced business in 1999 by combining the professional resources of GC Timmis & Company, a Birmingham, Michigan company controlled by Gerald C. Timmis III, which operated as a broker-dealer member of the NASD from 1993 to 2005, and Carnegie Morgan Partners, a Baltimore, Maryland company controlled by Larry E. Jennings, Jr., which operated as a financial advisory firm to state and local governments and their agencies and non-profit organizations from 1994 to 2003. ValStone Partners V, LLC commenced business in 2011, ValStone Partners VI, LLC commenced business in 2016, and ValStone Healthcare Properties Fund Manager, LLC commenced business in 2018.

We are managed by Mr. Timmis and Mr. Jennings, who serve as the co-managers of ValStone Partners. In addition, Eric R. Abel is a founder and a principal of ValStone Partners.

Subject to the next sentence, ValStone Partners (i.e., each entity described above) is owned by Gerald C. Timmis III, Larry E. Jennings, Jr., Tartan5000 LLC (which is owned by Larry E. Jennings, Jr.), Tiger8000 LLC (which is owned by Katherine V. Jennings (Mr. Jennings’ spouse)), and Eric R. Abel and Deborah Abel as tenants by the entirety, with Gerald C. Timmis III owning 25% or more of ValStone Partners.

We provide investment advice to our clients as to the timing, amount and terms of our clients' acquisition and disposition of securities and other assets. We provide such advice in conformity with the investment objectives, limitations, restrictions and requirements (i) set forth in the operating agreement, limited partnership agreement and/or investor offering memorandum (if any) of each of our private investment fund clients and/or (ii) pursuant to the terms of investment advisory agreements between ValStone Partners and its private investment fund and non-private investment fund clients. On behalf of our clients, we evaluate and assess suitable investment opportunities and perform customary and usual investment operations for our clients. This includes, among other services, assisting clients in negotiating and, in conjunction with our affiliate asset manager, ValStone Asset Management, closing investment opportunities. Through ValStone Asset Management, we monitor on behalf of our clients the performance of our clients' investments and supply our clients on a periodic basis with such financial information and other information as they may reasonably require with respect to their investments.

In general, the securities and other assets that we determine should be bought and sold, and the amount of securities and other assets that we determine should be bought and sold, is limited by the terms of each private investment fund client's operating or limited partnership agreement or each non-private investment fund client's investment advisory agreement. However, in general and to date, our private investment fund clients other than ValStone Healthcare Properties Fund, L.P. (which we sometimes refer to as the "ValStone Opportunity Funds"), have been opportunity funds, which means the funds reserve the latitude to invest, on an opportunistic basis but subject to any limitations contained in the operating or limited partnership agreements of our private investment fund clients, in such assets as we determine to be appropriate from time to time.

As of December 31, 2019, we had approximately \$940,880,773 million of assets under management. This includes real estate owned and commitments to our private investment fund clients. We manage 100% of the assets under management on a discretionary basis, where we have the authority to decide which securities and other assets to purchase and sell for our clients.

#### **Item 5.        Fees and Compensation.**

We or one of our affiliates is compensated for our services to our private investment fund clients with (i) a fee based on the amount of capital that has been committed to invest in the private investment fund or the value or cost of the private investment fund's assets (the "Investment Advisory Fee"), (ii) a performance based fee in the nature of a partnership allocation (the "Performance Fee"), and/or (iii) fixed fees. These fees are described in each private investment fund's operating or limited partnership agreement and/or the investment advisory agreements between us and our private investment fund clients. We or one of our affiliates serves as the manager or general partner of our private investment fund clients and, as such, we pay ourselves any fees owed to us by our private investment fund clients.

We and/or our affiliates will not take a Performance Fee with respect to or related to funds invested by a member or limited partner into one of our private investment fund clients unless (a) the private investment fund client is not required to register as an investment company under the Investment Company Act pursuant to the exemption from registration provided by Section 3(c)(7) of the Investment Company Act or (b) that member or limited partner is a “qualified client” as defined in Rule 205-3 under the Advisers Act. In all cases, unless otherwise provided by the terms of the private investment fund’s operating or limited partnership agreement or the investment advisory agreement between us and our private investment fund clients, any fees paid but not earned will be appropriately prorated upon termination (generally based on the number of days in a quarter during which investment advisory services were provided over the number days in the quarter) and we will return the unearned fee to our private investment fund client. These fees do not include fees that our private investment fund clients may pay directly or indirectly to our affiliate asset manager, ValStone Asset Management. Fees payable to ValStone Asset Management are discussed in Item 10 of this Brochure.

Each of our private investment fund clients will generally bear its own organizational and administrative expenses, and we and our affiliates will generally be reimbursed for any expenses incurred for the benefit of the private investment fund clients. In general, these expenses are described in each private investment fund’s operating or limited partnership agreement and/or the investment advisory agreements between us and our private investment fund clients. In that regard, in general, all third-party organizational expenses and fees incurred in connection with the organization of each private investment fund client (up to any applicable cap as discussed below) are borne by the private investment fund, and the private investment fund clients reimburse us and our affiliates for any out-of-pocket expenses incurred by us and our affiliates in connection with their organization. Also, in general, each private investment fund is responsible for and pays all costs and expenses related to its business and operations, including, but not limited to, costs and expenses related to the offering of membership or limited partnership interests in the private investment fund and the administration, origination and investment activities of the private investment fund (provided, however, that a private investment fund’s operating or limited partnership agreement may impose caps on the organizational and offering expenses that may be paid by the private investment fund). Accordingly, in general, we and our affiliates are entitled to reimbursement from our private investment fund clients to repay any such costs and expenses that we or our affiliates incur on their behalf. Such costs include, without limitation, legal, compliance (provided, however, that the costs of ValStone Partners’ general compliance with the Advisers Act is borne by ValStone Partners), appraisal, accounting, auditing, custodial, regulatory and tax reporting, financial reporting, consulting, postage, materials, supplies, printing, copying, communications, data, data processing, brokerage, due diligence (including due diligence and legal expenses of potential investors in the private investment funds), research, travel, entertainment, temporary employees, contract labor, and other costs and expenses paid from time to time. Item 12 of this Brochure discusses brokerage.

Our non-private investment fund clients will compensate us for our services with (i) a percentage of assets under management, (ii) performance based fees, (iii) fixed fees,

and/or (iv) hourly charges. Our non-private investment fund clients are limited to “qualified clients” as defined in Rule 205-3 of the Advisers Act. These fees will be described in each investment advisory agreement between us and our non-private investment fund clients. In all cases, unless otherwise provided by the terms of the investment advisory agreement, we will appropriately prorate upon termination any fees clients have pre-paid that we have not earned (generally based on the number of days in a quarter during which investment advisory services were provided over the number days in the quarter) and will return such fees to the clients. Historically, the provision of investment advisory services to non-private investment fund clients has not been a material part of our business.

Investment Advisory Fee: We may receive an annual Investment Advisory Fee payable quarterly in advance or at the end of each quarter (depending upon the terms of a specific private investment fund’s operating or limited partnership agreement). In general, except with respect to ValStone Healthcare Properties Fund, L.P., for which ValStone Healthcare Properties Fund Manager, LLC, serves as investment adviser, the Investment Advisory Fee is equal to 1% to 2.5% (depending on the terms of a specific private investment fund’s operating or limited partnership agreement) of the capital that the members or partners of the private investment fund commit to invest in the private investment fund until the investment period (generally a 3-7 year period) terminates. This fee may be blended, as a specific private investment fund’s operating or limited partnership agreement or agreement with a member or partner may adjust the fee allocable to a specific member or partner or group of members or partners (e.g., the fee may be different based on the amount of capital invested and could be more or less than percentages set forth above). Thereafter, during a wind-down period, the Investment Advisory Fee is equal to 1% to 2.5% (depending on the terms of a specific private investment fund’s operating or limited partnership agreement) (and which may be blended as described above and could be more or less than percentages set forth above) of: (i) the value or cost of the private investment fund’s investments (as determined by the methodology set forth in a specific private investment fund’s operating or limited partnership agreement); (ii) the capital that the members or partners of the private investment fund commit to invest in the private investment fund; (iii) the net capital actually contributed at any point in time by the members or partners of the private investment fund; or (iv) some combination of the foregoing (depending on the terms of a specific private investment fund’s operating or limited partnership agreement). With respect to ValStone Healthcare Properties Fund, L.P., which is an open-end fund with a perpetual duration, the Investment Advisory Fee will always be based on a percentage (which may be blended as described above and could be more or less than percentages set forth above) of the fund’s net asset value (as determined by the methodology set forth in its limited partnership agreement). The Investment Advisory Fee also is subject to such other terms and conditions as may be set forth in the investment advisory agreements between ValStone Partners and its private investment fund clients and/or in a private investment fund’s operating or limited partnership agreement.

Unless we agree that our Investment Advisory Fee will be reduced by the amount of any placement agent, sales agent, or finders’ fees, a member or limited partner in one of our private investment fund clients may be required to pay any such fees in connection

with an investment in a private investment fund client. In addition, the terms of our private investment fund clients' operating or limited partnership agreement may provide that our Investment Advisory Fee will be reduced in the event we receive break-up fees in connection with assets that we seek to acquire for our private investment fund clients.

Performance Fee: The terms of our private investment fund clients' operating or limited partnership agreements may provide that such private investment funds will make distributions to their members or partners (including to us and/or our affiliates in our or their capacity as a member or partner of the private investment fund) with respect to cash available for distribution, at such times as we determine in accordance with the terms of the applicable private investment fund operating or limited partnership agreement. Except with respect to ValStone Healthcare Properties Fund, L.P., such distributions are made generally in the following order and priority:

a. Preferred Return: First, 100% to all members or partners (including ValStone Partners and/or an affiliate of ValStone Partners) until cumulative distributions to each such member or partner represents an annual rate of return of between 0% and 10% (depending on the terms of a specific private investment fund's operating or limited partnership agreement) on such members' or partners' paid-in capital contributions.

b. Return of Capital: Second, 100% to all members or partners (including ValStone Partners and/or an affiliate of ValStone Partners) until each such member or partner receives distributions equal to its paid-in capital contributions.

c. Carry/Catch-up: (i) 10% to 30% to the members or partners (including ValStone Partners and/or an affiliate of ValStone Partners) in proportion to their respective capital contributions and (ii) 90% to 70% to ValStone Partners and/or an affiliate of ValStone Partners until ValStone Partners and/or an affiliate of ValStone Partners has received an amount equal to between 10% and 30% (depending on the terms of a specific private investment fund's operating or limited partnership agreement) of all distributions made by the private investment fund pursuant to paragraph (a) above (preferred return) and this paragraph (c) (Carry/Catch-up).

d. Carry/Post Catch-up: Thereafter (i) 90% to 70% to each member or partner (including ValStone Partners and/or an affiliate of ValStone Partners) in proportion to their respective capital contributions and (ii) 10% to 30% to ValStone Partners and/or an affiliate of ValStone Partners (depending on the terms of a specific private investment fund's operating or limited partnership agreement).

As an open-end fund, interests in ValStone Healthcare Properties Fund, L.P. are redeemable and, in general, the performance fee is paid via a partnership allocation (carried interest) equal to a percentage of the positive performance of each limited partner's interest in the fund over a measurement period (or upon redemption) with a preferred return for such measurement period and catch-up with respect to the preferred return similar to that described above. The Performance Fee is also subject to such other terms and conditions as may be set forth in a private investment fund's operating or limited partnership agreement.



In general, each private investment fund's operating or limited partnership agreement will provide that we and/or our affiliates are entitled to special distributions in order to fund any tax liability imposed on us and/or our affiliates (or the direct or indirect members thereof) by virtue of our or our affiliates ownership interest in the private investment fund (the "Special Tax Distribution"). In general, in such cases, the amount that would otherwise be distributed to us and/or to our affiliates under paragraph (a), (b), (c), or (d) above (depending on the terms of a specific private investment fund's operating or limited partnership agreement) will be reduced by the amount of such Special Tax Distribution.

Fixed Fees; Percentage of Assets under Management; Hourly Charges: From time to time we may negotiate a fixed fee and/or other fee arrangement with our private investment fund clients on such terms as are set forth in the private investment funds' operating or limited partnership agreements and/or the investment advisory agreements between us and our private investment fund clients.

We will negotiate fixed fee, performance based fees, percentage of assets under management, and/or hourly charges on a case-by-case basis with our non-private investment fund clients. We do not have a basic fee schedule for such services as all such fees are negotiable, and the timing of the payment of such fees is similarly negotiable. In general, a fee based on assets under management would likely range between 1% and 2.5%, and hourly fees would likely range from \$50 to \$1,000 per hour for each of our employees. We bill our non-private investment fund clients for the amounts that they may owe us.

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

As discussed in Item 5 above, we and/or our affiliates receive performance-based fees from our private investment fund clients and we may receive a performance-based or another type of fee from our non-private investment fund clients.

We face certain conflicts of interest if we manage at the same time client accounts that are and that are not charged performance-based fees because we can potentially receive greater fees from our clients with which we have a performance-based compensation structure than from those clients that we charge a fee unrelated to performance. As a result, we might have an incentive to favor clients that pay a performance fee by, for example, directing the best investment opportunities to such clients. Also, our investment advisory agreement or other governing agreements with our private and non-private investment fund clients (and whether or not we charge a performance-based fee) may provide that we are required to offer certain types of investment opportunities to that client and, therefore, the investment opportunity may not be available in whole or in part to another fund client.

We disclose these conflicts to our clients and/or, if appropriate, to the investors in our private investment funds. In allocating investment opportunities among these different types of clients, we are subject to our general fiduciary duty to all clients.

## **Item 7            Types of Clients.**

We provide investment advice and serve as the manager or general partner and/or investment advisor of one or more limited liability companies or limited partnerships in the business of investing in securities and other assets (i.e., private investment funds). The private investment funds are not required to register as investment companies under the Investment Company Act pursuant to exemptions from registration provided by Section 3(c)(1) and/or Section 3(c)(7) thereunder. The members or limited partners in such private investment funds can be any type of “legal” person, including, without limitation, individuals, partnerships, corporations, limited liability companies, trusts, or governmental entities or instrumentalities. Similarly, our non-private investment fund clients can also be any type of “legal” person.

We will not provide investment advisory services to any client unless the client has available a minimum amount of assets on hand or a minimum amount of commitments available from the client’s members or limited partners. We determine this minimum amount on a client-by-client basis. Also, our non-private investment fund clients are limited to “qualified clients” as defined in Rule 205-3 of the Advisers Act.

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

General. We use various methods of analysis and investment strategies in formulating investment advice and managing assets, as described below. You should be aware that investing in securities and the other assets in which ValStone Partners invests always involves the risk of loss, including possible risk of loss of your entire investment. You should be prepared to bear such a loss.

In general, our private investment fund clients have been organized to invest primarily in real estate-related debt obligations and other assets, including real estate, operating companies, and special situations, that we believe are inefficiently priced as a result of business, financial, market, legal, or other uncertainties (and with respect to ValStone Healthcare Properties Fund, L.P., focused on senior housing). However, in general, our private investment fund clients are opportunity funds, which means the funds reserve the latitude to invest, on an opportunistic basis but subject to any limitations contained in the operating or limited partnership agreements of our private investment fund clients, in such assets as we determine to be appropriate from time to time. Subject to any limitations contained in the operating or limited partnership agreements of our private investment fund clients, our private investment fund clients may invest in partnership with other private investment funds that we manage and/or with institutional investors (co-investors). Our non-private investment fund clients will generally invest in these same types of assets. We provide investment advice with respect to these types of assets.

Investments in Debt Obligations. Investments in debt obligations may include: (i) non-performing and sub-performing commercial real estate loans; (ii) indebtedness of financially-troubled or bankrupt companies (frequently these loans will be secured by real estate); (iii) publicly traded municipal bonds, including conduit bonds, and corporate

bonds; (iv) performing, sub-performing and non-performing commercial and industrial debt obligations; (v) regional development loans; (vi) non-performing and sub-performing residential real estate loans and consumer loans; and (vii) other non-investment grade debt obligations. It may also include financing new commercial loans, commercial mortgage loans and bridge and Debtor in Possession (DIP) loans.

Investments in Real Estate. Investments in real estate may include situations where a capital infusion, de-leveraging, more aggressive management, and/or repositioning offers significant potential for improved performance. It may also include investments in development projects, including stalled development projects and ground-up construction. Clients may also acquire real estate assets as a result of the foreclosure of its real estate secured debt investments, where it is the high bidder at the foreclosure sale, or through a deed in lieu of foreclosure with the borrower.

Investments in Operating Companies. Investments in operating companies may include companies that are complementary to our real estate investments or may include troubled or turnaround opportunities (e.g., companies (i) facing operating problems or liquidity issues, (ii) undergoing or that are likely to undergo reorganization under bankruptcy or similar laws, (iii) that are or have been engaged in other extraordinary transactions, such as debt restructuring, reorganization, and liquidation outside of bankruptcy, (iv) engaged in a consolidating or overlooked industry (other than with respect to ValStone Healthcare Properties Fund, L.P., which is focused on senior housing), and/or (v) facing succession issues).

Investments in Special Situations and Other Assets. Investments in special situations and other assets may include financial instruments, structured settlements, tax liens, tax judgments, leases (including finance, operating, and leveraged leases), and other opportunities that present themselves from time to time.

Co-Investing. When co-investing (whether with another of our private investment fund clients and/or an institutional investors), our private investment fund client(s) and the co-investor (if any) typically will utilize a separate investment vehicle, such as a limited liability company, partnership, joint venture, or other entity, to hold, directly or indirectly, the co-invested assets. We or an affiliate may be engaged to be the investment advisor of such an investment vehicle.

In general, co-investors will bear the costs of their own administration, origination, and investment activities, which activities may result in investments by our private investment fund clients, and will bear their pro rata share of transaction expenses on any transaction in which they co-invest with one of our private investment fund clients.

Investment Strategies and Methods of Analysis. In general, our strategies used to implement investment advice given to clients is based upon patience, thorough due diligence, rigorous financial analysis, demanding return hurdles, a going-in strategy for enhancing asset value after acquisition, and, finally, an exit strategy or, in other words, a strategy for possible value realization through an asset sale or other exit strategy. Our

expected holding period for any single investment is generally between three and five years (five to ten years with respect to ValStone Healthcare Properties Fund, L.P.). For some, generally less liquid, more management-intensive assets, however, the holding period may be longer, while for other, generally more liquid assets, it may be shorter. To provide downside protection for our clients, we will employ risk management techniques. Such techniques may include, without limitation, seeking to purchase investments at a discount to intrinsic value and, when necessary, hedging strategies, including borrowing, as further described below.

As indicated above, we generally will not cause a client to make an investment for which we have not contemplated at least one possible value realization strategy (exit strategy). Common examples of exit strategies, by asset class, include, without limitation: (i) with respect to investments in debt obligations: restructuring non performing financial obligations into performing financial obligations; discounted payoffs of financial obligations; refinancing a portfolio of financial obligations using capital markets techniques such as securitization; and foreclosing on the collateral underlying a financial obligation; (ii) with respect to assets in real estate: replacing property management; improving operations; completing deferred maintenance; repositioning; and sale of the property; and (iii) with respect to investments in operating companies: replacing company management; improving operations; recapitalizing the balance sheet; and selling assets on a leveraged basis and liquidation of the company.

Among other methods, we analyze investment opportunities fundamentally, technically and based on forecasted cash flows.

Fundamental analysis entails attempting to measure an asset's intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. As part of this analysis we attempt to study factors that can affect the assets value, including macroeconomic factors (such as the overall economy and industry conditions) and asset-specific factors (such as a company's financial condition and management). The end goal of performing fundamental analysis is to produce a value that we can compare with the asset's price, so we can determine if a particular investment is undervalued or otherwise an appropriate investment for our clients.

Technical analysis is a method of evaluating assets by analyzing statistics generated by market activity, such as past prices. Under this type of analysis, which is basically the opposite of fundamental analysis, we seek to identify patterns that can suggest future activity with respect to an investment instead of attempting to measure an asset's intrinsic value.

We may, based on due diligence, attempt to forecast the cash flows associated with a potential investment. We then seek to purchase the investment at a net present value of such cash flows as determined by applying a discount rate we believe is appropriate.

We use various sources of information in formulating our investment strategies. Among other things, we obtain information through our, our affiliates' or our institutional

co-investors' "due diligence" review of the transaction and other documents related to the assets in which our clients invest and our financial analysis of such information.

Borrowing. From time to time, one of our private investment fund clients and/or an investment vehicle through which a private investment fund directly or indirectly invests may borrow money for any purpose, including to pay expenses, to provide "bridge" financing prior to receiving capital contributions and to enhance the expected rate of return. The private investment fund clients and investment vehicles also may guaranty loans, extensions of credit and other obligations. Any such borrowing, if we decide not to pursue third party financing, may be lent by us or an affiliate and/or any one or more members or limited partners of our private investment fund clients (or of an investment vehicle) (or their owners) on such terms as we may establish. With respect to any loan from us or one of our affiliates, however, the terms of such loan (i) will be materially the same as the private investment fund client (or an investment vehicle) could obtain from an unrelated third party at the time of the loan and/or (ii) may be subject to specific provisions set forth in the private investment fund's operating or limited partnership agreement and/or investor offering memorandum (if any). We may allocate the lending opportunity to ourselves or an affiliate and/or any one or more members or limited partners of our private investment fund clients (or of an investment vehicle) (or their owners), in any proportion we select in our discretion, subject to any contrary terms in the private investment fund's operating or limited partnership agreement and/or investor offering memorandum (if any). Neither ValStone Partners, any affiliate of ValStone Partners nor any member or limited partner will be obligated to lend any money.

The terms of the loan documents in which one of our private investment fund clients (or an investment vehicle) enters into may give the lender (which, as indicated above, may be a member or limited partner of our private investment fund clients (or of the investment vehicle) (or their owners)) direct access to the private investment fund's (or an investment vehicle's) accounts (whether bank or custodial) and thereby its assets. Although the lender is required to comply with the terms of the loan documents, the risk exists that the lender may misappropriate the private investment fund's (or the investment vehicle's) assets.

Material Risks. The following is a brief explanation of the material risks associated with our investment strategy. Some of these risks may not apply to one or more of our private investment fund or non-private investment fund clients depending on the terms of each private investment fund client's operating or limited partnership agreement or each non-private investment fund client's investment advisory agreement, as applicable.

Subject to any limitations contained in the operating or limited partnership agreements of our private investment fund clients, our broad investment mandate generally imposes few formal constraints on the type of investments that we may pursue for clients, whether by asset class, geography, or otherwise. Any limitations will be described in each private investment fund's operating or limited partnership agreement and/or the investment advisory agreements between us and our private and non-private

investment fund clients. Accordingly, a client's investments may not be diversified, whether by reference to the amount invested, by asset class, by geography, or otherwise. Unfavorable performance with respect to a small number of a client's investments, a particular asset class, or a particular geographic area in which a client is invested, could substantially affect the client's investment performance, and the client's investments may be subject to more rapid change in value than would be the case if we were required to maintain a wide diversification of investments for our clients.

There can be no assurance that we will be able to identify a sufficient number of investment opportunities for our clients to enable our clients to invest fully the capital that they commit to us in opportunities that satisfy the client's investment objectives and criteria, or that such investment opportunities will lead to successful investments. Moreover, as investments are disposed of, there can be no assurance that we will be able to identify a sufficient number of reinvestment opportunities, that the proceeds will be reinvested in investments similar to those from which the proceeds were generated or that such reinvestment opportunities will lead to successful investments. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. In addition, there can be no assurance that ValStone Asset Management (or any other service provider) will be successful in providing the services it currently provides to our clients.

Our private investment fund clients have been organized to invest primarily in real estate related debt obligations and other assets, as discussed in Item 8 of this Brochure. In general, the operating or limited partnership agreements place limited restrictions on our authority with respect to the investments our private investment fund clients may make. Our non-private investment fund clients will generally also invest in these same types of assets. The level of analytical sophistication, both financial and legal, necessary for successful returns on such investments is unusually high. There can be no assurance that we will evaluate correctly the nature and magnitude of the various factors that could affect the value of a client's investments.

Our clients' real estate investing typically will involve situations where a capital infusion, de-leveraging, more aggressive management, and/or repositioning may offer significant potential for improved performance. However, those strategies may not be successful. Real estate investments are subject to the general risks incident to the ownership and operation of real estate, including, without limitation: (i) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (ii) the financial condition of tenants, buyers, and sellers of properties; (iii) energy and supply shortages; (iv) changes in tax, real estate, environmental, and zoning laws and regulations; (v) various uninsured or uninsurable risks; (vi) the ability to manage the real properties; (vii) natural disasters; and (viii) epidemics, pandemics, or other outbreaks of an illness, disease, or virus, and actions to contain them, including with respect to the new Coronavirus (COVID-19).

In particular, the emergence and worldwide spread of Coronavirus and recent governmental and societal actions to contain it, including social distancing and the

indefinite closing of non-essential businesses in a number of states, present numerous risks with respect to our investment strategy. Among other risks, the Coronavirus may have a negative impact on (i) the ability of tenants and residents in the real estate properties in which our clients invest, or that secure any real-estate related investments in which our clients invest, to pay their rent or monthly fee and/or the ability of such properties to sustain satisfactory occupancy levels and/or rental rates, and (ii) the ability of the companies that operate or manage any such properties to continue to do so (including staffing risks), any or all of which would have a negative impact on the ability of such properties to generate revenue and operating profits, and on the ability to make scheduled payments on loans, any or all of which would have negative impact on the value of such investments. The ultimate extent of the impact of the current Coronavirus pandemic, or any future epidemic, pandemic, or other outbreak, will depend on future developments, including its ultimate duration and severity and how fast the economy recovers afterwards, that are highly uncertain and that we cannot predict.

Also, while real estate generally involves hard assets that may be income-producing or disposable, thereby providing some downside protection, the asset manager may not be successful in implementing our strategy for performance enhancement. In such event, we may elect to liquidate such investment on (i) an orderly basis, in which case it may take considerable time to collect the proceeds, or (ii) on a quick sale basis, in which case the proceeds may be considerably lower than those that could be obtained from an orderly sale. Also, our clients may invest in real estate that is highly leveraged or investments that are tied to real estate, such as real estate leases. If the project or tenant cannot generate adequate cash flow to meet debt service or rental payments, a client may suffer a partial or total loss of its invested capital. We generally maintain insurance coverage against liability to third parties and property damage as is customary for real estate assets. However, insurance may not be available, may not be available on economic terms, and, if available, may not be sufficient to cover losses and/or may be subject to a high deductible. Also, our clients' assets may be at risk in the event of uninsured liabilities to third parties. Our clients' real estate investing is speculative and involves a high degree of risk.

Our clients invest in, among other investments, performing, sub-performing, and non-performing debt obligations. Such debt obligations may be at the time of acquisition, or may become after acquisition, sub-performing or non-performing for a variety of reasons. With respect to debt obligations that are collateralized, the underlying property may be too leveraged, poorly managed, or substantially in need of rehabilitation. Such sub-performing and non-performing debt obligations may require a substantial amount of workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of principal. Also, the value of this type of investment will be adversely impacted by a decline in the value of the underlying collateral, which is likely to be beyond our control. Moreover, we may find it necessary or desirable to foreclose on the underlying collateral of some if not many of the debt investments that it acquires. This foreclosure process may be lengthy and expensive and, during the foreclosure process, the debtor may declare bankruptcy resulting in further risks, expenses and delays. Foreclosure also tends to create a negative

image of the foreclosed property which could adversely affect the property's value. Finally, there is unlikely to be a liquid secondary market for these types of investments. Consequently, we may not be able to dispose of these investments for our clients at prices that reflect their value or the amount paid by the client.

Our clients may invest in debt obligations secured by commercial real estate. Commercial mortgage loans are generally viewed as entailing a greater risk of loss than residential mortgage loans as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the ability of a borrower to repay a loan secured by an income-producing property typically depends on the successful operation of the related business and thus may be subject to a greater extent to adverse conditions in the real estate market and in the general economy. In addition, commercial mortgage loans often do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligation.

Our clients may purchase debt securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time, if ever. In any bankruptcy or other reorganization or liquidation proceeding relating to a company in which a client invests, the client may lose its entire investment or may be required to accept cash and securities with a value less than the client's original investment. Moreover, in a bankruptcy proceeding there are instances where creditors and equity holders lose their ranking and priority as such, whether because they take over management and functional operating control of a debtor or for other reasons. For example, if we, on behalf of a client, are found to exercise "dominion and control" of a debtor, the client could lose its priority if the debtor can demonstrate that its business was adversely impacted or other creditors and equity holders were harmed by our actions. Also, in a bankruptcy, payments to clients may be reclaimed if a court determines that the payments constituted a fraudulent conveyance or a preference payment.

Our clients' investments will generally be in securities that are unrated or, if rated, will be rated at below investment grade by recognized rating services such as Moody's and Standard & Poor's. Unrated securities or securities rated below investment grade generally offer a current yield higher than that available from higher-grade issues, but typically involve greater risk. Unrated securities and securities rated below investment grade are typically subject to adverse changes in general economic conditions, to changes in the financial condition of their issuers, and to price fluctuations in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of unrated securities or securities rated below investment grade may experience financial stress that could adversely affect their ability to make payments of principal and interest



and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of unrated securities and securities rated below investment grade, especially in a market characterized by a low volume of trading. In addition, the secondary market for high yield securities, which is concentrated in relatively few market makers, may not be as liquid as the secondary market for rated or more highly rated securities. As a result, we may have difficulty selling these securities or may be able to sell the securities only at prices lower than if such securities were widely traded.

See also above regarding the Coronavirus as its risks also apply to our debt investments.

When investing in operating companies, typically our strategy for realizing value for our clients will be to acquire control of or significant influence in the companies. However: we may not be able to identify appropriate operating company investments and may not be able to obtain control of or significant influence in such companies; the operating company may not possess any assets that may be resold; the value of a company or its assets may decline after purchase; and/or the asset manager may not be successful in implementing our strategy for value creation. Moreover, our clients may invest in the equity of operating companies that are highly leveraged. If the operating company cannot generate adequate cash flow to meet debt service, our clients may suffer a partial or total loss of their invested capital. Accordingly, such opportunities are speculative and involve a high degree of risk. Also, liquidating an investment in an operating company or its assets may take place on (i) an orderly basis, in which case it may take considerable time to collect the proceeds, or (ii) on a quick sale basis, in which case the proceeds may be considerably lower than those that could be obtained from an orderly sale. As discussed above, operating companies also have Coronavirus-related risks.

Our clients may invest in other assets that present themselves from time to time. These assets are likely to be speculative and will likely involve a high degree of risk. Among other things: we may not be successful in identifying or evaluating such assets; after purchase, the value of the asset may fall below the purchase price; and/or the asset manager may not be successful in implementing our strategy for realizing value with respect to the asset.

Additional risks are or may be described in the investor offering memorandum of our private investment fund clients and/or in the investment advisory agreements with our private and non-private investment fund clients.

**Item 9.        Disciplinary Information.**

None.

**Item 10.      Other Financial Industry Activities and Affiliations.**

Asset Manager. ValStone Asset Management, which is a wholly owned subsidiary of ValStone Partners, LLC, is a servicer and manager of financial assets and other investments. In general, ValStone Asset Management will close, service, manage, report on, arrange financing, and/or dispose of (either directly or indirectly) and/or arrange for a third party to close, service, manage, report on, arrange financing, and/or dispose of, the investments directly or indirectly owned by our private and non-private investment fund clients and their co-investors (if any). ValStone Asset Management may also originate loans to be made, directly or indirectly, by our private investment fund clients.

The specific services ValStone Asset Management will render for the investments directly or indirectly owned by our private and non-private investment fund clients depends on the type of investment, and is generally set forth in an agreement between ValStone Asset Management, on one hand, and the private investment fund client (and/or an investment vehicle through which a private investment fund directly or indirectly invests) or a non-private investment fund, on the other hand. The fees for such services are intended to be reflective of what is customary in the industry at that time, and, when applicable, are determined through negotiations with the co-investor. However, as a practical matter due to the nature of our investment program, ValStone Asset Management must be prepared to service a wide variety of investments, many with unique servicing requirements. This can impose hard-to-predict costs on ValStone Asset Management and for which there may be no established industry benchmarks.

The fees to ValStone Asset Management for its services with respect to investments directly or indirectly owned by our private investment fund clients historically have approximated ValStone Asset Management's costs and, subject to the terms of the private investment fund's operating or limited partnership agreement and/or investor offering memorandum (if any), a markup (historically 10%) of costs.

ValStone Asset Management's fees are allocated among and/or charged to the entities to which ValStone Asset Management provides services (generally, the investment vehicles through which ValStone Partners' private investment fund clients and their co-investors make their investments, and the private investment funds themselves), according to standard internal procedures that ValStone Asset Management considers equitable and/or the terms of the private investment fund's operating or limited partnership agreement and/or investor offering memorandum (if any). ValStone Asset Management may elect to waive a portion of its fee that would otherwise have been allocated to or charged to an entity to which ValStone Asset Management provides services. In any such case, the waived fee will not be reallocated to the other entities to which ValStone Asset Management provides services.

In order to reduce their respective expenses, ValStone Asset Management and ValStone Partners share overhead, including from time to time assigning personnel who perform services for ValStone Partners to perform services for ValStone Asset Management and vice versa. Subject to the terms of a private investment fund's

operating or limited partnership agreement and/or investor offering memorandum (if any), ValStone Asset Management pays us for such services but will not pay for the services of our principals – Messrs. Timmis, Jennings, and Abel. Similarly, subject to the terms of a private investment fund’s operating or limited partnership agreement and/or investor offering memorandum (if any), we pay ValStone Asset Management for such services. Also, subject to the private investment fund’s operating or limited partnership agreement and/or investor offering memorandum (if any), ValStone Partners and ValStone Asset Management seek to allocate such shared overhead and personnel on a basis they consider equitable. However, there can be no assurance that such costs and expenses will be allocated appropriately.

Conflicts Resulting from Relationship with ValStone Asset Management.

Because we control ValStone Asset Management, the fees directly or indirectly payable by our clients to ValStone Asset Management under an agreement will not be established on the basis of an arm’s-length negotiation (but will be subject to any private investment fund’s operating or limited partnership agreement and/or investor offering memorandum (if any)). We believe, however, that the terms of any such agreement, including the fees due thereunder, will be no less favorable to our clients than what could be obtained from an unrelated third party at the time of the agreement. Conflicts may also arise in determining whether ValStone Asset Management has performed its obligations to a client and/or whether ValStone Asset Management is entitled to indemnification pursuant to any agreement. Notwithstanding these conflicts, we believe that our clients benefit from having services provided by ValStone Asset Management.

Our Supervised Persons (as defined below in Item 11(A)) devote such amount of their time in connection with providing investment advice to our clients, and such amount of their time on other activities, such as activities on behalf of ValStone Asset Management, as is necessary to provide such investment advice and perform such activities. During any particular period of time, our Supervised Persons may devote substantially all of their time to providing investment advice, and during another particular period of time they may devote only a minimal amount of their time to providing investment advice, with the remainder of our time being spent on other activities.

Other Affiliations. As discussed above in Items 4-8 of this Brochure and as discussed below in Item 11 of this Brochure, we or an affiliate will generally serve as the manager or general partner of our private investment fund clients. Also, either directly or through affiliates, we will generally serve in a management capacity in entities we organize to facilitate our private investment fund clients’ investments.

Also, family members of two of our principals, Messrs. Timmis and Abel, are attorneys and they and/or the law firms where they are employed provide legal services to us and our affiliates at not greater than market rates.

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

A. **Code of Ethics:** We have adopted a Code of Ethics that describes the ethical standards and standards of business conduct that apply to our “Supervised Persons.” The Code of Ethics defines “Supervised Persons” as any manager or officer (or other person occupying a similar status or performing similar functions) or employee of ValStone Partners or employee of any subsidiary of ValStone Partners, or other person who provides investment advice on behalf of ValStone Partners and is subject to ValStone Partners’ supervision and control.

Our chief compliance officer is responsible for enforcing the Code of Ethics. As such, the chief compliance officer is required, among other things, to keep various records relating to the Code of Ethics.

The Code of Ethics includes, among other things, provisions: (i) addressing conflicts of interest between Supervised Persons and ValStone Partners and/or our clients; (ii) prohibiting Supervised Persons from engaging in unfair competition; (iii) protecting material nonpublic information; (iv) governing the use of ValStone Partners’ equipment; and (v) prohibiting sexual or other forms of harassment. The Code of Ethics also includes a supplement regarding our policy regarding political contributions (the “Political Contributions Supplement”). The Code of Ethics also includes provisions requiring our Supervised Persons to report to us their personal securities transactions.

The Code of Ethics requires Supervised Persons to report violations of the code to the compliance officer. The Code of Ethics also requires that all Supervised Persons receive a copy of the code and acknowledge such receipt in writing.

Upon request, we will provide a copy of our Code of Ethics and/or the Political Contributions Supplement to any client or prospective client or any member or limited partner or prospective member or limited partner of a private investment fund client.

B. **Discussion of Our Practice, the Conflicts of Interest that it Presents and How We Address those Conflicts with Respect to Securities that We or a Person Related to Us Recommends to Clients or that We or a Person Related to Us Buys or Sells for Client Accounts in which We or a Person Related to Us has a Material Financial Interest:**

*General.* We currently manage multiple private investment funds and may in the future organize and manage other private investment funds, including funds with investment objectives similar to the investment objectives of the other funds. We have or one of our affiliates has a financial interest in our private investment fund clients (which may be different for each private investment fund client). This situation presents the potential for conflicts of interest. While we and our affiliates seek to manage such potential conflicts of interest in good faith, there may be situations in which the interests of a private investment fund client with respect to a particular investment or other matter conflict with our interests, the interests of one or more other private investment fund clients, and/or one or more of our non-private investment fund clients.

For example, we may recommend to a client (which may include private investment fund clients) that the client buy or sell securities or investment products in which another client (which may include a private investment fund client) has some financial interest. This may include a recommendation that one private investment fund client, or an investment vehicle through which the private investment fund client directly or indirectly invests, buy from or sell securities or investment products to another private investment fund client or investment vehicle in which such other private investment fund client directly or indirectly invests. We may also recommend that two or more clients (including private investment fund clients) buy or sell the same securities or investment products. Also, in certain circumstances that we consider appropriate (for example and without limitation, in order to reduce organizational complexity and/or administrative expenses), we may cause one or more investment vehicles of our private investment fund clients to merge or combine with one another. Also, on some occasions, we (or a person related to us) may buy or sell securities or investment products for ourselves (or for our related persons) that we or a related person also recommend to clients and we may make such recommendations at or about the same time that we (or our related persons) buy or sell such securities or investment products for ourselves (or for our related persons). All of these actions are subject to any limitations in a private investment fund's operating or limited partnership agreement and/or investor offering memorandum (if any).

These types of transactions create the potential for conflicts of interest. Among other things, the terms of these transactions will often not be established on the basis of an arm's-length negotiation. Similarly, the fact that we or an affiliate receives a performance fee based on the profits of each private investment fund client creates a potential for conflicts of interest as this structure may create an incentive for us to cause our private investment fund clients to make riskier or more speculative investments than would be the case in the absence of the performance fee. In general, our actions will be limited by the terms of our advisory agreements with our clients and/or our private investment fund clients' operating or limited partnership agreements, including, without limitation, the investment allocation provisions of such agreements. Where not so limited, we will be subject to our general fiduciary duty to our clients.

*Conflicts with Respect to Allocation of Investment Opportunities Among Clients.* As a general matter, but subject to the terms of the operating or limited partnership agreements of our private investment fund clients or other agreements with our clients, if two or more of our clients are still in their respective commitment periods, we will allocate investment opportunities between or among these clients in our reasonable judgment utilizing factors that we consider relevant in the circumstances, including, without limitation: (i) the provisions of the clients' governing documents; (ii) the size, nature, and type of opportunity; (iii) principles of diversification of assets; (iv) cash availability; (v) the magnitude of the investment; (vi) a determination that the opportunity is appropriate or inappropriate, in whole or in part, for one or more clients; (vii) whether the opportunity is related to a prior investment or is a new investment; and (viii) such other factors as we may reasonably deem relevant, which may include, without limitation, the expected life of the investment relative to the remaining investment life of

the client. When the same investment opportunity is allocated to more than one client, we may form an investment vehicle directly or indirectly owned by such clients to make or hold the investment.

Our allocation determinations frequently will be subjective in nature. Consequently, an investment that we determine to be appropriate may ultimately prove to not be appropriate. Furthermore, the decision as to whether a client should make a particular follow-on investment in a shared investment, or whether the follow-on investment will be shared in the same proportion as the original investment, may differ from the decision regarding the initial investment due to our changed determination on this issue.

*Conflicts Associated with Our Investing Activities.* We and our affiliates may undertake our and their own investment and other activities, and our clients including our private investment fund clients do not have any right to participate in any such investments or activities. However, we and our managers and members will not invest for our or their own account in any securities or other assets in which any private investment fund client or non-private investment fund client has invested or will invest (and for which we provided investment advice) unless such investment is first approved (i) with respect to a non-private investment fund client, by the client or (ii) with respect to a private investment fund client, in the manner required by the private investment fund's operating or limited partnership agreement (generally, by the advisory board of the private investment fund client or a vote of the investors in the private investment fund client) (provided, however, that serving as the manager or in a similar capacity of an investment entity (including an investment entity that invests in securities or other assets in which a private investment fund client has invested or will invest) and/or owning an interest in such entity does not require any such approval). Our affiliates other than our managers and members may (but have no obligation to) co-invest with our private investment fund clients.

We also may buy the limited liability company or limited partnership interests of the members or limited partners of our private investment fund clients, or may cause our private investment fund clients to redeem such interests. Any such purchase will be pursuant to the terms of the private investment fund's operating or limited partnership agreement or in a negotiated transaction. In such transactions, we (i) do not act as investment advisor to the selling members or limited partners, (ii) disclose to the selling members or limited partners the capacity in which we are acting, and (iii) obtain the consent of the selling members or limited partners (which consent may be evidenced by the members or limited partners' agreement to the terms of the private investment fund's operating or limited partnership agreement).

We have adopted an insider trading policy and a policy regarding disclosure of personal securities transactions to control conflict of interest issues with respect to the investment activities of our managers, officers and employees.

C. Discussion of Our Practice, the Conflicts of Interest that it Presents and How We Address those Conflicts with Respect to Securities that We or a Person Related to Us Recommends to Clients in which We or a Person Related to Us Invests.

See discussion above in paragraph B of this Item 11.

D. Discussion of Our Practice, the Conflicts of Interest that it Presents and How We Address those Conflicts with Respect to Securities that We or a Person Related to Us Recommends to Clients or that We or a Person Related to Us Buys or Sells for Client Accounts at about the Same Time in which We or a Person Related to Us Buys or Sells the Same Securities for our or our Related Person's Own Account.

See discussion above in paragraph B of this Item 11.

E. Other.

From time to time we will solicit our non-private investment fund clients to invest in our private investment fund clients. In any such case, we will not provide our non-private investment fund client with investment advice regarding whether such client should invest in a private investment fund client. We or our affiliates also may invest on our or their own behalf in a private investment fund established by our non-private investment fund clients.

**Item 12. Brokerage Practices.**

Factors Considered in Selecting Brokers and Determining the Reasonableness of Commissions: We have an obligation to select brokers (which for purposes described herein includes dealers trading for their own account, whether from their inventory or on a "riskless principal" basis) who effect trades on behalf of or with our clients under the standard of "best execution." "Best execution" generally means a duty to execute securities transactions so that a client's total cost or proceeds in each transaction are the most favorable under the circumstances.

We will select brokers for our clients based on our evaluation of the broker's ability to provide the client the best value for the best cost. We will determine the reasonableness of brokers' commissions or mark ups or mark downs based on, among other things and to the extent relevant in a particular transaction: a comparison of other similarly-situated brokers; the size and complexity of the transaction; the reputation and integrity of the broker; and/or our evaluation of the broker's ability to effect transactions on behalf of or with our clients. Our evaluation of the broker may take into account any one or more of the following factors, among others:

- Can the broker search for and obtain the securities that we want to purchase and/or sell;
- Can the broker complete trades;

- Can the broker execute unique trading strategies;
- Does the broker maximize the opportunity for price improvement;
- Does the broker execute trades quickly;
- Does the broker maintain our and our clients' anonymity;
- Will the broker exert the necessary effort to satisfy trading needs in a diligent and consistent manner;
- Will the broker account for its trade errors and correct them in a satisfactory manner; and
- Does the broker's commitment to technology satisfy our regulatory and client reporting requirements?

Our private investment fund clients' investment programs, where, in general, the purchase of debt securities is more likely than the purchase of equity securities, makes our ongoing selection of brokers more difficult to evaluate than an investment program focused on equity securities of publicly held companies. This is because the securities in which our clients trade generally have low trading volumes and a limited number of brokers knowledgeable and/or able to effect transactions. Also, debt securities typically are traded in riskless principal transactions and we do not always have access to pricing information on the other side of the transaction.

Accordingly, in general, we will evaluate pricing on an "all-in" basis. That is, we will consider the price we pay or receive for a security as consisting of (i) the aggregate price paid to, or received from, the broker, including any mark-up or mark-down and (ii) any other transaction costs that may be incurred. For no transaction will we pay an "all-in" price that results in an expected return that we do not believe is commensurate with the perceived risk of the transaction. In addition, for any transaction and to the extent possible, we will endeavor to pay the lowest possible "all-in" price by (i) negotiating with the seller, (ii) negotiating with the broker, and (iii) incurring costs on a prudent basis.

We do not: (i) engage in any client commission ("soft dollar") arrangements with the brokers we select; (ii) consider, in selecting broker-dealers, whether we or a person related to us will receive client or investor referrals from the broker-dealer or any other person; (iii) routinely recommend, request, or require that a client direct us to execute transactions through a specified broker-dealer; or (iv) permit clients to direct us to execute transactions through a specified broker-dealer.

Conditions Under Which We Aggregate the Purchase or Sale of Securities for Client Accounts: In circumstances where we cause our clients to buy or sell the same securities or investment products and an investment vehicle is not formed or has not been formed to purchase or sell such securities or investment products owned or to be owned by such clients, we will aggregate orders among such clients as follows:



- Prior to any purchase or sale, we will make a written allocation among our clients, based on the applicable investment allocation provisions, as to the amount of securities or investment products to be purchased or sold by each client. If the order is not filled in its entirety (which is generally rare in light of the nature of our clients' investment programs), the order will be allocated pro-rata based on the written allocation.
- Any aggregation will be consistent with our duty to seek best execution (as further described above) and the terms of our clients' operating or limited partnership agreements and/or investment advisory agreements.
- No client is favored over any other client (subject to any applicable investment allocation provisions) - each client that participates in an aggregated order will participate at the same price or the average price for all of our transactions in that security on a given business day, and all transaction costs will be shared pro-rata based on each client's participation in the transaction.

**Item 13. Review of Accounts.**

We review the investments held by our clients on an ongoing basis. In general, within a client's account, the investments with larger values or those subject to greater changes in value receive a greater degree of review than the investments with lower or more stable values. Unless adverse information regarding a particular investment has come to our attention, or unless we have determined that it is in our client's best interests to seek to sell, foreclose upon, or otherwise dispose of one of the client's investments, in which case we seek to obtain additional information, investments within a client's account with the same relative value or stability receive approximately the same level of review. In general, these reviews consist of a review of reports we obtain on behalf of our clients from our affiliate asset manager, ValStone Asset Management.

The primary reviewers of the investments, both prospective and existing, are the managers of ValStone Partners, Gerald C. Timmis III and Larry E. Jennings, Jr., and Eric R. Abel, a member and executive officer of ValStone Partners. The reviewers review all of the investments held by our clients, and make any decisions affecting any investments by consensus. The reviewers, as the managers (and in the case of Eric R. Abel, a member and executive officer) of ValStone Partners, are required to conduct their reviews in a manner consistent with the investment objectives set forth in the operating or limited partnership agreements of our private investment fund clients and our investment advisory agreements with our private and non-private investment fund clients.

We seek to furnish or to cause to be furnished to the equity owners of our private investment fund clients (subject to the terms of the private investment fund's operating or limited partnership agreement):

- (i) within 120 days after the close of each fiscal year, the private investment fund's audited financial statements for such fiscal year. Such financial statements

include the private investment fund's balance sheets as of the end of such fiscal year and statements of income and loss and cash flows for such fiscal year.

(ii) within 45 days of the end of each fiscal quarter, information regarding the private investment fund's performance, based upon a fair market valuation as determined in accordance with the terms of the private investment fund's operating or limited partnership agreement.

We will furnish our non-private investment fund clients with such reports as are required by our investment advisory agreements with such clients and as required by the Advisers Act.

Additional reports may be provided when appropriate. Reports are provided in written or electronic form.

**Item 14. Client Referrals and Other Compensation.**

We do not receive any economic benefit from someone who is not a client for our providing investment advice or other advisory services to our clients. We and our related persons do not directly or indirectly compensate any person who is not our Supervised Person for client referrals.

**Item 15. Custody.**

Our relationship to our private investment fund clients is such that we are deemed to have "custody" of these clients' funds and securities. Accordingly, we comply with Rule 206(4)-2 promulgated under the Advisers Act in connection with our custody of our private investment fund clients' funds and securities. We do not take custody of the funds or securities of our non-private investment fund clients.

In general, Rule 206(4)-2 requires advisors with custody of client funds or securities to: (i) maintain those funds and securities with a "qualified custodian" (generally a bank or broker dealer); (ii) have a reasonable belief that the qualified custodian sends at least quarterly account statements to each client; and (iii) have an independent public accountant conduct an annual surprise audit of the funds and securities for which the advisor has custody. However, in general, the requirement to send quarterly account statements and be subject to an annual surprise audit will not apply with respect to pooled investment vehicles (like ValStone Partners' private investments funds) if the pooled investment vehicle obtains an annual audit and distributes its audited financial statements to its equity owners.

We maintain the funds and securities of our private investment fund clients with a qualified custodian, our private investment funds are audited and we send the equity owners in those funds the funds' audited financial statements.

**Item 16.      Investment Discretion.**

We have discretionary authority to manage the accounts of our private investment fund clients and the investment vehicles of these clients. In other words, we have the authority to decide which securities and other assets to purchase and sell for these clients. Depending on the terms of the investment advisory agreements with our clients that are not private investment funds or investment vehicles of private investment funds, we may have discretionary authority to manage their accounts. When we have discretionary authority, our discretion is or would be limited by: (i) the terms of each private investment fund client's operating or limited partnership agreement; (ii) the terms of each investment vehicle's governing documents or investment advisory agreement; and/or (iii) each non-private investment fund client's investment advisory agreement. Generally, however, the private investment fund's operating or limited partnership agreements and the investment vehicle's governing documents or investment advisory agreements place limited restrictions on our discretionary authority. We exercise this authority by serving directly or through an affiliate as the manager or general partner or in a similar capacity for our private investment fund and investment vehicle clients.

**Item 17.      Voting Client Securities.**

We have the authority to vote securities held by clients. We have adopted policies and procedures ("Proxy Voting Policies and Procedures") that are used to vote proxies relating to client securities. The Proxy Voting Policies and Procedures are designed to ensure that client securities are voted in an appropriate manner and serve to complement our investment policies and procedures. The members of our investment committee are responsible for ensuring that each proxy is voted in the best economic interests of our clients ("Responsible Person(s)"). Clients may not direct our vote.

Proxy Voting Policies. We will vote proxies related to securities held by a client in a manner that is in the client's best interest.

In general, we do not exercise voting authority with respect to equity securities. In cases where we do exercise such authority, we will generally cast proxy votes in favor of proposals that: (i) maintain or strengthen the shared interests of shareholders and management; (ii) increase shareholder value; (iii) maintain or increase shareholder influence over the issuer's board of directors and management; and (iv) maintain or increase the rights of shareholders. We generally will cast proxy votes against proposals having the opposite effect.

With respect to exercising voting authority over debt securities, we will vote such securities in a manner that we believe is our clients' long-term best interests. In certain circumstances, this may mean that we will vote against a matter that would/might result in a short-term benefit to a client if we believe that such a vote would not be in the client's economic interests over the long term.

Except where the manner in which a conflict is to be resolved/handled is described in the governing or offering documents of our private investment fund clients

(in which case such documents shall control), in exercising voting discretion, we will seek to avoid any direct or indirect conflict of interest raised by such voting decision.

Proxy Voting Procedures.

The Proxy Voting Policies and Procedures set forth procedures with respect to how the Responsible Person(s) will vote client securities.

Except as described above with respect to private investment fund clients, a Responsible Person(s) will make a determination if any substantive aspect or foreseeable result of the subject matter to be voted upon raises an actual or potential conflict of interest. At least two Responsible Persons will document, review, and sign off on the determination regarding the presence of any actual or potential conflict of interests.

Except as described above with respect to private investment fund clients, if the Responsible Persons determine that an actual or potential conflict of interest exists, we will: (i) vote based on predetermined guidelines; (ii) notify the client in sufficient detail and with sufficient time to reasonably inform the client of the actual or potential conflict involved and will request the client's consent to our vote recommendation; or (iii) vote based on the recommendations of an independent third party we engage. The Proxy Voting Policies and Procedures describe what we will do if a client is not reachable or does not respond to us.

Information Regarding Proxy Voting Policies and Procedures and Voting. At any time, a client or any member or limited partner of a client may obtain a complete copy of the Proxy Voting Policies and Procedures, as well as information regarding how we voted securities held by the client or held by the private investment fund of which the requesting person is an investor by sending a written request to us at the following address:

ValStone Partners VI, LLC  
260 East Brown Street  
Suite 250  
Birmingham, Michigan 48009  
Attn: Gerald C. Timmis III

You must send your request by certified mail, return receipt requested, or by a recognized overnight delivery service (e.g., Federal Express).

**Item 18. Financial Information.**

A. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. If we did, we would be required to provide you with an audited balance sheet.

B. We do not have any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.

C. We have not been the subject of a bankruptcy petition at any time during the past ten years.

**Brochure Supplement  
For  
Gerald C. Timmis III**

260 East Brown Street  
Suite 250  
Birmingham, Michigan 48009  
Telephone: 248-646-9200, Ext. 13  
Fax: 248-646-3322

VALSTONE PARTNERS VI, LLC  
(including ValStone Partners V, LLC and ValStone Healthcare Properties Fund Manager,  
LLC)  
[www.valstonepartners.com](http://www.valstonepartners.com)

Birmingham, Michigan Office  
260 East Brown Street  
Suite 250  
Birmingham, Michigan 48009  
Telephone: 248-646-9200  
Fax: 248-646-3322

Baltimore, Maryland Office  
300 West Pratt Street  
Suite 375  
Baltimore, Maryland 21201  
Telephone: 410-244-0000  
Fax: 410-244-0703

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**This Brochure Supplement provides information about Gerald C. Timmis III that supplements the ValStone Partners Brochure. You should have received a copy of that Brochure. Please contact Shana Weiss of ValStone Partners at 248-646-9200 Ext. 36 if you did not receive the ValStone Partners Brochure or if you have any questions about the contents of this Brochure Supplement.**

The Date of this Brochure Supplement is March 30, 2020

Item 2 Educational Background and Business Experience

Gerald C. Timmis III, born August 26, 1956, attended the University of Michigan from 1974 to 1978, graduating with an A.B. degree in economics in 1979. Mr. Timmis attended Georgetown University from 1978 to 1980. Mr. Timmis attended Carnegie-Mellon University from 1980 to 1985, receiving an MS in industrial administration. Mr. Timmis has served as a manager of ValStone Partners, LLC, an affiliate of ValStone Partners VI, LLC, ValStone Partners V, LLC, and ValStone Healthcare Properties Fund Manager, LLC, since its inception in 1999, and as a co-president of ValStone Asset Management, LLC since its inception in 1999. He has served as a manager of ValStone Partners V, LLC since its inception in 2011, as a manager of ValStone Partners VI, LLC since its inception in 2016, and as a manager of ValStone Healthcare Properties Fund Manager, LLC since its inception in 2018. In addition to his services to ValStone Partners, Mr. Timmis is the principal of G.C. Timmis & Company, which operated as a broker-dealer member of the NASD (now FINRA) from 1993 to 2005.

Item 3 Disciplinary Information

None.

Item 4 Other Business Activities

Mr. Timmis provides services to ValStone Partners' affiliate, ValStone Asset Management, LLC, in connection with the services ValStone Asset Management, LLC renders for the investments owned by ValStone Partners' private and non-private investment fund clients, in addition to the services he provides to ValStone Partners. Please see Item 10 of the ValStone Partners Brochure for a discussion of the services provided by ValStone Asset Management, LLC.

Item 5 Additional Compensation

Not applicable.

Item 6 Supervision

Mr. Timmis serves as co-manager of ValStone Partners along with Larry E. Jennings Jr. Given the structure of the firm – that there are a limited number of employees and no employee senior to Mr. Timmis – Mr. Timmis does not have a traditional “supervisor.” However, all non-ministerial investment decisions that ValStone Partners makes for its clients require the approval of Mr. Timmis and Mr. Jennings. Also, Mr. Timmis is required to comply with ValStone Partners' compliance manual, and ValStone Partners' chief compliance officer is responsible for administering the policies and procedures set forth in the manual. Pursuant to ValStone Partners' Code of Ethics, any exceptions made and any remedial action to be taken under the Code of Ethics by ValStone Partners' chief compliance officer with respect to Mr. Timmis would require the approval of Mr. Jennings. Mr. Jennings may be reached at 410-244-0000, ext. 10.

Item 7            Requirements for State-Registered Advisers

Not applicable.



**Brochure Supplement  
For  
Larry E. Jennings, Jr.**

300 West Pratt Street  
Suite 375  
Baltimore, Maryland 21201  
Telephone: 410-244-0000, Ext. 10  
Fax: 410-244-0703

VALSTONE PARTNERS VI, LLC  
(including ValStone Partners V, LLC and ValStone Healthcare Properties Fund Manager,  
LLC)  
[www.valstonepartners.com](http://www.valstonepartners.com)

Birmingham, Michigan Office  
260 East Brown Street  
Suite 250  
Birmingham, Michigan 48009  
Telephone: 248-646-9200  
Fax: 248-646-3322

Baltimore, Maryland Office  
300 West Pratt Street  
Suite 375  
Baltimore, Maryland 21201  
Telephone: 410-244-0000  
Fax: 410-244-0703

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**This Brochure Supplement provides information about Larry E. Jennings, Jr. that supplements the ValStone Partners Brochure. You should have received a copy of that Brochure. Please contact Shana Weiss of ValStone Partners at 248-646-9200 Ext. 36 if you did not receive the ValStone Partners Brochure or if you have any questions about the contents of this Brochure Supplement.**

The Date of this Brochure Supplement is March 30, 2020

Item 2 Educational Background and Business Experience

Larry E. Jennings, Jr., born June 19, 1963, attended Carnegie-Mellon University from 1980-1984, graduating with a B.S. degree in mathematics and economics, and from 1986-1987, receiving an MS in industrial administration. Mr. Jennings has served as a manager of ValStone Partners, LLC, an affiliate of ValStone Partners VI, LLC, ValStone Partners V, LLC, and ValStone Healthcare Properties Fund Manager, LLC, since its inception in 1999 and as a co-president of ValStone Asset Management, LLC since its inception in 1999. He has served as a manager of ValStone Partners V, LLC since its inception in 2011, as a manager of ValStone Partners VI, LLC since its inception in 2016, and as a manager of ValStone Healthcare Properties Fund Manager, LLC since its inception in 2018.

Item 3 Disciplinary Information

None.

Item 4 Other Business Activities

Mr. Jennings provides services to ValStone Partners' affiliate, ValStone Asset Management, LLC, in connection with the services ValStone Asset Management, LLC renders for the investments owned by ValStone Partners' private and non-private investment fund clients, in addition to the services he provides to ValStone Partners. Please see Item 10 of the ValStone Partners Brochure for a discussion of the services provided by ValStone Asset Management, LLC.

Item 5 Additional Compensation

Not applicable.

Item 6 Supervision

Mr. Jennings serves as co-manager of ValStone Partners along with Gerald C. Timmis III. Given the structure of the firm – that there are a limited number of employees and no employee senior to Mr. Jennings – Mr. Jennings does not have a traditional “supervisor.” However, all non-ministerial investment decisions that ValStone Partners makes for its clients require the approval of Mr. Jennings and Mr. Timmis. Also, Mr. Jennings is required to comply with ValStone Partners' compliance manual, and ValStone Partners' chief compliance officer is responsible for administering the policies and procedures set forth in the manual. Pursuant to ValStone Partners' Code of Ethics, any exceptions made and any remedial action to be taken under the Code of Ethics by ValStone Partners' chief compliance officer with respect to Mr. Jennings would require the approval of Mr. Timmis. Mr. Timmis may be reached at 248-646-9200, ext. 13.

Item 7 Requirements for State-Registered Advisers

Not applicable.

**Brochure Supplement  
For  
Eric R. Abel**

300 West Pratt Street  
Suite 375  
Baltimore, Maryland 21201  
Telephone: 410-244-0000, Ext. 11  
Fax: 410-244-0703

VALSTONE PARTNERS VI, LLC  
(including ValStone Partners V, LLC, and ValStone Healthcare Properties Fund  
Manager, LLC)  
[www.valstonepartners.com](http://www.valstonepartners.com)

Birmingham, Michigan Office  
260 East Brown Street  
Suite 250  
Birmingham, Michigan 48009  
Telephone: 248-646-9200  
Fax: 248-646-3322

Baltimore, Maryland Office  
300 West Pratt Street  
Suite 375  
Baltimore, Maryland 21201  
Telephone: 410-244-0000  
Fax: 410-244-0703

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**This Brochure Supplement provides information about Eric R. Abel that supplements the ValStone Partners Brochure. You should have received a copy of that Brochure. Please contact Shana Weiss of ValStone Partners at 248-646-9200 Ext. 36 if you did not receive the ValStone Partners Brochure or if you have any questions about the contents of this Brochure Supplement.**

The Date of this Brochure Supplement is March 30, 2020

Item 2 Educational Background and Business Experience

Eric R. Abel, born July 2, 1968, attended the University of Delaware from 1986 to 1990, graduating with a B.S. degree in economics. Mr. Abel has served as a principal of ValStone Partners, LLC, an affiliate of ValStone Partners VI, LLC, ValStone Partners V, LLC, and ValStone Healthcare Properties Fund Manager, LLC, since its inception in 1999 and as the executive vice-president of ValStone Asset Management, LLC since its inception in 1999. He has served as a principal of ValStone Partners V, LLC since its inception in 2011, as a principal of ValStone Partners VI, LLC since its inception in 2016, and as a principal of ValStone Healthcare Properties Fund Manager, LLC since its inception in 2018. Effective January 1, 2012, Mr. Abel became the Chief Financial Officer of ValStone Partners.

Item 3 Disciplinary Information

None.

Item 4 Other Business Activities

Mr. Abel provides services to ValStone Partners' affiliate ValStone Asset Management, LLC, in connection with the services ValStone Asset Management, LLC renders for the investments owned by ValStone Partners' private and non-private investment fund clients, in addition to the services he provides to ValStone Partners. Please see Item 10 of the ValStone Partners Brochure for a discussion of the services provided by ValStone Asset Management, LLC.

Item 5 Additional Compensation

Not applicable.

Item 6 Supervision

Mr. Abel is supervised by ValStone Partners' co-managers, Gerald C. Timmis III and Larry E. Jennings, Jr., and all non-ministerial investment decisions that ValStone Partners makes for its clients require the approval of Mr. Timmis and Mr. Jennings. Also, Mr. Abel is required to comply with ValStone Partners' compliance manual, and ValStone Partners' chief compliance officer is responsible for administering the policies and procedures set forth in the manual. Pursuant to ValStone Partners' Code of Ethics, any exceptions made and any remedial action to be taken under the Code of Ethics by ValStone Partners' chief compliance officer with respect to Mr. Abel would require the approval of Mr. Jennings and Mr. Timmis. Mr. Jennings may be reached at 410-244-0000, ext. 10 and Mr. Timmis may be reached at 248-646-9200, ext. 13.

Item 7 Requirements for State-Registered Advisers

Not applicable.