

## **ITEM 1 – COVER PAGE**

### **COALITION INVESTMENT PARTNERS LP**

#### **Form ADV Part 2A**

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This brochure provides information about the qualifications and business practices of Coalition Investment Partners LP, a Delaware limited partnership and investment adviser registered with the United States Securities and Exchange Commission (“SEC”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer, Scott Donnelly, at (212) 730-9524. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Registration of an investment adviser with the SEC or any state securities authority does not imply any level of skill or training.

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

## ITEM 2 – MATERIAL CHANGES

Coalition Investment Partners LP is filing this initial Form ADV Part 2A under Rule 203A-2(c) in anticipation of being eligible to register with the SEC within 120 days.

In the future, this Item 2 will only discuss specific material changes that have been made since the last filing and will provide a summary of those changes, which will be reflected below.

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## ITEM 4 – ADVISORY BUSINESS

A. Coalition Investment Partners LP is an investment advisory firm with its principal place of business located in New York, NY. Coalition Investment Partners LP will be referred to in this brochure as “**Coalition**,” “**we**,” the “**Adviser**,” or the “**Firm**.”

Coalition was formed in 2018, and commenced investment advisory operations in 2020. Coalition was co-founded by its principal owners Andrew Goldman, who is the Chief Executive Officer, and Adam Herz, who is the Chief Strategy Officer. Each of the principal owners owns their interest in Coalition directly and each principal also owns interests in Coalition’s general partner. The Firm is organized as a Delaware limited partnership.

B. Coalition serves as an investment management firm to a variety of clients on a discretionary and non-discretionary basis across asset classes which include, but are not limited to, public equities, real estate, private credit, private equity and venture capital. Coalition provides investment advisory services generally in two ways: (i) through membership agreements with family offices, high net worth individuals, trusts, private foundations, retirement plans, private investment partnerships, and so on (which membership agreements are managed on a non-discretionary basis) (“**Membership Agreements**”) and (ii) through private pooled investment vehicles formed as limited partnerships, limited liability companies, corporations, special purpose vehicles and/or series vehicles (generally such pooled investment vehicles are managed on a discretionary basis) (the “**Funds**” and each a “**Fund**”). Clients who engage Coalition through Membership Agreements are referred to as “**Members**”. Members who sign Membership Agreements will, among other things, be presented with investment opportunities sourced by Coalition and its investment team. Members may determine individually whether to invest in any investment opportunity presented to it by Coalition. If a Member determines to invest in an investment opportunity, such Member will generally invest through a Fund advised by Coalition. It should be noted that an investor in a Fund need not be a Member, which Coalition may determine on a case-by-case basis. It is intended that each Fund will have a specifically tailored investment mandate.

C. Investments are not tailored and customized to each Member’s individual needs and requirements and Membership Agreements will not impose investment restrictions. Additionally, investments in a Fund will not be tailored to the individual needs of its beneficial owners directly nor will any beneficial owner of a Fund generally be able to impose restrictions on the types of investments held by such Fund. However, to the extent a Fund directly imposes restrictions on certain types of investments, such restrictions will be detailed in the applicable Fund’s offering and

related documents.

D. We do not participate in wrap fee programs.

E. As of the date of this brochure, Coalition does not have any assets under management.

*See Item 8 of this brochure for a more detailed discussion of Coalition's investment strategies.*

## **ITEM 5 – FEES AND COMPENSATION**

### ***General***

A. Coalition's clients are all qualified purchasers; we discuss our fee schedule with our clients. It should be noted that Coalition's fees may be waived or reduced in certain instances in the sole discretion of Coalition.

B. The Adviser bills Members on a regular, recurring basis in advance with respect to any applicable fixed fees that are chargeable under its Membership Agreement. The Adviser deducts any management fees payable by a Fund with respect to investors who are non-Members (or Members, if applicable) directly from such Fund on a quarterly basis, in advance. In this instance, the Adviser will prorate management fees with respect to any partial period.

C. A Fund pays for all of its own expenses as detailed in the offering and related document of each such Fund which includes, but is not limited to, (a) administrative expenses related to the operation a Fund, including the fees and expenses of accountants, lawyers, third-party administrators and other professionals, third-party out-sourced service providers and any other type of service provider fees incurred in connection with a Fund's annual audit, data processing, investment-level management and servicing, recordkeeping, legal, compliance, financial reporting, tax planning, tax projections, tax strategy and tax return preparation, as well as the expenses associated with the preparation and distribution of reports; (b) fees, costs and expenses, if any, incurred in evaluating, negotiating, structuring (including organizing, forming and maintaining any alternative investment vehicles ("AIV"), subsidiaries or special purpose vehicles ("SPVs")), underwriting, re-underwriting, acquiring, appraising, financing, refinancing or otherwise researching investments pursued for a Fund (whether such Fund actually makes or acquires such Investments), including, travel costs, legal, due diligence, investment banking, financing costs, reporting, projections, valuation, tax and accounting expenses and other fees and out-of-pocket costs related thereto (and including breakup fees in connection therewith and fees and expenses related to unconsummated co-investments); (c) fees, costs and expenses, if any, with respect to rendering financial assistance to or arranging for financing for a Fund or any subsidiary, SPV, AIV or other entity established in connection with an

investment; (d) fees, costs and expenses, if any, incurred in relation to the acquisition, holding, developing, monitoring, management, appraising, financing, refinancing, disposing of or otherwise dealing with Investments, including any travel, legal, audit, financing, appraisal, insurance consulting, custodial, brokerage, inspection, indemnification and accounting expenses and other fees and out-of-pocket expenses related thereto; (e) all costs, expenses and charges incurred in connection with the investment and trading activities (*e.g.*, expenses associated with outsourced trading (including but not limited to trade execution and portfolio monitoring services), brokerage commissions, mark-ups, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges and other transaction costs to brokers); (f) expenses related to third party research, publications, data and data services, including real time pricing and market information (such as Bloomberg and Reuters services) and historical pricing and other data; (g) all fees and expenses of any kind related to the provision of technology for a Fund or for the Adviser and/or any general partner, including but not limited to software (and any licensing fees), computers, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data, technology associated with research and/or product testing and remote access, and third party technology providers; (h) costs associated with regulatory filings including but not limited to Form PF; (i) third-party reports obtained in connection with a Fund's investment activities, including without limitation title reports, environmental reports, engineering reports, surveys, appraisals, broker opinions of value, market studies and other insurance; (j) interest expenses, the fees, costs and expenses associated with making temporary investments, fees charged by banks and brokers in connection with cash management, and other investment costs incurred by or on behalf of a Fund; (k) all other fees, costs and expenses associated with the organization, operation and maintenance of subsidiaries, holding entities or other investment vehicles or entities (including any SPV) by or through which a Fund directly or indirectly conducts investment activities or otherwise facilitating a Fund's investment activities; (l) fees, costs and expenses incurred in connection with the ongoing offering of interests following any closing date, the initial closing date, a subsequent closing date and the final closing date; (m) taxes, fees and other equivalent government charges levied against the Fund, any investment or the income thereof, fees of other advisors of the Fund, premiums for insurance protecting a Fund, a general partner, the Adviser, members of the advisory committee (if any) (including but not limited to retention payments for errors and omissions and directors and officers insurance coverage) and other indemnified parties and any litigation costs of a Fund; (n) indemnification expenses incurred pursuant to this Agreement or related to any investment or any other extraordinary administrative or operating fees or expenses; (o) the costs of compliance with applicable law and regulations of governmental and self-regulatory bodies, including costs associated with respect to any regulatory filing on behalf of a Fund; (p) fees, costs and expenses of holding any meetings of the investors, the advisory committee or meetings of a general partner or the Adviser with one or more of the Investors (including accommodation, meal, event, entertainment and other similar fees, costs and

expenses, including travel and related expenses) and other expenses incurred in connection with the activities of the advisory committee; (q) organizational expenses of a Fund; and (r) other customary expenses.

D. All asset based management fees chargeable by the Adviser are generally taken in advance. In the event of a withdrawal by a non-Member investor (or Member investor, if applicable) in a Fund other than as of the last day of a calendar quarter, a pro rata portion of the management fee, based upon the actual number of days remaining in such quarter, will be repaid by the Adviser to such Fund for the benefit of such withdrawing investor to the extent such management fee was taken in advance.

E. Neither Coalition nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

*See Item 12 of this brochure for additional information regarding Coalition's brokerage practices.*

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As discussed in Item 5, Coalition charges fixed fees and fees based on a percentage of eligible assets under management.

In addition, one or more affiliates of Coalition are eligible to receive incentive based compensation and/or carried interest distributions from the beneficial owners of a Fund. Thus, while Coalition (and any applicable Coalition affiliate) does not receive performance-based compensation directly from the Members via each Membership Agreement, it (or its affiliates) will indirectly be entitled to receive incentive allocations and/or carried interest distributions to the extent a Member invests in a Fund. Non-Members who invest in a Fund will also be subject to incentive allocations and/or carried interest distributions.

Coalition's affiliates' right to receive performance-based compensation may create an incentive for Coalition to cause a Fund to make investments that are riskier or more speculative than would be the case if Coalition's affiliates did not receive such compensation. Notwithstanding the foregoing, Coalition always acts in the best interest of the Funds.

As Coalition will manage multiple client accounts, it has adopted and implemented policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple accounts, including Membership Agreements with different fee arrangements, and the allocation of investment opportunities. Coalition will review investment decisions for the purpose

of ensuring that all accounts with substantially similar investment objectives are treated equitably.

Coalition will endeavor to allocate investment opportunities in a fair and equitable manner. Coalition's allocation among its Funds may vary based upon, among other factors, the differences in investment objectives, capital constraints, and any anticipated increase or decrease in any particular Fund's assets under management. Coalition does not alter its allocation policy with respect to a Fund, or allocate investments or assets among multiple Funds, without the approvals of Coalition's relevant senior management and compliance personnel.

Services which Adviser will render to its clients will not be exclusive. Adviser and each Adviser affiliate advise and will continue to advise a variety of clients. In addition, Adviser and/or one or to Adviser affiliates will serve as the general partner of limited partnerships (or in a similar capacity for similar vehicles) or investment adviser or in such other capacity for the Funds, and Adviser or any Adviser affiliate may and will invest its own funds in one or more such Funds. To the extent the Adviser offers co-investment opportunities, Adviser and its affiliates may also invest in such opportunities. Adviser and any Adviser affiliate may form other investment vehicles of any kind in the future. All benefits received by Adviser and/or an Adviser affiliate from such vehicles (including the Funds) and activities shall belong to Adviser only and shall not constitute an adjustment with regard to any amount due Adviser hereunder except as discussed herein (if applicable).

*See Item 10 of this brochure for additional information regarding Coalition's investment allocation procedures.*

## **ITEM 7 – TYPES OF CLIENTS**

As set forth above in Item 4 of this brochure, Coalition's clients may include, but will not be limited to, family offices, high net worth individuals, trusts, private foundations, retirement plans and private investment partnerships and the Funds. Coalition's discretionary clients will generally only be the Funds (which will generally be formed in order to facilitate various investments). All clients and investors in Funds are required to be accredited investors and qualified purchasers.

Any minimum investment requirements to enter into a Membership Agreement will be negotiated on a case-by-case basis with each Member.

The Funds will require minimum capital commitments and/or investments generally of at least \$1,000,000, which amounts may be waived or reduced in the discretion of Coalition's affiliates (who serves as the general partners of (or in a similar capacity to) the Funds).

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK**



## OF LOSS

### A. Methods of Analysis.

Coalition will take a research-driven approach to investment, identifying potential high-performing opportunities. Depending on the nature of the investment, holding periods may be short or long in duration. In instances in which the investment opportunities are private equity in nature, there may be little to no publicly available information and require in depth due diligence and analysis. Investments in securities involves risk of loss that clients and investors in clients should be prepared to bear.

### B and C. Material Risks of Significant Strategies and Risks of Particular Types of Investments

#### **Material Risks of Significant Investment Strategies**

*The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective clients and investors should read this entire Form ADV and all accompanying materials provided by Coalition and consult with their own advisers before deciding whether to invest with or be advised by Coalition. In addition, as the strategies develop and change over time, an investment may be subject to additional and different risk factors. There may be other risks specific to any decision to invest with or be advised by Coalition which are not discussed herein. These risk factors are specific to all clients (which includes the Funds), notwithstanding references below to a "Fund" (which should be read to include all clients who are invested in such Fund and/or strategy, unless the context otherwise requires).*

**Risk of Loss.** Investing in securities involves risk of loss that clients should be prepared to bear. The investment strategies described above involve a substantial degree of risk, and clients may lose all or a substantial portion of the value of their investments. No guarantee or representation is made that the strategies will be successful, that the targeted return and risk will be achieved or maintained, or that the various investments made in the accounts will have low correlation with each other or with the financial markets in which the accounts invest.

**Non-Controlling Investments.** A Fund may hold less than 50% of the outstanding voting interests of a portfolio company, or may hold investments in debt instruments or other securities that do not entitle such Fund to voting rights, and, therefore, may have a limited ability to protect its investment in such portfolio company.

***Diversification.*** There can be no assurance as to the degree of diversification that will actually be achieved in a Fund's investments, and the Firm anticipates that each Fund's portfolio will not be a diversified portfolio. Fund investments may be made in built-for-purpose portfolio companies that serve the needs of different markets, as well as portfolio companies that are in the early-to-mid stages of their development and serve similar markets. We strive to mitigate risk with intensive research and a studied approach, but because investing in early stage companies is unpredictable and a substantial portion of certain Funds' committed capital may be invested in such companies, a loss with respect to one or more of such portfolio companies could have a significant adverse effect on the Funds' returns. Likewise, a substantial portion of the committed capital of other Funds under our management may be committed to a limited number of larger, later stage companies, a loss with respect to one of these portfolio companies could have a material adverse effect on such Funds' returns. *See Early-Stage Investments.*

***Reliance on Coalition Management.*** A Fund's success will depend in large part upon the skill and expertise of Coalition and its portfolio management team, and there can be no assurance that any individual Coalition professional will continue to be associated with a Fund.

#### **Certain Risks Associated with Liquid Investments**

***Low Turnover and Long Holding Periods.*** Coalition may trade a portfolio slowly. While low turnover reduces the trading costs experienced by a client, investors may be exposed for longer periods of time to market risks with respect to each security held than they would be in a rapid trading system.

***Equity Risks.*** A client may be invested (or will be recommended to invest) in equity and equity-derivative securities. The market price of securities owned by a client may go up or down, sometimes rapidly or unpredictably. A risk of investing in a client is that the equity securities in its portfolio may decline in value due to factors affecting equity securities markets generally or the sectors in which a client will be invested. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which Coalition believes are fundamentally undervalued or incorrectly valued may not

ultimately be valued in the capital markets at prices and/or within the time frame Coalition anticipates. As a result, a client may lose all or substantially all of its investment in any particular instance.

**Corporate Debt.** A client may be invested in bonds, notes and debentures issued by corporations. These instruments may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. A client may be invested in corporate debt instruments that have experienced or are contemplated to experience ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. Credit ratings evaluate the safety of the principal and interest payments, not the market value risk of lower-rated instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis and, as a result, outstanding ratings may not reflect the issuer's current credit standing. Conversely, rating agencies may re-rate an instrument which could cause substantial loss as the ratings are downgraded. A client's investments may experience significant credit rating volatility, which may result in significant market value volatility and the potential for substantial loss. In addition, a client may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (*e.g.*, the principal owed to a client in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, a client may experience substantial losses.

**Investment in Small- and Medium-Capitalization Companies.** A client's assets may trade and be invested in equity and debt securities of small- and mid-cap issuers. Smaller capitalization stocks involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be highly illiquid. Some small companies have limited distribution channels and financial and managerial resources. Such companies may also be dependent on personnel (including key personnel) with limited experience.

**"New Issues."** A client's assets may trade and be invested in "new issues" (defined as any initial public offering of an equity security). Trading and investing in new issues involves greater risk than securities trading in general. The prices of new issues may not increase as expected and, in fact, may decline more rapidly. While most people assume that new issues will trade at a premium to their issue price until they are liquidated, there is no guarantee that this will occur. Such securities have no

public market prior to their initial offering or creation and there is no assurance that (i) an active public market in such securities will develop or continue after commencement of trading or (ii) that the initial public offering price or initial trading level of such securities will be indicative of the market price for such securities on a “fully-distributed” basis.

**Options.** A client may trade and invest in options. An option is a right, purchased for a certain price, to either buy or sell the underlying instrument or product during or at the end of a certain period of time for a fixed price. The risks in trading options are different from the risks in trading the underlying instruments or products, and trading in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. For example, if a client buys an option (either to sell or buy an underlying instrument or product), it will be required to pay a “premium” representing the market value of the option. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market’s perception as to the future price behavior of the underlying asset or any combination thereof. Unless the price of the underlying instrument or product changes and it becomes profitable to exercise or offset the option before it expires, a client may lose the entire amount of the premium. Conversely, if a client sells an option (either to sell or buy an underlying instrument or product), it will be credited with the premium but will have to deposit margin with a client’s brokers due to its contingent liability to deliver or accept the underlying instrument or product in the event the option is exercised. Sellers of options are subject to unlimited risk of loss, as the seller will be obligated to deliver or take delivery of an asset at a predetermined price which may, upon exercise of the option, be significantly different from the then-market value. The ability to trade in or exercise options may be restricted in the event that trading in the underlying instrument or product becomes restricted.

**Loans of Portfolio Securities.** A client may lend its portfolio securities. By doing so, the Firm will attempt to increase income through the receipt of interest on the loan. While a securities loan is outstanding, a client will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially. To the extent that the value of the securities a client lent increases, the client could experience a loss if such securities are not recovered.

**Investments in Distressed Issuers.** A client might be invested in equity securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, or facing special competitive or product obsolescence problems. These securities are likely to be particularly risky investments although they also may offer the potential for high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may

be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule and otherwise continue to operate could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high, and there is no assurance that Coalition will analyze such investments correctly.

**Swap Agreements.** Coalition may use swap agreements. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary investment transactions. Interest rate swaps, for example, do not typically involve the delivery of financial instruments, other underlying assets or principal. Accordingly, the market risk of loss with respect to an interest rate swap is often limited to the amount of interest payments that Coalition is contractually obligated to make on a net basis. If the other party to an interest rate swap defaults, a client's risk of credit loss may be the amount of interest payments that it is contractually entitled to receive on a net basis. However, where swap agreements require one party's payments to be "up-front" and timed differently than the other party's payments (such as is often the case with currency swaps), the entire principal value of the swap may be subject to the risk that the other party to the swap will default on its contractual delivery obligations. If there is a default by the counterparty, a client may have contractual remedies pursuant to the agreements related to the transaction. The investment performance of a client, however, may be adversely affected by the use of swaps if Coalition's forecasts of market values, interest rates or currency exchange rates are inaccurate.

**Other Derivative Instruments.** Coalition may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of a client and legally permissible. Special risks may apply to instruments that are invested in by a client in the future that cannot be determined at this time or until such instruments are developed or invested in by a client. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

**Short Selling.** A client may be engaged in short selling. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the

seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, Coalition will engage in short sales only where it believes the value of the security will decline between the date of the sale and the date a client is required to return the borrowed security. The making of short sales will expose a client to the risk of liability for the market value of the security that is sold, which will be an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed by a client at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and a client may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

***Convertible Securities.*** A client may be invested in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium will decrease as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Client is called for redemption, a client will be required to permit the issuer to redeem the security,

convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on a client ability to achieve its investment objective.

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

**Default and Credit Risks.** A client may be invested in debt obligations of both government and corporate issuers. These financial instruments involve the risk that the obligor either cannot or will not fulfill its obligations under the terms of the financial instrument. A client also will assume credit risk to its brokers, custodians and other counterparties in connection with brokerage arrangements, derivatives and other contractual relationships. In evaluating credit risk, a client may be dependent upon information provided by the obligor, which may be materially inaccurate or fraudulent. Any actual default, or any circumstance that increases the possibility of such a default, could have a material adverse effect on a client.

**Interest Rate Risks.** A client may be invested in debt obligations of government issuers (e.g., U.S. treasury bills) as a part of an overall cash management strategy. These and various other assets, as well as a client's borrowings, will subject a client to risks associated with movements in interest rates. For example, a client will be required to manage both curve risk, which is the risk that the



slope of the yield curve will vary from the slope assumed in a client's strategy, and credit spread risk, which is the risk that the spreads between yields of differently rated issuers will change in a manner that adversely affects a client's portfolio.

***Leverage and Liquidity Risks.*** Coalition generally will have the power to borrow funds (or otherwise incur leverage). Coalition may borrow funds from brokers, banks and other lenders to finance its investing and trading operations, which borrowings may be secured by assets of a client. The use of such leverage can, in certain circumstances, maximize the losses to which a client's investment portfolio may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that a particular asset or a client as a whole is leveraged. The cumulative effect of the use of leverage by a client in a market that moves adversely to a client's investments could result in a substantial loss to a client, which would be greater than if a client was not leveraged. Leverage may be achieved through, among other methods, direct borrowing and purchases of securities on margin and the use of options and other derivatives.

The use of margin, derivatives and short-term borrowings may result in substantial interest and financing costs to a client and may create other or additional risks. Specifically, a client may use a significant portion of its capital for margin and collateral deposits. If the value of a client's securities or derivatives positions falls below the margin or collateral levels required by a prime broker, custodian or other counterparty, additional margin or collateral deposits would be required. If a client is unable to satisfy any margin or collateral call by a prime broker, custodian or other counterparty, then such custodian or other counterparty could terminate transactions, liquidate the client's position in some or all of the financial instruments that are in a client's margin or collateral accounts at the custodian or other counterparty and otherwise cause a client to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of other material defaults under margin or other financing agreements, may trigger cross-defaults under a client's agreements with other brokers, custodians, lenders or counterparties, multiplying the adverse impact to a client. In addition, because the use of leverage will allow a client to control positions worth significantly more than its investments in those positions, the amount that a client may lose in the event of adverse price movements will be high in relation to the amount of its investments.

In the event of a sudden drop in the value of a client's assets, a client might not be able to liquidate assets quickly enough to satisfy its margin or collateral requirements or other contractual obligations. In that event, a client may become subject to claims of financial intermediaries that extended margin loans or other types of credit. Such claims could exceed the value of the assets of a client. The banks, dealers and other custodians and counterparties that provide financing to a client can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks, dealers and other custodians or counterparties in any of the foregoing may result in foregoing may result in large margin or collateral calls, loss of financing and forced liquidations



foregoing may result in large margin or collateral calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that Coalition will be able to secure or maintain adequate financing, without which a client may not continue to be viable.

The purchase of options, futures, forward contracts, repurchase agreements, reverse repurchase agreements and equity swaps generally involve little or no margin deposit and, therefore, will provide substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to a client. In addition, Coalition will have unlimited discretion to use derivative instruments, which generally provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment.

### **Certain Risks Associated With Private Equity Investments**

***Reliance on the Management of Portfolio Companies.*** Although it is Coalition's intention to ensure that Fund portfolio companies have strong management teams, the success of any portfolio company will depend to a high degree on the performance of its management team, and there can be no assurance that any portfolio company's management team will be able to operate successfully. To mitigate that risk, Coalition actively evaluates management team performance at portfolio companies and will add talent, supplement or modify the management teams to facilitate portfolio company growth.

***Early-Stage Investments and Risks Associated with Growth and Development.*** Early-stage investments offer the opportunity for significant capital gains, but such investments involve a high degree of business and financial risk that can result in substantial or total loss. Many early-stage portfolio companies will operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion or to achieve or maintain a competitive position as they transition from early stage to the growth stage of their development. There can be no assurance that adequate funding resources will be available on favorable terms at the time such capital is needed by a portfolio company. *See Additional Capital Requirements of Portfolio Companies.*

In the event that Coalition determines that an early-stage portfolio company's business model is unlikely to generate revenue or to become profitable over the longer term, Coalition and the portfolio company's management team will work closely together to determine the best alternative available for a distressed sale or shut down of such companies to limit liability and risk. Despite such efforts, there is the risk of litigation either in connection with a distressed sale or the bankruptcy or dissolution process associated with a shut-down. Coalition will actively monitor such situations and use its best efforts to ensure that the distressed sale or shut-down of a company is completed in an orderly manner.

Another risk associated with early-stage portfolio companies is intense competition, including competition from companies with greater financial resources, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel. Certain portfolio companies may have only one product or service offering, and a failure to obtain necessary licensing, approvals or other necessary government action with respect to such product or service offering may cause the entire company to fail.

As early stage companies mature, there are new challenges that arise. For instance, whether a company can scale as the demand for its products and/or services grows and whether there is sufficient capital to fund growth. In some cases, the management team at an early stage company may have difficulty as the company transitions from the early stage of its life cycle to the growth stage thereof. While Coalition will monitor the portfolio companies and their respective management teams closely, there can be no assurance that executives will successfully transition with the portfolio company, that there will be sufficient capital to fund growth or that a portfolio company will effectively scale its business as demand for products and services grows.

An additional risk that may impact our Funds is the timing and process to achieve liquidity for portfolio company investments held by a Fund. Coalition intends generally to hold its portfolio company investments for the long-term, and there can be no assurance that liquidity events can be achieved on a specific timetable with favorable returns for Funds. Coalition will actively manage sale processes and liquidity events for its portfolio companies, but there are factors beyond the control of Coalition that may influence outcomes for Funds including social, economic, regulatory and/or legal events that impact portfolio companies and the demand for the products or services offered by such companies.

***Liabilities Upon Disposition.*** In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business and may be responsible for the content of disclosure documents under applicable securities laws. A Fund also may be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities for a Fund.

***Third Party Involvement.*** A Fund may co-invest with third parties through joint ventures or other entities, and those investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial, legal or regulatory difficulties, negatively affecting such investment, may have economic or business

interests or goals that are inconsistent with those of the Fund or may be in a position to take (or block) action in a manner contrary to the Fund's investment objectives. In certain circumstances, a Fund may be liable for the actions of its third-party co-venturers.

***Uncertainty of Financial Projections.*** Coalition generally will establish the capital structure of companies in which a Fund invests in reliance upon financial projections for such companies, which are based primarily on management judgments. Projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed, there can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections.

***Controlling Interests.*** Because of its equity ownership, representation on the board of directors and/or contractual rights, a Fund may often be considered to control, or participate in the management of or influence the conduct of portfolio companies. We typically invest in early stage, built-for purpose companies offering back office processing and administrative support. Other than the inherent risks associated with early stage companies, the most significant risks related to those investments are regulatory and compliance. The exercise of control over a company may impose additional risks of liability for compliance deficiencies, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. If these liabilities were to arise, a Fund may suffer a significant loss.

***Additional Capital Requirements of Portfolio Companies.*** Certain of a Fund's portfolio companies, especially those in a development phase, may require additional financing to satisfy their working capital requirements or acquisition strategies. Each round of financing is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone, and the amount of such additional financing will depend upon the maturity and objectives of the portfolio company. If the funds provided are not sufficient, a portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including the Fund. A Fund also may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in a portfolio company in order to preserve the Fund's proportionate ownership when a subsequent financing is planned, or to protect the Fund's investment when a portfolio company's performance does not meet expectations. There can be no assurance that Coalition will be able to predict accurately the future capital requirements necessary for the success of portfolio companies or that additional funds will be available from any source.

***Business and Market Risks.*** Fund investments may involve a high degree of business and

financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity or portfolio company in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks.

***Uncertainty Regarding Investments.*** Although Coalition will make every effort to conduct appropriate due diligence and research prior to making an investment in a portfolio company, and often will spend 12-18 months conducting due diligence and research prior to investing in a built-for-purpose company, the due diligence and research process may be subjective at times, may be undertaken on an expedited basis in order to take advantage of available investment opportunities and may require a Fund to rely on limited resources available to it including information provided by third party consultants, legal advisors, accountants and investment banks. As a result, the due diligence investigation and research process may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. As such, the degree of risk associated with early-stage investing is significant and may result in a total loss on an investment for Fund clients despite the research and due diligence undertaken by Coalition prior to investment.

#### **Certain Risks Associated With Real Estate Investments**

***General Risks Associated with Real Estate Investments.*** All real estate investments, ranging from equity investments to debt investments, are subject to some degree of risk. Some risks apply only to a particular asset type. For example, real estate investments are relatively illiquid and, therefore, will tend to limit a client's ability to vary the portfolio promptly in response to changes in general and local economic or other conditions. No assurances can be given that the fair market value of any real estate investments held by a client will not decrease in the future or that a client will recognize full value for any investment that it is required to sell for liquidity reasons. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the investments. In addition, the ability of a client to realize anticipated rental and interest income on its equity and debt investments will depend on many factors which may be beyond the control of the Adviser or its affiliated general partner, including the financial reliability of its tenants and borrowers, the location and attractiveness of the properties in which it invests, the supply of comparable space in the areas in which its properties are located and general economic conditions. There is no assurance that the investments will be profitable or that cash flow will be available for distribution. Other risks include changes in zoning, land use, building, environmental and other governmental laws, changes in operating expenses, changes in real estate tax rates, changes in interest rates, changes in building and similar laws, fluctuations in energy prices and energy and supply shortages, changes in the availability of property relative to demand,

changes in costs and terms of mortgage loans, unavailability of mortgage funds which may render the construction, leasing, sale or refinancing of a property difficult, changing in housing policies, financial resources of tenants, changes in the relative popularity of properties, changes in the number of buyers and sellers of properties, the ongoing need for capital improvements, cash-flow risks, increased mortgage defaults, construction risks, as well as natural catastrophes, such as hurricanes and earthquakes, acts of war, terrorism, civil unrest, uninsurable losses and other factors beyond the control of the Adviser, such as changes in U.S. and global markets that could impact, among other things, access to capital or leverage and interest rate volatility.

Additionally, after making an investment, a client will typically be responsible for ongoing buildouts, structural repairs, improvements and general maintenance of real property, which undertakings may require significant capital. The expenditure of any sums in connection therewith beyond those budgeted for by a client will reduce the cash available for distribution and may require such client to fund deficits resulting from the operation of a property. No assurance can be given that a client will have funds available to make such repairs or improvements or complete such build-outs. These factors and any others that would impede a client's ability to respond to adverse changes in the performance of its assets could significantly affect a client's financial condition and operating results.

***Acquisition of Real-Estate Related Businesses.*** A client may acquire real estate companies or other portfolio investments in order to acquire the underlying real property held by such companies. The client may effect such acquisitions through corporate transactions in which it assumes substantially all of the liabilities of the acquired company. Such liabilities may be unknown and could include potential environmental liabilities, tax liabilities, liabilities associated with employee claims, liabilities associated with claims by tenants, vendors, and other persons relating to the former owners of the properties, liabilities relating to state of title, physical condition, or compliance with zoning laws, building codes or other legal requirements, liabilities incurred in the ordinary course of business, and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties. As a result, if liability were asserted against a client based upon such properties, it might have to pay substantial sums to dispute or remedy the matter, which could adversely affect its cash flow and returns.

***Risks Associated with Retail Properties.*** An investment in office or retail properties is subject to the risk that tenants may be unable to make their lease payments or may decline to extend a lease upon its expiration. In addition, certain retail properties may be anchored by department stores and other large nationally recognized tenants, some of which have experienced, and may continue to experience for the foreseeable future, considerable decreases in customer traffic in their retail stores. As a result, their ability to meet their obligations as a tenant may be impaired and result in closures of their stores or their seeking of lease modifications. A termination

of the lease of an anchor tenant could provide other tenants with the right to modify or terminate their lease. Any such modifications or conditions would be unfavorable to a client and would decrease rents or expense recoveries. In the event of default by any tenant, a client may experience delays and costs in enforcing its rights as landlord to recover amounts due to a client under the terms of our agreements with those parties. In addition, retail properties may be subject to additional special risks. For example, in many cases, the tenants of retail properties may negotiate leases containing certain exclusive rights to sell particular types of merchandise or services within a particular retail center. When leasing other space after vacancy by another tenant, these provisions may limit the number and types of prospective tenants for the vacant space. The failure to lease or re-lease on satisfactory terms could harm the operating results of a client. Furthermore, an investment may be required to decline entering into a lease with a potential tenant if such lease would result in adverse consequences to a REIT holding such investment, including because of related-party rent issues arising from a related fund owning, in whole or in part, an equity interest in such potential tenant.

***Risks Associated with Office, Industrial or Distribution Properties.*** A client may invest in office, industrial or distribution properties including special use single tenant properties. Commercial or industrial properties may be especially affected by: an economic decline in the business operated by the tenants; the physical attributes of the property and the adaptability of the property with respect to the technological needs of the tenants; the strength and nature of the local economy, including labor costs and quality, tax environment and quality of life for employees; and patterns of telecommuting or sharing of office space, the proximity to highways and other means for the transportation of goods, and employment growth (which creates demand for office space). Moreover, the cost of refitting office space for a new tenant is often higher than the cost of refitting other types of properties for new tenants. Because of the unique construction requirements of these properties, if the current lease is terminated or not renewed, a client may be required to renovate the property or to make rent concessions in order to lease the property to another tenant or sell the property. In addition, a client may have difficulty selling the property to a party other than the tenant due to the special purpose for which the property may have been designed. These and other limitations may affect a client's ability to sell or release office, industrial or distribution properties and may adversely affect returns to investors. If the real estate asset is a single tenant building, risks associated with that tenant's financial wherewithal and potential default will be more pronounced than in a multi-tenant building.

Properties historically used for industrial, manufacturing and commercial purposes are more likely to contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. Investing in industrial properties that conduct industrial, manufacturing and commercial activities will cause a client to be subject to increased risk

of liabilities under environmental laws and regulations. The presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect a client's ability to sell or rent an industrial property.

***Risks Associated with Hospitality Properties.*** The Adviser may also invest in real estate assets in the hospitality sector. Because hotel rooms generally are rented for very short periods of time, hospitality properties tend to be affected more quickly by adverse economic conditions and competition than other commercial properties. Hospitality properties are also affected by other particularized factors, including: franchise affiliation (or lack thereof); continuing expenditures for modernizing, refurbishing and maintaining existing facilities prior to the expiration of their anticipated useful lives; a deterioration in the financial strength or managerial capabilities of the owner and operator of a hotel or motel; and changes in travel patterns caused by changes in access, energy prices, strikes, relocation of highways, the construction of additional highways or other factors. The performance of a hotel property affiliated with a franchise or hotel management company depends in part on: the continued existence and financial strength of the franchisor or hotel management company; the public perception of the franchise or hotel chain service mark; and the duration of the franchise licensing or management agreements. Furthermore, the ability of a hotel to attract customers, and some of such hotel's revenues, may depend in large part on its having a liquor license. Liquor licenses may not be transferable (for example, in connection with a foreclosure). Moreover, the hotel and lodging industry is generally seasonal in nature; different seasons affect different hotels depending on type and location. This seasonality can be expected to cause periodic fluctuations in a hospitality property's room and restaurant revenues, occupancy levels, room rates and operating expenses. In addition, acts of war, terrorist activities, natural disasters and environmental disasters and pandemics can have a material adverse impact on the tourism and convention industries, which directly affects the revenues generated by hospitality properties. Finally, hospitality properties are facing new and increased competition from non-traditional market players, including those focused on the sharing economy, which may disrupt the hospitality industry and reduce demand for traditional hotels.

***Development, Redevelopment and Construction Risks.*** The Adviser may invest in real property requiring construction, new development or redevelopment, or in direct or indirect interests in undeveloped land or under-developed real property, including "broken" residential condominium projects, which may often be non-income producing. The development and construction of such property is subject to timing, budgeting and other risks that may adversely affect a client's operating results. Any renovation, redevelopment, development and related construction activities could subject a client to a number of risks, including risks associated with: development costs incurred for projects that are not pursued to completion, natural disasters, material shortages, government restrictions and failure to get entitlements.



These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction or development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of a client and on the amount of funds available for distribution to the investors. Properties under construction or development, or properties acquired to be developed, generally generate no cash flow from the date of acquisition through the date of completion of construction or development and experience operating deficits for a period after the date of completion. There may be construction, development or redevelopment activities commenced prior to obtaining financing for such activities and there is no guarantee that financing will be available on favorable terms, or at all.

***Risks of Joint Venture Investments.*** The Adviser may make investments through joint ventures or other entities with another person or entity (including joint venture partners or other third parties, and funds, separate accounts or coinvestment capital managed by the Adviser), which may involve risks not present in investments where such partner is not involved, including diverging investment interests of a client and a joint venture partner, dysfunctional management, increased costs, greater illiquidity, the possibility that a joint venture partner may have financial difficulties resulting in a negative impact on such investment, or may have economic or business interests or investment objectives which are inconsistent with those of a client. The joint venture agreement between a client and a joint venture partner may grant a joint venture partner veto powers with respect to major decisions concerning the management, financing or disposition of an investment, which could allow a joint venture partner to block an action, contrary to a client's investment objective, and could increase the risk of deadlocks that may adversely affect investment liquidity, values and returns. A client may be subject to various costs and fees relating to such ventures, including additional performance-based or asset-based fees or allocations (including management, incentive and/or other fees) that may be paid to a joint venture partner or other third-party operating partners. Any such costs and fees paid to a joint venture partner or other third-party operating partners may not reduce asset based fees. A client may bear or be responsible for more than its pro rata share (based on relative equity participation) of expenses, guarantees and/or recourse liabilities, including environmental and other "non-recourse carveout" or so-called "bad act" liabilities. A client may hold a non-controlling interest in certain investments and, therefore, may have a limited ability to protect its position in such investments, although the general partner and the Adviser hope to procure appropriate rights to protect a client's interests.

If a client and a joint venture partner have the ability to dispose of their interests in the investment separately, a disposition of a large position by one party may depress the market value of the continuing investment of the remaining joint venture partners (possibly including a client), or may reduce the price available to other joint venture partners (possibly including a client) which



may also be disposing of their respective investments. In addition, agreements governing joint ventures often contain restrictions on the transfer of a joint venture partner's interest, "buysell" mechanisms or similar provisions that may require the Fund to obtain the consent of a joint venture partner prior to divesting its interest in the joint venture or result in the purchase or sale of the a client's interest at a disadvantageous time or on disadvantageous terms.

If a joint venture partner removes its general partner or manager or terminates prior to a client, the ability of a client to exercise certain rights associated with its investments may require the cooperation of a successor general partner/manager or other persons. In addition, a client may be liable for actions of its joint venture partners. It may not be practicable or possible to review the qualifications, condition or suitability of prospective joint venture partners or other operating partners.

In addition, the investment strategies in certain investments depend on the Adviser's ability to enter into relationships with joint venture partners. There can be no assurance that the Adviser will, in the future, establish any relationship with such persons or partners on terms favorable to a client.

**General Credit Risks.** A client may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien will each be of great importance. A client cannot guarantee the adequacy of the protection of a client's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, a client cannot assure that claims may not be asserted that might interfere with enforcement of a client's rights. In the event of a foreclosure, a client or an affiliate thereof may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

**Structured Credit Products.** Special risks may be associated with a client's investments in structured credit products, collateralized debt obligations, synthetic credit portfolio transactions and asset-backed securities. For example, synthetic portfolio transactions may be structured with two or more classes of tranches that receive different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of a tranche may be extremely sensitive to the rate of defaults in the underlying reference portfolio. A rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that a client may incur losses on its investments in structured products regardless of their ratings by S&P or Moody's. Additionally, the securities in which the Adviser is authorized to invest include securities

that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions. Additionally, a client may hold minority positions in structured securities and have little or no ability to influence the trustee or servicer.

***Mortgage-Backed and Asset-Backed Securities.*** Mortgage-backed securities represent an interest in a pool of mortgages. Investing in commercial and residential mortgage-backed securities involves the general risks typically associated with investing in traditional fixed-income securities (including interest-rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of investing in real estate). When market interest rates decline, more mortgages may be refinanced and the securities could be paid off earlier than expected. Prepayments may also occur on a scheduled basis or due to foreclosure. When market interest rates increase, the market values of certain mortgage-backed securities may decline. At the same time, however, mortgage refinancings and prepayments slow, which lengthens the effective maturities of these securities. As a result, the negative effect of the rate increase on the market value of mortgage-backed securities is usually more pronounced than it is for other types of fixed-income securities. Further, different types of mortgage-backed securities are subject to varying degrees of prepayment risk. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the ability of tenants to make payments, and the ability to attract and retain tenants. If residential or commercial property prices decline more than anticipated, it is possible that certain securities could lose all of their value.

Asset-backed securities are structured like mortgage-backed securities, but instead of mortgage loans or interests in mortgage loans, the underlying assets may include, but are not limited to, such items as motor vehicle installment sales or installment-loan contracts, leases of various types of real and personal property, and receivables from credit-card agreements. Asset-backed securities are subject to many of the same risks as mortgage-backed securities. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. For example, credit-card receivables are generally unsecured, and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Asset-backed securities typically experience credit risk. For example, there is an increasing supply of subordinated securities rated lower than AA (down to B or first loss) and senior securities that may be rated lower than AAA, as well. There is also the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

The liquidity in asset-back securities may become impaired due to a variety of factors, including, but not limited to, regulatory changes, collateral performance, debt ratings changes, political changes, and macro-economic conditions. Due to the complexity and variety of structured productions, the potential investor base for such products is relatively small which reduces the liquidity of the Fund's portfolio.

***Servicer Risk.*** A client's investments may be adversely affected if, among other things, a servicer fails to follow best practices in realizing any security values or fails to adequately administer loans that fall into arrears or default. In the event that a servicer is unable to meet its administrative obligations, a substitute servicer will need to be appointed. There is a risk that a substitute servicer will not be available when required, that the substitute servicers will not be able to perform its duties with the requisite level of skill and competence or that it will require extra time to assume responsibility for the portfolio. A servicer may also be precluded from foreclosing on certain assets and/or forced to make certain concessions or modifications on the underlying loans due to political or regulatory decisions beyond their control which may produce a worse economic result.

***Lower Credit Quality Loans.*** There are no restrictions on the credit quality of a client's loans. Loans arranged by the Adviser may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain loans may have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher potential return than better-quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of these loans also tend to be more sensitive to changes in economic conditions than better-quality loans.

***Non-performing Nature of Debt.*** Certain debt instruments purchased by a client may be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to these loans.

***Potential Involvement in Litigation.*** As a result of a client's potential investments in distressed investments and the possibility that the Adviser may participate in certain restructuring activities, it is possible that a client may become involved in litigation with respect to creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against a client, including the Adviser; ultimately, judgments may be rendered against a client for which it does not carry insurance.

***Lender Liability Considerations and Equitable Subordination.*** In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender

liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. While believed to be unlikely, because of the nature of certain of the investments, a client could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of certain of a client’s investments, it could be subject to claims from creditors of an obligor that the investments issued by such obligor that are held by a client should be equitable subordinated. A significant number of a client’s investments will involve investments in which it would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting the investments could arise without the direct involvement of a client.

***Leverage and Borrowing Risks.*** A client may utilize borrowing and leverage in connection with its investments and operations. Although the use of borrowing and leverage may enhance returns and increase the number of possible investments made by a client, the use of borrowing will also increase the risk of loss resulting from various factors, including, without limitation, rising interest rates, downturns in the economy or deterioration in the conditions of the investment. In the event of a sudden drop in value of its assets, a client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by a client. In addition, when a client utilizes leverage, the level of interest rates generally, and the rates at which a client can borrow in particular, will be an expense of the Fund and therefore will affect the operating results of a client. Leverage increase the risk of substantial losses (including the risk of a total loss of a capital) and leverage can significantly magnify the volatility of a client’s portfolio. There is no assurance that it will be able to obtain borrowing on favorable terms, if at all.

***Environmental Risks.*** The underlying collateral of a client’s investments may also be subject to numerous statutes, rules and regulations relating to environmental protection, under which a client, in the event it has foreclosed on a mortgage, may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. A client may be exposed to substantial

risk of loss from environmental claims arising in respect of such underlying collateral in the event of foreclosure.

### **Certain Risks Associated With Investments in Funds**

***Multiple Levels of Fees and Expenses.*** As with most fund of funds investments, a Fund and many of the underlying funds impose asset-based management fees and other administrative fees and expenses. In addition, a Fund and many underlying funds impose performance-based fees or allocations on realized and unrealized appreciation in the value of their assets. This results in greater expense and less return on investment than if such fees and expenses were not charged. In addition, performance-based allocations or fees could give underlying managers an incentive to make investment decisions that are more risky or speculative than they might otherwise have made without such arrangements. The multiple levels of fees and expenses will reduce the overall profitability of a Fund.

***Limited Diversification and/or Risk Management Failures.*** A Fund's portfolio could become significantly concentrated in a limited number of underlying funds, underlying managers, issuers, types of financial instruments, assets, industries, sectors, strategies, countries, or geographic regions, and any such concentration of risk may increase losses suffered by a Fund. Limited diversification could expose a Fund to losses disproportionate to market movements in general. As such, a Fund faces concentrated exposure to certain risks. Although the Adviser will always attempt to identify, monitor and manage significant risks, these efforts do not and will not take all risks into account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in the Adviser's risk management efforts could result in material losses for a Fund.

\* \* \*

***The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective investors should read this entire Form ADV and all accompanying materials provided by Coalition and consult with their own advisers before deciding whether to invest in the strategies. In addition, as portfolio company investments mature and the strategies develop and change over time, an investment may be subject to additional and different risk factors. Coalition will promptly amend this brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.***

## **ITEM 9 – DISCIPLINARY INFORMATION**

Coalition and its supervised persons have no reportable disciplinary events to disclose.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- A. Neither Coalition nor any of Coalition's management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Coalition nor any of its management persons is registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing.
- C. The general partners of the Funds, related persons of Coalition, serve as each Fund's general partner. This relationship creates an incentive for Coalition to make investment allocations that are riskier or more speculative than would be the case if the general partner did not receive incentive compensation from a Fund for serving as the general partner to such Fund.

The Adviser and any Adviser affiliates may furnish and will continue to furnish investment management and advisory service to others. Adviser and Adviser affiliates may make recommendations to and take actions on behalf of others (including but not limited to Funds), which may be the same as or different from recommendations made to other clients. In addition, Adviser or any Adviser affiliate may make recommendations to trade, purchase or sell for client regarding any investment opportunity which Adviser or an Adviser affiliate may recommend purchase or sell for its own account or for the account of any other client (or recommend to any other client); and Adviser or Adviser affiliates may not give clients the same advice as may be given to any other client. Adviser or any Adviser affiliate may also act as investment adviser, manager or custodian to other clients. The Adviser and Adviser affiliates may from time to time have positions in or transact in investment opportunities recommended to clients. Such transactions may differ from or be inconsistent with the advice given, or the timing or nature of Adviser's advice given with respect to a client. Adviser always acts in the best interest of its clients and in accordance with a client's investment objectives and has a robust compliance program in place to generally deal with conflicts of interest that come up from time to time on an objective basis.

- D. Not applicable.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

## **A. Code of Ethics**

The Adviser has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act (the “Code”). The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser’s employees. The Code contains policies and procedures that ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility. The Adviser prohibits personal trading of certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a private placement; requires periodic reporting of employees’ personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

Adviser recognizes and acknowledges that managing Funds with substantially similar investment strategies side-by-side presents potential conflicts of interest for investment allocation between and/or among the Funds. Similarly, allocating investments between or among Funds with different investment time horizons and of different size and expense structures can also present additional conflicts throughout the life-cycle of an investment or Fund.

Adviser generally will allocate investment opportunities among its various clients (that are eligible to invest in any such opportunity) on a fair and equitable basis, consistent with its fiduciary obligations and the governing documents for the relevant Fund.

Adviser and its affiliates may from time to time cause the Funds to enter into transactions and/or arrangements involving actual or potential conflicts of interest. Adviser and its affiliates generally review any such transactions or arrangements involving material conflicts of interest and take such actions as they deem appropriate or necessary under the circumstances in an attempt to ensure that the overall terms of such transactions or arrangements are fair and equitable under the circumstances.

A copy of the Firm’s Code of Ethics is available to clients or investors and prospective clients or investors upon their individual request.

## **B. Invest in Same Securities as Clients**

From time to time, individuals associated with Coalition may buy, sell, or hold in their personal accounts the same securities that are held in client accounts. To minimize conflicts of interest, and to maintain the fiduciary responsibility Coalition has to its clients, the Firm has established the following personal securities transaction policy to monitor the personal securities transactions and securities holdings of each of Coalition’s “access persons.” Coalition’s securities transaction policy

requires that an access person must provide the Chief Compliance Officer with a written report of their current securities holdings within ten (10) days after becoming an access person. Additionally, each access person must provide the Chief Compliance Officer with a written report of the access person's current securities holdings at least once each twelve (12) month period thereafter on a date Coalition selects. The Chief Compliance Officer (or its designee) is required to review these reports to verify that personal securities transactions are conducted in accordance with the Code of Ethics.

In addition, Coalition and its eligible personnel may also invest in private funds of its or their choosing. It is expected that, if such investments are made, the size and nature of these investments will change over time.

### **C. Engaging in Transactions at Same Time as Client**

From time to time, individuals associated with Coalition may, at or about the same time, buy, sell, or hold in their personal accounts the same securities that the Firm recommends to its clients. This practice may create a situation where such individuals are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.A and B, Coalition has a personal securities transaction policy in place to mitigate any potential conflicts of interest.

### **D. Additional Information**

At times, Coalition or its related persons may purchase securities that it deems appropriate only for its or their own account. Based on the experience of Coalition or its related persons holding the securities and on further research and due diligence, Coalition may at a later time purchase such securities for client accounts at prices which might be higher or lower than those originally paid.

## **ITEM 12 – BROKERAGE PRACTICES**

A. With respect to liquid investments, Coalition has complete discretion in determining the brokers or dealers to be used, as well as the commissions or markups and markdowns paid, for particular transactions. In selecting brokers and dealers to execute transactions, Coalition does not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Transactions for the clients will be allocated to brokers and dealers on the basis of an evaluation of numerous factors, which may not necessarily reflect lowest pricing. Brokers and dealers may provide other services that are beneficial to the Firm and/or certain clients, but not beneficial to all clients.



In selecting brokers and dealers (including prime brokers) to execute transactions, and provide other services, Coalition may consider, among other factors, the ability of the brokers and dealers to execute the transaction, the brokers' or dealers' facilities, reliability and financial responsibility, and the provision by the brokers of capital introduction. Accordingly, the prices and commission rates (or dealer markups and markdowns) charged to the clients by brokers or dealers may be higher than those charged by other brokers or dealers that may not offer such services.

### ***Research and Other Soft Dollar Benefits***

Coalition may use soft dollars to effect transactions, and receive brokerage and research services, only to the extent they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e).

Coalition will, from time to time, pay a broker-dealer commissions (or markups or markdowns) for effecting client transactions in excess of that which another broker-dealer might have charged for effecting the same transaction in recognition of the value of the brokerage and research services provided by the broker-dealer.

Consistent with Section 28(e), brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Firm in its other investment activities and thus, some of the clients may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

When Coalition uses brokerage commissions (or markups or markdowns) generated by any client to obtain research or other products or services, the Firm receives a benefit because it does not have to produce or pay for such products or services. Coalition may have an incentive to select or recommend a broker-dealer based on the Firm's interest in receiving research or other products or services, rather than on a client's interest in receiving most favorable execution.

### ***Brokerage for Client Referrals***

Coalition does not currently utilize any broker-dealers or third parties for client referrals.

### ***Directed Brokerage***

Coalition does not routinely recommend, request or require that a client or investor direct the Firm to execute transactions through a specified broker-dealer.

### ***Best Execution***

As an investment advisory firm, Coalition has a fiduciary duty to seek best execution for client transactions. As a matter of policy and practice, the Firm seeks to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. Other components that the Firm analyzes in seeking best execution are timeliness of having a transaction executed by a broker, the value of research provided, the responsiveness of the broker to the Firm and the financial responsibility of the broker.

### ***Trade Errors***

As a fiduciary, Coalition has the responsibility to effect orders correctly, promptly and in the best interests of the clients. In the event any error occurs in the handling of any client transactions, due to the Firm's actions, or inaction, or actions of others, the Firm's policy is to correct the trade error promptly and to resolve the trade error so as to avoid incurring a loss to the client.

B. Coalition may determine that the purchase or sale of a security is appropriate with regard to one client; the Firm may, but is not obligated to, purchase or sell such a security on behalf of such client with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated pro rata based on the size of each client's participation in the order (or allocation in the event of a partial fill) as determined by the Firm. In the event of a partial fill, allocations may be modified on a basis that the Firm deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Firm. As a result, certain trades in the same security for one client (including a client in which the Firm and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved. Coalition has complete discretion in determining the brokers or dealers to be used, as well as the commissions or markups and markdowns paid, for particular transactions. In selecting brokers and dealers to execute transactions, Coalition does not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Transactions for the clients will be allocated to brokers and dealers on the basis of an evaluation of numerous factors, which may not necessarily reflect

lowest pricing. Brokers and dealers may provide other services that are beneficial to the Firm and/or certain clients, but not beneficial to all clients.

In selecting brokers and dealers (including prime brokers) to execute transactions, and provide other services, Coalition may consider, among other factors, the ability of the brokers and dealers to execute the transaction, the brokers' or dealers' facilities, reliability and financial responsibility, and the provision by the brokers of capital introduction. Accordingly, the prices and commission rates (or dealer markups and markdowns) charged to the clients by brokers or dealers may be higher than those charged by other brokers or dealers that may not offer such services.

### **Illiquid investments**

With respect to private equity investments, Coalition currently does not engage in trading transactions or utilize the services of broker-dealers for transaction related services. In the event it chooses to use a broker-dealer, Coalition will seek to obtain best execution of transactions. To the extent they aggregate orders for purchase and sale, Coalition will aggregate such orders as it deems appropriate and in accordance with each Fund's organizational documents and in the best interests of each client.

## **ITEM 13 – REVIEW OF ACCOUNTS**

A. The portfolio investments of each Fund are continuously reviewed by a team of investment professionals. The team is spear-headed by Andrew Goldman. Other investment professionals will participate in an investment review to the extent such investment professional provides services to a particular Fund. Additional investment professionals will generally include, but will not be limited to, Jason Maynard and Siddharth Thacker, along with other investment professionals of Coalition. Coalition actively monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies.

B. The Adviser may conduct reviews other than on a periodic basis generally depending on the facts and circumstances at that time.

C. Investors in the Funds will typically receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of such Fund. In addition, it is intended that investors in each Fund will typically receive periodic reports detailing net asset value.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Coalition will pay a third party broker-dealer a percentage of its membership fees and incentive-based compensation received with respect to those investors such third party broker-dealer referred to a Fund. Such broker-dealer also is entitled to a monthly fee to assist Coalition in planning strategically for the growth of its business.

## **ITEM 15 – CUSTODY**

Coalition does not have custody of any funds or securities of any Member directly.

The general partner(s), affiliate(s) of Coalition, serve as the general partners of the Funds and as such are deemed to have custody of the Funds' funds and securities. Investors in the Funds will receive audited financial statements prepared in accordance with US generally accepted accounting principles within 120 days of a Fund's fiscal year-end.

## **ITEM 16 – INVESTMENT DISCRETION**

All Member relationships will be on a non-discretionary basis. The Firm will initially meet with Members and discuss their investment objectives. All investment opportunities will be presented to Members for potential investment. Members will have the discretion to decide whether to invest in Funds (which will be managed by Coalition). Once a Member invests in a Fund, the Member will not have discretion over the assets within the Fund as Coalition will have full discretionary authority and responsibility with respect to the investment management of each Fund pursuant to the investment advisory agreement of each Fund. Investment advice is provided by Coalition directly to the Funds, subject to the direction and control of the affiliated general partner or manager of such Fund. Any restrictions on investments in certain types of securities are established by the general partner or manager of the applicable Fund and are set forth in each Fund's organizational documents.

The Adviser will be providing discretionary investment management services to one or more Funds that will invest in a variety of investment opportunities, including but not limited to, (i) securities and financial instruments of any kind, (ii) private equity investments of any kind, (iii) real estate investments of any kind (both real property and securities and/or other financial instruments related thereto), and (iv) underlying private investment funds managed by related and/or third party managers. Most, if not all, of the investment opportunities offered by Adviser to a Member will be effectuated through a Fund.

## **ITEM 17 – VOTING CLIENT SECURITIES**

If applicable, Coalition will only have the authority to vote proxies on behalf of the Funds. Coalition's authority to vote proxies for the Funds will be established by its investment advisory agreement with each Fund. Coalition has adopted the proxy voting policies and procedures set forth in its Compliance Manual. Under such proxy voting policy, Coalition will generally vote proxies in accordance with the recommendation of the issuing company's management on routine and administrative matters unless Coalition has a particular reason to vote to the contrary. Non-routine matters will be voted on a case-by-case basis in a manner that serves the clients' best interest. Under certain circumstances, we may abstain from voting specific proxies if we believe that doing so is in the best interests of our clients. Furthermore, under our proxy voting policy, we may not vote proxies issued by companies if our clients no longer have any economic exposure to the issuer of the proxy or if we believe that the subject matter of the proxy has no material impact on our clients. We follow procedures designed to identify conflicts or potential conflicts that could arise between our own interests and those of the Funds. If it is determined that any such conflict or potential conflict is not material, we may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, we will engage a third party to recommend a vote with respect to the proxy.

We do not permit clients to direct how we will vote on specific proxies. Each investor in the Funds may request information on how Coalition voted with respect to the securities of such Fund and obtain a copy of Coalition's policies and procedures by contacting us.

## **ITEM 18 – FINANCIAL INFORMATION**

Currently not applicable as Coalition does not currently require or solicit prepayment, of more than \$1,200 in fees per client, six months or more in advance. Coalition does not have any financial condition that would impair the Firm's ability to meet contractual and fiduciary commitments to its clients.

Lastly, Coalition has not been subject to a bankruptcy petition at any time during the past ten years.