

**ITEM 1: COVER PAGE**



**STRUCTURAL CAPITAL MANAGEMENT COMPANY II, LP**

**PART 2A OF FORM ADV: FIRM BROCHURE**

**Structural Capital Management Company II, LP  
400 Oyster Point Blvd., #229  
South San Francisco, CA 94080**

**August 16, 2021**

**This brochure provides information about the qualifications and business practices of Structural Capital Management Company II, LP (the “Adviser”). If you have any questions about the contents of this brochure, please contact Carl Rizzo, the Adviser’s Chief Compliance Officer, at 888-243-2448 or [carl@structuralcapital.com](mailto:carl@structuralcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Any reference to the Adviser as a registered investment adviser does not imply a certain level of skill or training.**

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

## **ITEM 2: MATERIAL CHANGES**

This Item 2 summarizes only the “material changes” to our Brochure since its inclusion with the Adviser’s initial registration with the SEC in June 2020:

- Adding further disclosures regarding our affiliate, Ocean II PLO, being treated as having “custody” of the commingled cash and bank account deposits of certain Funds, other Advisory clients, third-party co-lenders and/or vendors by reason of its serving as Payment and Collateral Agent for such Funds, other Advisory clients, co-lenders and/or vendors. See Item 15 (Custody) at page 36.
- Adding disclosure regarding our consideration of various environmental, social and governance factors in our initial investment due diligence, and decision-making processes as well as through the life of our Advisory clients’ investments. See Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) at page 13.

We can, at any time, update this Brochure and send to you an updated copy including a summary of material changes, or a summary of material changes that includes an offer to send you a copy (by electronic means (which you consent to by providing us with your email address) or in hard copy form).

If you would like another copy of this Brochure, please download it from the SEC website or contact us.

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#### ITEM 4: ADVISORY BUSINESS

Structural Capital Management Company II, LP (the “**Adviser**”), a Delaware limited partnership, was formed in April 2016 and filed to become a registered investment adviser with the United States Securities and Exchange Commission (the “**SEC**”) on June 26, 2020. Kai Tse and Lawrence Gross are the principal owners of the Adviser. Structural Capital GP, LLC, a Delaware limited liability company, serves as the general partner of the Adviser and is owned and controlled by Kai Tse and Lawrence Gross.

The Adviser, together with the General Partners (defined below), the Relying Adviser (defined below) and any future advisory affiliates (collectively, “**Structural Capital**”), provide advisory services on a discretionary basis to privately offered pooled investment vehicles (each a “**Fund**” and collectively, the “**Funds**”). Structural Capital also manages several series limited liability company vehicles with separate portfolios that invest in a single portfolio company (each an “**SPV**” and collectively, “**SPVs**”). Structural Capital may also provide co- and/or sub-advisory services, on a discretionary or non-discretionary basis, for separately managed or pooled investment vehicle Client accounts (“**Other Advisory Accounts**”). The Funds, SPVs and Sub-Advisory Accounts are collectively referred herein as “**Advisory Clients**” and each an “**Advisory Client**”. To facilitate investment by certain investors, Structural Capital may create one or more feeder funds or parallel funds or alternative vehicles.

Structural Capital provides discretionary investment management services through affiliated general partners of Advisory Clients (each a “**General Partner**” and collectively, the “**General Partners**”). The Adviser is affiliated with Structural Capital Management Company, LP, which serves as an adviser to one of the Funds, Structural Capital Investments I, LP (“**Fund I**”). Structural Capital Management Company, LP is referred to as the “**Relying Adviser**”. Each General Partner and the Relying Adviser operate as a single advisory business with the Adviser and are deemed to be registered under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), in accordance with SEC guidance, pursuant to the Adviser’s registration.

Structural Capital is an investment firm that primarily provides growth capital financing to companies in technology and technology enabled markets. See *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss* for a description of Structural Capital’s investment strategy.

Structural Capital’s investment management and advisory services to its Advisory Clients are provided pursuant to the terms of the applicable private placement memorandum or offering document (each an “**Offering Document**”), limited partnership or other operating agreement (each a “**Partnership Agreement**”, and together with any Offering Document, the “**Governing Documents**”), which set forth investment strategies and limitations. Limited partners or limited members of Advisory Clients (each a “**Limited Partner**” and collectively, the “**Limited Partners**”) cannot obtain services tailored to their individual specific needs.

At its discretion, Structural Capital may enter into one or more “side letters” or similar agreements with certain Limited Partners pursuant to which Structural Capital grants to such Limited Partner specific rights, benefits or privileges that are not made available to Limited Partners generally. Structural Capital, generally, is not be required to notify any or all of the other Limited Partners of

any such side letters or any of the rights or terms or provisions of such side letter nor will Structural Capital be required to offer such additional or different rights or terms to any or all of the other Limited Partner absent an agreement to do so.

Structural Capital may provide co-investment opportunities to some (but not necessarily all) Limited Partners, the General Partner, Structural Capital and their respective affiliates and employees and others. Such co-investments may be made under such circumstances and in such amounts as Structural Capital in its sole and absolute discretion determines. The terms of such co-investments may be different from the terms of the investment under the Governing Documents. Limited Partners will not have any right to determine or influence the terms of such co-investments. For the avoidance of doubt, Structural Capital will be under no obligation to provide co-investment opportunities to any particular person, including Limited Partners. Additional information regarding co-investment opportunities are provided in *Item 5: Fees and Compensation* and *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss*.

Structural Capital does not participate in wrap fee programs.

As of December 31, 2020, Structural Capital manages regulatory assets of approximately \$337,800,000 which comprises \$337,800,000 on a discretionary basis and \$0 on a non-discretionary basis.

Persons reviewing this Brochure should not construe it as an offering of interests in any of the Advisory Clients described herein.

## ITEM 5: FEES AND COMPENSATION

### Management Fees and Carried Interest

Fees generally are paid as set forth in each Advisory Client's Governing Documents. The information contained in this Item 5 is a summary only and is qualified in its entirety by the relevant Governing Documents. It is important that investors refer to the relevant Governing Documents for a complete understanding of expenses and fees they may pay through an investment in the Advisory Clients.

Structural Capital is generally compensated for its advisory services through asset-based management fees ("**Management Fees**"). With respect to the Funds (except for Fund I as described below), the Management Fee is between 1.75% and 2.00% per annum of the commitments during the investment period (as defined in the relevant Governing Documents). Thereafter, the Management Fee will be calculated based on the balance of the principal amount of total cost basis of portfolio investments outstanding, less proceeds from dispositions representing a return of capital with respect to portfolio investments and the cumulative amounts of any write-downs or write-offs.

Fund I's Management Fee is 2.00% per annum of the sum of the commitments from Limited Partners. Commencing with year three, the Management Fee applicable to each Limited Partner is reduced annually and beginning in year eight Structural Capital will receive Management Fees in an amount sufficient to pay for expenses as set forth in Fund I's approved budget but not to exceed 0.25% per annum of commitments.

In addition, the General Partners are entitled to receive performance-based profit distributions (referred to as "**Carried Interest**"). Subject to the terms and limitations set forth in the applicable Governing Documents of each Fund, including clawback obligations, each General Partner generally is entitled to receive Carried Interest distributions equal to 20% of net profits derived from the disposition of portfolio investments in excess of an 8% compounded preferred rate of return.

In lieu of Management Fees or Carried Interest, Structural Capital typically is issued warrants in consideration of advisory services performed on behalf of SPV Client accounts. For co- or sub-advisory services rendered to Other Advisory Accounts, Structural Capital will ordinarily be entitled to a Management Fee and Carried Interest as provided in pertinent Client account agreements or formation documents.

Management Fees and Carried Interest distributions generally are not negotiable; however, Structural Capital may elect to reduce, otherwise modify or waive the Management Fees or Carried Interest distributions with respect to any Limited Partner. Management Fees for certain Funds are reduced for those Limited Partners who make a commitment above a threshold, as described in the applicable Fund's Governing Documents. Structural Capital is permitted to exempt the General Partner and certain affiliates of Structural Capital who invest in the Funds from payment of all or a portion of Management Fees and/or Carried Interest, including its personnel or other investors meeting certain qualification requirements.

The Management Fee is typically paid quarterly in advance. Management fees are typically funded with capital contributions drawn for such purpose but may also be funded with or withheld from proceeds from portfolio investments or reserves or other assets of a Fund. Management Fees due from a Fund may also be paid by drawdowns under such Fund's subscription loan facility (if available) which draws are subsequently repaid out of capital contributions, proceeds or reserves. Carried interest distributions generally will be distributed to Structural Capital from time to time upon the disposition or receipt of proceeds in respect of portfolio investments by a Fund and are distributed to Structural Capital in accordance with the terms of the applicable Fund Governing Documents.

## **Operating Expenses**

Structural Capital is responsible for paying its ordinary overhead expenses, such as facilities expenses and compensation of its employees.

Each Fund (except for Fund I as noted below) generally bears the costs and expenses relating to its activities and operations, as provided in the respective Fund's Governing Documents. As set forth more fully in the applicable Partnership Agreement, generally these expenses include, without limitation, all fees, costs, liabilities and expenses attributed to: (a) activities with respect to negotiating, structuring, sourcing, organizing, acquiring, financing, bidding-on, refinancing, hedging, managing, monitoring, operating, valuing, trading, dissolving, winding-up, liquidating, restructuring, holding and disposing of portfolio investments (such as, for example, expenses incurred on investment-related trips, including airfare, hotels, meals and transportation), or in seeking to do any of the foregoing, whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (b) broken deal expenses; (c) legal, filing, brokerage, accounting, auditing, consulting, escrow, custodial, administration, information, appraisal, advisory, valuation, research, tax and other professional services; (d) to the extent provided in the Fund's Partnership Agreement, or otherwise approved by Structural Capital in its sole discretion, activities or proceedings of the Fund's advisory committee ("**Advisory Committee**") (including any reasonable out-of-pocket costs and expenses incurred by representatives of Structural Capital, Advisory Committee members, permitted observers and other persons in attending or otherwise participating in meetings of the Advisory Committee); (e) litigation (including actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith) and indemnification, unless prohibited by the Fund's Partnership Agreement; (f) insurance premiums, including directors and officers liability, errors and omissions liability and other insurance and regulatory expenses with regard to the activities of the Fund; (g) Management Fees; (h) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedules K-1, administrative, compliance or regulatory filings or reports as permitted by the Fund's Partnership Agreement; (i) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tolls, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund and the Limited Partners; (j) any annual Limited Partner or other periodic, if any, meetings of the Limited Partners meeting and any other conference or meeting with any Limited Partner(s), in each case, to the extent incurred by the General Partner or any affiliate of the General Partner; (k) any taxes, fees or other governmental charges levied against

the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed therefor by a Limited Partner or such tax, fee or charge is treated as having been distributed to the Limited Partners pursuant to the Fund's Partnership Agreement); (l) the termination, liquidation, winding up or dissolution of the Fund; (m) indebtedness of, or guarantees made by, the Fund, the Adviser or the General Partner on behalf of the Fund, including interest with respect thereto, or of seeking to put in place any such indebtedness or guarantee; (n) broker, dealer, finder, underwriting (including, without limitation, both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder depository (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction) and similar services; (o) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services; (p) reverse breakup, termination and other similar fees; (q) financing, commitment, origination and similar fees and expenses; (r) filing, title, transfer, registration and similar fees and expenses; (s) printing, communications and publicity; (t) any activities with respect to protecting the confidential or non-public nature of any information or data; (u) except as otherwise determined by Structural Capital in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation of any feeder vehicles to the extent not paid by the investors investing in such entities; (v) defaults by partners in the payment of any capital contributions; (w) any amendments, waivers, approvals or consents to the Fund's Governing Documents and related entities, including the organization, preparation, distribution and implementation thereof; (x) complying with any law or regulation related to the activities of the Fund (excluding any regulatory expenses of Structural Capital) and legal fees and expenses and/or any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except, however, to the extent such expenses or amounts have been determined to be excluded from indemnification; (y) complying with any side letter agreements related to the Fund, including conducting any "most favored nation" or similar process in respect of side letters issued to Limited Partners; (z) distributions to the partners and other expenses associated with the acquisition, holding and disposition of Fund investments, including extraordinary expenses; (aa) any reasonable travel, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities (for purposes hereof, "travel" shall include, without limitation, travel accommodations and transportation costs (including economy-plus airfare)); (bb) any compliance or regulatory matters related to the Fund; (cc) any other fees, costs, expenses, liabilities or obligations approved by the Advisory Committee; and (dd) all other expenses that are not normal overhead expenses.

With respect to Fund I, Structural Capital bears the cost of Fund I's investment operation from Fund I's Management Fee, including expenses related to communications, consulting, other expenses incurred in investigating, evaluating or managing investments or investment opportunities including the cost of servicing and administering any loans made to portfolio companies, and any placement fees incurred during sale of interests in Fund I. Fund I bears all other expenses including, but not limited to investment related expenses such as any brokerage commissions or interest on margin accounts and other indebtedness, custodial fees, bank service



fees, withholding and transfer fees, taxes, systems and technology expenses, corporate licensing fees, legal and auditing expenses, accounting, fund administration, filing fees and expenses including regulatory filings made in respect of Fund I, travel costs that are research related, outsourced risk management advisory and software, organizational expenses, including any SBIC licensing fees and expenses (subject to a cap), expenses incurred with respect to the preparation, duplication and distribution to Limited Partners and prospective Limited Partners of Fund I Offering Documents, annual reports and other financial information, any other services or service provider expenses deemed necessary by Structural Capital on behalf of Fund I.

Each SPV and Sub-Advisory Account is responsible for all its operating expenses as provided in their respective Governing Documents.

Where a co-investment is undertaken by a Fund and co-investors, investment-related expenses are generally expected to be allocated *pro rata* among the Fund and such participating co-investors based on their relative investment amounts. However, where a proposed co-investment ultimately fails to materialize, the Fund will generally bear all investment related expenses (including broken deal expenses) pertaining to the applicable co-investment.

### **Organizational Expenses**

Each Advisory Client bears its organizational costs, fees and other expenses incurred in connection with the formation and organization of such Advisory Client subject to the terms and limitations set forth in the Advisory Client's Governing Documents. A Fund's organizational expenses above an expense cap will be credited against future Management Fees due to Structural Capital.

### **Payment Agent Fees**

Ocean II PLO, LLC ("**Ocean**"), an affiliate of Structural Capital, has been retained as the payment agent of certain Funds to handle certain loan payments between the Funds and one or more portfolio companies. Ocean receives compensation for its services directly from the portfolio companies ("**Payment Agent Fees**"). Payment Agent Fees received from portfolio companies for certain Funds are retained by Ocean and are not offset against Management Fees for such Funds. Payment Agent Fees received from portfolio companies for certain other Funds will be paid by Ocean to the Fund promptly after receipt by Ocean.

### **Other Benefits**

Structural Capital and its personnel can be expected to receive certain intangible and/or other benefits arising or resulting from their activities on behalf of the Funds that will not be subject to a management fee offset or otherwise shared with the Funds or the investors therein and/or Portfolio Companies. For example, airline travel or hotel stays incurred in connection with the business of the Advisory Clients may result in "miles" or "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Structural Capital and/or such personnel even though the cost of the underlying service is borne by the Funds or Portfolio Companies.

## Management Fee Offsets

Structural Capital may be entitled to receive transaction, commitment, closing, directors', officers', break-up, advisory, syndication, guarantee, monitoring and other fees (net of expenses) paid by portfolio companies (collectively, "**Transaction Fees**") with respect of investments made by a Fund. Transaction Fees received by Structural Capital and/or their affiliates in respect of investments made by a Fund ("**Offset Fees**") will be credited 100% against future Management Fees. To the extent such offsets would reduce the Management Fee for a given quarter below zero, such offsets will be carried forward and reduce future installments of the Management Fee.

Offset Fees received by Structural Capital and their respective affiliates with respect to any investment acquired jointly by more than one Fund will be applied to offset the Management Fees received by Structural Capital and each such affiliate on a *pro rata basis* based on the amounts of each Fund's respective interests in such investment, irrespective of whether a Fund is actually entitled to receive a Management Fee offset pursuant to the Fund's Partnership Agreement.

As noted above, Fund organizational expenses above a specified cap and placement agent fees for certain Funds will also offset Management Fees. For the avoidance of doubt, fees paid by co-investors shall not offset against Management Fees.

The foregoing list of expenses is not intended to be exhaustive and is qualified in its entirety by the Governing Documents of each Advisory Client.

The investment strategies employed with respect to Advisory Clients generally do not involve the purchase or sale of publicly offered securities, and as such, do not typically entail expenses related to brokerage commissions. To the extent applicable, each Advisory Client generally is responsible for and pays any of its custodial fees and expenses. See *Item 12: Brokerage Practices* below.

Structural Capital and its supervised persons do not accept compensation for the sales of securities or other investment products.

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

As described under Item 5 above, the General Partners will receive Carried Interest on certain realized profits from Advisory Clients. The existence of performance-based compensation creates an incentive for Structural Capital to make more speculative investments on behalf of an Advisory Client than it would otherwise make in the absence of such arrangement, although Structural Capital generally considers performance-based compensation to better align its interests with those of its Limited Partners. Additionally, to the extent that Structural Capital personnel are assigned varying participation percentages of the carried interest from the Advisory Clients, such personnel are subject to similar conflicts of interest in identifying investment opportunities as appropriate for Advisory Clients from which they are entitled to receive a higher carried interest percentage.

Structural Capital seeks to address the conflicts of interest in these matters with allocation practices that provide that transactions and investment opportunities will be allocated to Advisory Clients in accordance with each Advisory Client's investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by Structural Capital or any personnel.

## ITEM 7: TYPES OF CLIENTS

Structural Capital provides discretionary investment advice solely to the Advisory Clients, which are privately offered pooled and special purpose investment vehicles, as noted in Item 4 above.

Limited Partners are generally “accredited investors” within the meaning of Rule 501(a) under the Securities Act of 1933, as amended (the “**Securities Act**”), and are generally either “qualified purchasers” within the meaning of Section 2(a)(51) under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), or “qualified clients” within the meaning of Rule 205-3 under the Advisers Act. Each Advisory Client generally has a minimum investment amount for third-party investors as provided in such Advisory Client’s Partnership Agreement. Such minimum investment amount may be waived by the applicable General Partner in its sole discretion.

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

### **General**

Structural Capital's investment strategy focuses primarily on making senior secured loans to later-stage and growth stage companies in North America that need capital to continue to grow and scale their businesses as they seek to achieve profitability. Structural Capital generally provides senior secured investments to innovative sponsor-backed companies, primarily in the technology and technology-enabled sectors.

### **Investment Process**

Structural Capital's investment process focuses on late stage venture lending through senior secured loans with equity upside to technology and technology enabled companies. Structural Capital's approach is driven by the three P's philosophy of *Potential*, *Profitability* and *Protection*. Structural Capital has developed its approach of focusing on and investing in companies that it believes have the *Potential* (i.e., strong debt return with significant upside) for outsized returns with a projected path to *Profitability* (i.e., investing in profitable growth, improving gross margins and path to EBITDA) while maintaining significant downside *Protection* (i.e., low loan-to-value with strong covenants, collateral, and multiple paths to repayment).

Structural Capital has developed a multi-stage process that starts with the initial deal sourcing and screening, to preliminary due diligence and term sheet structuring, followed by final due diligence, investment committee approvals and documentation, and finally proactive post-closing portfolio monitoring. Structural Capital's due diligence process is centered on determining the potential paths to payment, with a base case of payoff through cash flow or refinance once profitability is achieved.

We recognize the importance of environmental, public health, safety, transparency and social issues and the role that they play in the success of our investments. Accordingly, we are committed to weighing Environmental, Social and Governance ("ESG") factors in our initial investment due diligence and decision-making processes as well as throughout the life of our Advisory Clients' investments. We believe this creates long-term value for both our investors and our communities.

### **Risks of Investments**

All securities investments risk the loss of capital. No guarantee or representation is made that Advisory Clients will achieve their investment objectives or that an Advisory Client investor will receive a return of its capital. Making an investment in an Advisory Client is speculative and such an investment is not intended as a complete investment program. An investment in Advisory Clients is designed for sophisticated persons who are able to bear the economic risk of the loss of their investment in the Advisory Clients and who have a limited need for liquidity in their investment. In addition, there will be occasions when Structural Capital may encounter potential conflicts of interest in connection with Advisory Clients.

In evaluating whether to make an investment in the Advisory Clients, potential investors should consider all information contained in the respective Advisory Client's Offering Documents, including the considerations and risk factors set forth in the relevant Offering Documents.

***Reliance on Structural Capital.*** Structural Capital will have exclusive responsibility for an Advisory Client's activities, and, other than as may be set forth herein, Limited Partners will not be able to make investment or any other decisions in the management of an Advisory Client. The success of an Advisory Client will depend in large part upon the skill and expertise of Structural Capital and the third-party professional advisers they choose to engage.

***Absence of Regulatory Oversight.*** While an Advisory Client may be considered similar to an investment company, it is not required, and does not intend, to register as such under the laws of any jurisdiction. For instance, the provisions of the Investment Company Act, which may provide certain regulatory safeguards to investors, are not applicable.

***Business and Regulatory Risks of Private Investment Funds.*** Legal, tax and regulatory changes could occur during the term of an Advisory Client that may adversely affect the Advisory Client. The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds may adversely affect the value of investments held by an Advisory Client and the ability of an Advisory Client to obtain the leverage it might otherwise obtain or to pursue its trading strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on an Advisory Client could be substantial and adverse.

***Long-Term Investments.*** Disposition of portfolio investments may not occur for a number of years after the initial investment. While it is the intention of Structural Capital to achieve an Advisory Client's investment objectives, factors such as overall economic conditions, the competitive environment, the market for new securities offerings and the availability of potential acquirers of portfolio companies may affect the disposition of portfolio investments.

***Prior Investment Performance Not Indicative of Future Results.*** The performance of prior investments by the investment professionals of Structural Capital is not necessarily indicative of an Advisory Client's future results. While Structural Capital intends to make investments that have potential returns commensurate with the risks undertaken, there can be no assurance that the targeted returns will be achieved. On any given investment, total loss of the investment is possible.

***Reliance on Key Principals.*** The success of an Advisory Client is substantially dependent on the efforts of key principals appointed pursuant to the applicable Fund Governing Documents. Should one or more of these individuals become incapacitated or in some way cease to participate in an Advisory Client, its performance could be adversely affected. No assurance exists that a suitable replacement could be found if one or more of these individuals becomes unavailable for any reason.

***Restrictions on Transfers and Withdrawals.*** An Advisory Client's interests have not been and will not be registered under the Securities Act or applicable state securities laws and may not be resold unless an exemption from such registration is available. An Advisor Client is not under any obligation to cause such an exemption (whether pursuant to Rule 144 under the Securities Act or otherwise) to be available. Accordingly, there is no secondary market for the interests in an Advisory Client and such market is not expected to develop. Transfer of interests in an Advisory Client is also subject to numerous restrictions set forth in Advisory Client Partnership Agreement. Limited Partners will not have any right to transfer their interests in an Advisory Client without the consent of the applicable General Partner and except as set forth in the Advisory Client's Partnership Agreement, and may not withdraw from the Advisory Client or require the Advisory Client to redeem or repurchase their interests.

***Illiquidity of Interests.*** No market exists for the interests in an Advisory Client and none is expected to develop. Investment in an Advisory Client requires a long-term commitment, with no certainty of return. The Limited Partners may not be able to liquidate their interests in an Advisory Client prior to the end of the Advisory Client's term. An investment in an Advisory Client is suitable only for certain sophisticated investors who have no need for liquidity in their investment in the Advisory Client.

***Uncertain Exit Strategies.*** Due to the illiquid nature of many of the positions which Advisory Clients are expected to acquire, as well as the uncertainties of the reorganization and active management process, Structural Capital is unable to predict with confidence what the exit strategy will ultimately be for any given core position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

***Risk of Limited Number of Investments.*** An Advisory Client may participate in a limited number of investments and, as a consequence, the aggregate return of the Advisory Client may be substantially adversely affected by the unfavorable performance of even a single investment.

***Concentration of Investments in the Technology Markets.*** An Advisory Client's investments are not subject to any specific geographical or sector diversification requirements, except for such requirements set out in the Advisory Client's Governing Documents. However, the Advisory Clients focus on companies in technology and technology-enabled markets that have been financed by successful venture capital firms. As a result, an Advisory Client's investments may be concentrated in a single geographical location or investment type.

In addition, the technology markets in which the portfolio companies compete are subject to continuous technological change and investments in these companies pose unique risks. The portfolio companies may also have difficulty protecting their intellectual property and may face potential costly and disruptive patent infringement actions by competitive companies.

***Valuation Risk.*** The public and private market valuation of securities of companies engaged in industries in which an Advisory Client will concentrate its investments is extremely volatile. Market prices may not be readily available for many of the Advisory Client's investments, and the value of such investments will ordinarily be determined based on fair valuations determined by Structural Capital or a third-party valuation firm. The sale price of securities that are not readily

marketable may be lower or higher than the Advisory Client's most recent determination of the securities' fair value.

Additionally, the value of these securities typically requires more reliance on the judgment of Structural Capital than that required for securities for which there is an active trading market. The fair valuation of securities by Structural Capital is subject to uncertainty. Due to the difficulty in valuing these securities and the absence of an active trading market for these securities, an Advisory Client may not be able to realize these securities' true value or may have to delay their sale in order to do so.

***Market Conditions.*** The current and future market conditions, including any potential deterioration in the venture debt markets, may adversely affect an Advisory Client in many ways, including by reducing the value or performance and liquidity of the Advisory Client's investments and reducing the ability of the Advisory Client to raise or deploy capital. The general market downturn, or a dislocation of the venture debt market, may cause the investment returns for an Advisory Client to decline or be volatile.

The Funds may be adversely affected by the fact that Structural Capital may not be able to find suitable investments for a Fund to effectively deploy capital, which could adversely affect the performance of the Fund. In addition, the Funds compete with other private investment funds and business development companies, as well as traditional financial services companies, such as commercial banks and other sources of funding. Such competitors may have lower cost of capital than a Fund and may have access to funding sources that are not available to the Fund. In addition, such competitors may have higher risk tolerances or different risk assessments than a Fund. If a Fund fails to match its competitors' pricing, terms or structure, the Fund may lose investment opportunities, or be forced to match such competitors' pricing, terms or structure. As a result, a Fund may not be able to achieve acceptable returns on its investments or bear substantial risk of capital loss.

During periods of difficult market conditions or slowdowns in sectors related to the portfolio companies, an Advisory Client's portfolio investments may experience decreased revenues and financial losses. If during such periods, the portfolio companies require additional financing to reach the next stage of development, such portfolio companies may experience difficulty in obtaining access to financing and increased funding costs. During such periods of weakness, the portfolio companies may also have difficulty expanding their businesses and operations or be unable to meet their debt service obligations or other expenses as they become due. There can be no assurance that a portfolio company will have sufficient cash flow from operations or capital resources from follow-on financings to satisfy its loan obligations to an Advisory Client as they become due. If a portfolio company defaults on its loan obligations to an Advisory Client, the Advisory Client could experience significant delays and costs in exercising its rights to protect its investment. An Advisory Client's ability to obtain payment from a portfolio company beyond the realizable value of the Advisory Client's collateral may be limited by bankruptcy or similar laws affecting creditor's rights.

***Financial Market Fluctuations.*** General fluctuations in the market prices of securities may affect the value of the investments held by an Advisory Client. The current and continuing instability in the securities markets may also increase the risks inherent in an Advisory Client's investments.



The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise.

***Co-Investment Risks.*** A Fund may make investments as a co-investor or partner with certain Limited Partners, Structural Capital and their respective affiliates and employees and others. Depending on the structure of these co-investments, the Fund may share major decision-making responsibility with its co-investment partners and therefore may not have the ultimate control over material decisions with respect to these investments. As a result of this lack of ultimate control, the co-investments may have a negative impact on the Fund's performance.

A Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-investor may have financial difficulties, resulting in a negative impact on 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 those circumstances where such third-parties involve a management group, such third-parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

***Investments Longer than Term.*** An Advisory Client may make investments that may not be advantageously disposed of prior to the date that the Advisory Client will be dissolved, either by expiration of the Advisory Client's term or otherwise. Although Structural Capital expects that investments will be disposed of prior to dissolution or be suitable for in kind distribution at dissolution, an Advisory Client may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

***Expedited Transactions.*** Investment analyses and decisions by Structural Capital may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to Structural Capital at the time of an investment decision is made may be limited, and Structural Capital may not have access to detailed information regarding the investment opportunity. Therefore, no assurance can be given that Structural Capital will have knowledge of all circumstances that may adversely affect an investment. In addition, Structural Capital may rely upon independent consultants in connection with its evaluation of proposed investments; however, no assurance can be given that these consultants will have sufficient time to perform such evaluations nor that they will accurately evaluate such investments.

***Non-Controlling Investments.*** Advisory Clients do not expect to control the portfolio companies, even though it may have board representation or board observation rights. An Advisory Client's debt agreements with such portfolio companies may contain certain restrictive covenants. As a result, a portfolio company may make decisions that do not serve the Advisory Client's best interests, including, but not limited to, increasing the illiquidity and decreasing the value of the portfolio investments.

***Need for Follow-On Investments.*** A Fund may be called upon to provide follow-up funding for its portfolio investments or may have the opportunity to increase its investment in certain portfolio investments. There can be no assurance that a Fund will wish to make these follow-on investments or that a Fund will have sufficient funds to do so. Any decision by a Fund not to make follow-on

investments, or its inability to make them, may have a substantial negative impact on a portfolio investment in need of such an investment or may diminish a Fund's ability to influence such portfolio investment's future development.

***Inability to Achieve Targeted Rate of Return.*** An Advisory Client will make investments based on Structural Capital's estimates or projections of internal rates of return and current returns, which in turn are based on, among other considerations, assumptions regarding the performance of portfolio investments, the amount and terms of available financing and the manner and timing of dispositions, including possible asset recovery and remediation strategies, all of which are subject to significant uncertainty. In addition, events or conditions that have not been anticipated may occur and may have a significant effect on the actual rate of return received on the portfolio investments. Moreover, an Advisory Client's ability to achieve its targeted returns may be adversely impacted by increased competition from other investors, which may lead to more competitive pricing for certain types of investments.

***Non-U.S. Investments.*** A Fund may invest a portion of its capital outside the United States. These investments involve special risks not usually associated with investing in the United States. Because non-U.S. entities may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable with those applicable to U.S. entities, there may be different types of, and lower quality, information available about a non-U.S. investment than a U.S. investment. With respect to certain countries there may be the possibility of expropriation or confiscatory taxation, political, economic or social instability, limitation on the removal of funds or other assets or the repatriation of profits, restrictions on investment opportunities, the imposition of trading controls, withholding or other taxes on interest, capital gain or other income, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or diplomatic developments which could adversely affect a Fund's investments in those countries.

***Foreign Currency and Exchange Rate Risk.*** A portion of a Fund's investments and the income received by the Fund with respect to such investments may be denominated in non-U.S. currencies. However, the Funds' books will be maintained, and the contributions and distributions from the Fund generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments, interest and dividends received by a Fund, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by the Fund. In addition, a Fund may incur costs in converting investment proceeds from one currency to another. Although Structural Capital may enter into hedging transactions designated to reduce such currency risks, there can be no assurance that Structural Capital will be able to do so successfully or cost-effectively, and Structural Capital may decide not to hedge against such risks.

***In Kind Distributions.*** Structural Capital may distribute the proceeds of certain investments of an Advisory Client in kind. Any such distribution could put downward pressure on the price of the issuer's securities. A Limited Partner that receives assets other than cash from an Advisory Client may incur costs and delays in converting those assets into cash.

***Cyber Security Breaches and Identity Theft.*** The information and technology systems of Structural Capital, the portfolio companies, and their respective service providers may be

vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Structural Capital expects that each of such persons has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, such person or an Advisory Client may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in such person's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including potentially personal information relating to investors (and the beneficial owners of investors). Such a failure could harm such person's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

***Debt Securities Risk.*** The Advisory Clients make investments in debt or convertible debt securities. The ability of an Advisory Client to generate income through its loan investments is dependent upon payments being made by the borrower underlying such loan investments. If a borrower is unable to make its payments on a loan, an Advisory Client may be greatly limited in its ability to recover any outstanding principal and interest under such loan. To the extent a loan is secured, there can be no assurance as to the amount of any funds that may be realized from recovering and liquidating any collateral or the timing of such recovery and liquidation and hence there is no assurance that sufficient funds (or, possibly, any funds) will be available to offset any payment defaults that occur under such a loan. If a borrower files for bankruptcy, any pending collection actions will automatically be put on hold and further collection action will not be permitted absent court approval. It is possible that a borrower's liability on its loan will be discharged in bankruptcy.

An Advisory Client's loan investments are subject to interest rate risk and the risk that the issuer or the guarantor of the security will be unable or unwilling to make timely principal and/or interest payments, or otherwise to honor its obligations. An Advisory Client's debt investments may be structurally or contractually subordinated to substantial amounts of senior indebtedness. All or a portion of an Advisory Client's investments in convertible debt securities may be unsecured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness. Other factors may affect the market price and yield of debt securities including investor demand, changes in the financial condition of issuers of securities, government fiscal policy and domestic or worldwide economic conditions. There is no minimum credit rating for the debt securities in which an Advisory Client may invest.

***Reliance on Portfolio Company Management.*** Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although Structural Capital will be responsible for monitoring the performance of each portfolio investment and Structural Capital intends to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor team, will be able to operate the portfolio company in accordance with an Advisory Client's plans.

***Private Equity Sponsor Risk.*** Structural Capital is highly dependent on relationships with private equity sponsors in connection with the sourcing of investments. If private equity sponsors find

new sources of debt capital that are more advantageous to them, or if Structural Capital suffers reputational harm such that it becomes a less attractive source of capital for private equity sponsors, Structural Capital may have difficulty finding and sourcing new debt investments. Private equity sponsors may experience financial distress, which may be related or unrelated to the portfolio companies to which an Advisory Client has exposure. Once in financial distress, such sponsors may be unable to provide the same level of managerial, operating or financial support to such portfolio companies, resulting in an increased risk of default or inability to repay remaining principal at maturity.

An Advisory Client may have direct or indirect exposure to companies controlled by private equity sponsors in which the sponsors have completed one or more dividend recapitalizations, thereby allowing the private equity sponsor to substantially reduce or eliminate its net investment in an underlying portfolio company. These investments may present different investment characteristics to an Advisory Client than investments where a private equity sponsor retains a significant net contributed capital position in the company. These investments may experience a higher rate of default. Even when a default does not occur, a private equity sponsor may be less willing to provide ongoing financial support to a portfolio company after it has received one or more capital distributions on its investment. An Advisory Client may also have direct or indirect exposure to companies that may not have private equity sponsors. These investments may experience a higher rate of default.

***Uncertainty of Financial Projections.*** Structural Capital will generally establish the capital structure of a portfolio investment on the basis of financial projections for such portfolio investment. Projections are inherently subject to uncertainty and factors beyond the control of Structural Capital and the portfolio investment. The inaccuracy of certain assumptions and general economic conditions, which are unpredictable, can have a materially adverse impact on the reliability of such projections. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from such projections.

***Limitations of Due Diligence.*** An Advisory Client's due diligence may not reveal all of an investment's liabilities and may not reveal other weaknesses in its business. There can be no assurance that Structural Capital's due diligence processes will uncover all relevant facts that would be material to an investment decision. Before making an investment in, or a loan to, a company, Structural Capital will assess the strength and skills of the company's management and other factors that it believes are material to the performance of the investment.

In making the assessment and otherwise conducting customary due diligence, Structural Capital will rely on the resources available to it and, in some cases, an investigation by third parties. This process is particularly important and highly subjective with respect to newly organized entities because there may be little or no information publicly available about the entities.

An Advisory Client may make loans to, or other form of investments in, companies which are not subject to public company reporting requirements including requirements regarding preparation of financial statements and will, therefore, depend upon the compliance by investment companies with their contractual reporting obligations. The financial information appearing in the financial statements of such companies may not reflect their financial position or results of operations in the way that they would be reflected if the financial statements had been prepared in accordance with

U.S. GAAP or other generally accepted accounting standards and practices. As a result, the evaluation of potential investments and the ability to perform due diligence on and effective monitoring of investments may be impeded and the returns which Structural Capital expects an Advisory Client to achieve in respect of a particular investment may not be realized. In the event of fraud or misrepresentation by any company in which an Advisory Client invests or with respect to which an Advisory Client makes a loan, the Advisory Client may suffer a partial or total loss of the amounts invested in that company.

***Interest Rate Risk.*** An Advisory Client is subject to the risks of changes in interest rates, and certain investments may be in fixed rate loans and similar debt obligations. The value of such fixed rate loans is susceptible to general changes in interest rates. Moreover, the value of many fixed income securities depends on the shape of the yield curve, not just on a single interest rate. Thus, for example, a callable cash flow, the coupons of which depend on a short rate such as the prime rate, may shorten (i.e., be called away) if the long rate decreases. In this way, such securities are exposed to the difference between long rates and short rates.

Certain Advisory Clients also expect to invest a portion of their assets in variable and floating rate securities. Variable and floating rate securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline. When an Advisory Client holds variable or floating rate securities, a decrease in market interest rates will adversely affect the income received from such securities.

***Covenant-Lite Loans Risk.*** Although most of the Advisory Client's loan investments are expected to include both incurrence and maintenance-based covenants, there may be instances in which an Advisory Client invests in covenant-lite loans, which means the obligation contains fewer maintenance covenants than other obligations, or no maintenance covenants, and may not include terms which allow the lender to monitor the performance of the borrower and declare a default if certain criteria are breached. An investment by an Advisory Client in a covenant-lite loan may potentially hinder the ability to reprice credit risk associated with the issuer and reduce the ability to restructure a problematic loan and mitigate potential loss. As a result, an Advisory Client's exposure to losses may be increased, which could result in an adverse impact on the Advisory Client's revenues and net income.

***Direct Lending Risk.*** To the extent an Advisory Client is the sole lender in privately offered debt, it may be solely responsible for the expense of servicing that debt, including, if necessary, taking legal actions to foreclose on any security instrument securing the debt. This may increase the risk and expense to the Fund compared to syndicated or publicly offered debt.

***Risks of Direct Origination.*** A significant portion of an Advisory Client's investments may be originated. The results of an Advisory Client's operations depend on several factors, including the availability of opportunities for the origination of target investments, the level and volatility of interest rates, the availability of adequate short- and long-term financing, conditions in the financial markets and economic conditions. Further, the Fund's inability to raise capital and the risk of portfolio company defaults may materially and adversely affect an Advisory Client's investment originations, business, liquidity, financial condition, results of operations and its ability to make distributions to its Limited Partners. In addition, competition for originations of and

investments in an Advisory Client's target investments may lead to the price of such assets increasing or to the decrease of interest income from loans originated by the Advisory Client, which may further limit its ability to generate desired returns. Also, as a result of this competition, desirable investments in an Advisory Client's target investments may be limited in the future, and the Advisory Client may not be able to take advantage of attractive investment opportunities from time to time, as the Advisory Client can provide no assurance that Structural Capital will be able to identify and make investments that are consistent with its investment objective.

***Risks Related to Equity Investments and Equity Derivatives.*** Although an Advisory Client's investment strategy is focused on debt instruments, a portion of an Advisor Client's capital is expected to be invested in equity securities, primarily as an equity participation component of a debt investment (i.e., a warrant), but also in some instances as a stand-alone equity investment in select existing or former portfolio companies. An Advisory Client runs the risk that it may lose its entire investment in a warrant unless the Advisory Client exercises such warrant or enters into a closing transaction with respect to such warrant during the life of such warrant. If the price of the underlying security is not able to cover the warrant premium and transaction costs, the Fund will lose part or all of its investments in such warrant. There is no assurance that an Advisory Client will be able to effect closing transactions at any particular time or at any acceptable price.

In general, the equity investments in portfolio companies may not be sold until several years after they are made, if at all. The ability to realize gains on these investments depends not only on the portfolio company and its historical results and prospects, but also on political, market and economic conditions. In addition, an Advisory Client may be prohibited by contract or regulatory reasons from selling certain securities for a period of time.

***Collateral Risk.*** The collateral and security arrangements in relation to secured obligations in which the an Advisory Client may invest will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements that may restrict the giving of collateral or security by an obligor, such as, for example, thin capitalization, over-indebtedness, financial assistance and corporate benefit requirements. If the portfolio investments do not benefit from the expected collateral or security arrangements, this may adversely affect the value of or, in the event of default, the recovery of principal or interest from such portfolio investments. Additionally, if the recovery value of the collateral associated with the portfolio investments in which an Advisory Affiliate invests decreases or is materially worse than expected by the Advisory Client, such a decrease or deficiency may affect the value of the portfolio investments. Accordingly, any such failure to properly create or perfect collateral and security interests relating to the portfolio investments could have a material adverse effect on the performance of the Advisory Client, and, by extension, the Advisory Client's business, financial condition, results of operations and the value of the interests in the Advisory Clients.

***Operating Covenants.*** A borrower's failure to satisfy financial or operating covenants imposed by an Advisory Client or other lenders could lead to defaults and potential termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the borrower's ability to meet its obligations under the debt securities that the Advisory Client holds. An Advisory Client may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting borrower. Depending on the facts and circumstances of an Advisory Client's investments and the extent of the Advisory

Client's involvement in the management of the borrower, upon the bankruptcy of a borrower, a bankruptcy court may re-characterize the Advisory Client's debt investments as equity investments and subordinate all or a portion of the Advisory Client's claim to that of other creditors. This could occur even though Structural Capital may have structured the investment as a senior secured loan.

***Prepayment Risk.*** The terms of underlying debt instruments in which an Advisory Client invests may allow Portfolio Companies to voluntarily prepay underlying debt instruments at any time, either with no or a nominal prepayment premium. This prepayment right could result in the portfolio company repaying the principal on an obligation held by an Advisory Client earlier than expected. This may occur upon the sale of the portfolio company or as a result of a refinancing of the debt due to the portfolio company's improved financial performance or a lower available cost of debt in the market.

The yield and total profit generated by an Advisory Client may be affected by the rate of prepayment of its portfolio investments. Assuming an improvement in credit market conditions, early repayments of the debt held by the Advisory Client could increase. If an Advisory Client is unable to reinvest the proceeds of such prepayments in new portfolio investments at a similar return as the prior portfolio investment, the proceeds generated by the Advisory Client will decline as compared to Structural Capital's prior expectations.

***Leverage of Portfolio Investments.*** Advisory Client's portfolio investments are expected to include companies whose capital structures may already have significant leverage. Although Structural Capital will seek to use leverage in a manner it believes is prudent, the leveraged capital structure of such portfolio investments will increase the exposure of the portfolio investments to adverse economic factors such as fluctuating interest rates, downturns in the economy or deteriorations in the condition of the portfolio investment or its industry sector.

***Bankruptcy Risk.*** Leveraged companies may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor's return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs of a bankruptcy proceeding are frequently high and are paid out of the debtor's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, the Fund's influence with respect to the class of securities or other obligations it owns may be reduced by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial.

***PIK Interest.*** To the extent that an Advisory Client invests in loans with a payment in kind ("PIK") interest component and the accretion of PIK interest constitutes a portion of the Advisory Client's income, the Advisory Client will be exposed to risks associated with the requirement to

include such non-cash income in taxable and accounting income prior to receipt of cash, including the following: (a) loans with a PIK interest component may have higher interest rates that reflect the payment deferral and increased credit risk associated with these instruments, and PIK instruments generally represent a significantly higher credit risk than coupon loans; (b) loans with a PIK interest component may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral; (c) the deferral of PIK interest increases the loan-to-value ratio, which is a fundamental measure of loan risk; and (d) even if the accounting conditions for PIK interest accrual are met, the borrower could still default when the borrower's actual payment is due at the maturity of the loan.

***Investments in Less Established Companies.*** An Advisory Client may invest a substantial amount of its assets in the securities of less established companies. While investments in less established companies may offer the opportunity for significant capital gains, investments in such early stage companies may involve greater risks than generally are associated with investments in more established companies. To the extent there is any public market for the securities held by an Advisory Client, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. Moreover, investments in such companies are subject to increased risk because they are in companies at an early stage of development, which have been or may go into bankruptcy, acquired as leverage buyouts subject to interest rate fluctuations, or engaged in highly competitive industries dominated by companies with substantially greater resources. As a result, an Advisory Client may experience substantial volatility and potential for loss. Structural Capital believes that its investment selection techniques moderate this risk. However, no guarantee or representation is made that such portfolio investments will be successful.

***Risks Associated with Potentially Distressed Securities.*** Although Structural Capital does not intend to invest in any portfolio companies that are experiencing distress at the time of investment, a portfolio company in which an Advisory Client has made an investment may become distressed. Under such circumstances, there is no assurance that Structural Capital will correctly evaluate the value of the assets collateralizing the Advisory Client's loans or the prospects for a successful reorganization or similar action. In any reorganization or restructuring of a portfolio company, the Advisory Client may lose its entire investment, may be required to accept cash or securities with a value less than the Advisory Client's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from an Advisory Client's investments may not compensate the investors adequately for the risks assumed.

Such troubled company and other investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by Structural Capital. To the extent that Structural Capital becomes involved in such proceedings, an Advisory Client may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by Structural Capital in an issuer's reorganization proceedings could result



in the imposition of restrictions limiting an Advisory Client's ability to liquidate its position in the issuer.

***Risks in Effecting Operating Improvements.*** In some cases, the success of an Advisory Client's investment strategy will depend, in part, on the ability of the Advisor Client to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that an Advisory Client will be able to successfully identify and implement such restructuring programs and improvements.

***Investment in Restructurings.*** An Advisory Client may make investments in restructurings that involve portfolio investments that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may cause such portfolio investment to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Advisory Client to certain additional potential liabilities that may exceed the value of the Fund's original investment therein. See "Lender-Liability Considerations and Equitable Subordination" below.

***Hedging Risks.*** In connection with the financing of certain investments, an Advisory Client may, but is not required to employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates. While hedging transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while an Advisory Client may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for the Advisory Client than if it had not entered into such hedging transactions.

***Risks Arising from Provision of Managerial Assistance.*** An Advisory Client will generally seek to obtain observation or visitation rights or the right to designate directors to serve on the boards of directors of portfolio companies. In addition, affiliates of Structural Capital may serve, from time to time, as officers or directors of portfolio companies. The foregoing rights and activities, especially in light of new statutes and regulations relating to corporate governance and increased scrutiny of corporate boards, could expose Structural Capital, its affiliates, and the assets of an Advisory Client to regulatory action and/or claims by a portfolio company, its security holders, and its creditors. In addition, an Advisory Client may be prohibited from selling publicly traded securities of a portfolio company if Structural Capital is in possession of material, non-public information relative to such entity. While Structural Capital intends to manage Advisory Clients in a way that will minimize exposure to these risks, the possibility of successful claims or adverse regulatory action cannot be eliminated, and such events may have a significant adverse effect on the Advisory Client.

***Certain Litigation Risks.*** An Advisory Client will be subject to a variety of litigation risks, particularly due to the potential likelihood that one or more portfolio investments will face financial or other difficulties. Legal disputes, involving an Advisory Client or Structural Capital, may arise from the foregoing activities (or any other activities relating to the operation of the Advisory Client or Structural Capital) and could have a significant adverse effect on the Advisory Client.

***Lender-Liability Considerations and Equitable Subordination.*** A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories. 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 creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the portfolio investments, an Advisory 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 the 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 the Fund’s investment activities, the Fund could be subject to claims from creditors of an obligor that the portfolio investments held by the Fund should be equitably subordinated.

***Pandemic and Global Risk.*** Structural Capital’s investment advisory activities or portfolio company operations could be adversely affected by events outside of Structural Capital’s control, such as natural disasters and/or health epidemics and pandemics. Beginning in late 2019, COVID-19, a public health epidemic, prompted precautionary government-imposed closures of certain travel and business. It is unknown whether and how global supply chains will be affected if such an epidemic persists for an extended period of time. Structural Capital or its portfolio companies may incur expenses, delays, or interruption of critical business functions relating to such events outside of its control, which could have a material adverse impact on its investment advisory business including, but not limited to, the financial conditions or prospects of its portfolio companies and the sourcing of new investment opportunities. Such material adverse impact could, in turn, adversely affect the performance of the Advisory Clients. This does not endeavor to be a full and complete set of risks related to the current health pandemic.

## **Conflicts of Interest**

***Allocation of Investment Opportunities.*** Structural Capital or its affiliates may serve as the investment manager to certain other entities that co-invest with a Fund. As such, certain conflicts could arise in the allocation of investment opportunities and in connection with the acquisition and/or disposition of investments by the Fund, including successor private investment funds. There could be restrictions placed on the ability of any such successor fund to make an investment in any portfolio company of the Fund.

***Other Affiliate Transactions and Portfolio Company Fees.*** As provided in Item 5 above, each Fund and its respective portfolio companies may enter into transactions or arrangements with, and pay fees to, the General Partner, the Adviser or their affiliates (e.g., transaction, closing, directors’, break-up and monitoring fees). Any such transaction will be made only on the terms described in the Fund’s Partnership Agreement, which generally will require the consent of the Fund’s

Advisory Committee. While Structural Capital believes its fee arrangements are reasonable in relation to the services provided, there can be no assurance that these fees are on an “arms-length” basis. As provided for in the Fund’s Partnership Agreement, some fees paid to the General Partner, the Adviser or their affiliates will offset future Management Fees. Fees for services which, in the General Partner’s discretion, relate to the operation of a portfolio company and are not otherwise required to monitor and manage the portfolio company will not offset future Management Fees. These fees, even if partially offset, will reduce a Fund’s net return on portfolio investments. Although such reduction would reduce the Carried Interest payable to the General Partner, Structural Capital could have an incentive to charge such fees for several reasons, including because the fees generally are paid immediately and without regard to whether the applicable Fund generates sufficient returns to pay Carried Interest.

***Allocation of Certain Expenses.*** Common expenses may be incurred on behalf of Structural Capital, an Advisory Client and one or more other funds sponsored by Structural Capital. Structural Capital will seek to allocate those common expenses among Structural Capital or its affiliates, an Advisory Client and one or more other funds sponsored by Structural Capital in a manner that is fair and reasonable over time. However, expense allocation decisions will involve potential conflicts of interest (e.g., conflicts creating an incentive to shift costs away from Structural Capital, or conflicts relating to shifting broken deal and similar expenses away from co-investment vehicles sponsored by Structural Capital). Structural Capital may use a variety of methods to allocate common expenses among Structural Capital or its affiliates, an Advisory Client and one or more other funds sponsored by Structural Capital, including methods based on assets under management, relative use of a product or service, the nature or source of a product or service, the relative benefits derived by Structural Capital or its affiliates, the Advisory Client and one or more other funds sponsored by Structural Capital from a product or service, or other relevant factors. Nonetheless, the portion of a common expense that Structural Capital allocates to an Advisory Client may not reflect the relative benefit derived by the Advisory Client from the product, service or circumstance underlying such common expense in any particular instance. Structural Capital’s expense allocations often depend on inherently subjective determinations and, accordingly, expense allocations made by Structural Capital in good faith and in accordance with its expense allocation policies will be final and binding on the Advisory Client.

***Valuation.*** Structural Capital’s determination of the fair value of an investment may impact the calculation of the Management Fee and Carried Interest to the extent such valuation would result in a write-down, which could incentivize Structural Capital to refrain from writing down investments. The foregoing conflict of interest is mitigated by the facts that annually, the valuations of each Advisory Client’s investments are reviewed by the Advisory Client’s independent public auditors. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property as determined by Structural Capital in accordance with procedures set forth in the Advisory Client’s Partnership Agreement. Independent appraisals may be obtained by Structural Capital in connection with valuation of certain Funds’ investments, but Structural Capital is not required to obtain an independent appraisal each time such valuation is conducted.

***Advisory Committee.*** As contemplated by the applicable Fund’s Partnership Agreement, Structural Capital may seek approval of the members of the Advisory Committee with respect to potential conflict of interest situations and Advisory Committee approval will be required to

resolve certain conflicts and other matters. However, the Advisory Committee will not necessarily represent the interests of all Limited Partners and the members of the Advisory Committee may themselves be subject to various conflicts of interest. In taking or omitting to take any action, a member of the Advisory Committee may act solely in the interests of the Limited Partner which it represents. In addition, members of the Advisory Committee may have various business and other relationships with Structural Capital and its affiliates. The presence of these other relationships may influence their decisions as members of the Advisory Committee. In general, the Limited Partners will not be entitled to control the selection of the Advisory Committee members or to review the actions or deliberations of the Advisory Committee.

***Conflicts with Portfolio Companies.*** Officers and employees of Structural Capital may serve as directors and officers of certain portfolio companies and, in those capacities, will be required to make decisions that they consider in the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of an Advisory Client, and vice versa. Accordingly, in these situations there will be conflicts of interest between such individual's duties as an officer or employee of Structural Capital and as a director or officer of such portfolio company. In addition, portfolio companies in which an Advisory Client invests may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other investment vehicles sponsored Structural Capital or its affiliates that, although Structural Capital determines to be consistent with the requirements of such investment vehicles' governing agreements, may not have otherwise been entered into but for the affiliation with Structural Capital, and which may involve fees and/or servicing payments to entities affiliated with Structural Capital. In addition, portfolio companies of other investment vehicles sponsored by Structural Capital may do business with, support, or have other relationships with competitors of an Advisory Client's portfolio companies, and in that regard prospective investors should not assume that a company related to or otherwise affiliated with Structural Capital will only take actions that are beneficial to or not opposed to the interests of the Advisory Client and its portfolio companies.

***Service Providers.*** Advisory Clients' service providers (including lenders, brokers, attorneys and investment banking firms) may be investors in an Advisory Client and/or sources of investment opportunities and counterparties therein. This may influence Structural Capital in deciding whether to select such a service provider or have other relationships with Structural Capital.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in an Advisory Client. Prospective investors should read the Advisory Client's Offering Documents and consult their own counsel and advisors before deciding to invest in an Advisory Client.

## **ITEM 9: DISCIPLINARY INFORMATION**

Structural Capital and its management persons have not been subject to any material legal or disciplinary events required to be disclosed in this brochure.

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

Structural Capital and its management persons are not registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Structural Capital and its management persons are not registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

As noted in Item 4, Structural Capital Management Company, LP serves as the Relying Adviser. The Relying Adviser is registering with the SEC in reliance on the registration filing of the Adviser. The Adviser and the Relying Adviser are under common control and share a common compliance program, including a code of ethics and other compliance policies and procedures.

As noted in Item 4, the Adviser is affiliated with the General Partners, which are subject to the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. These affiliated entities operate as a single advisory business together with the Adviser and serve as managers or general partners of Advisory Clients and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Structural Capital does not recommend or select other investment advisers for Advisory Clients.

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

Structural Capital has adopted a Code of Ethics (the “**Code**”), which sets forth standards of conduct that are expected of Structural Capital principals and certain employees (“**Supervised Persons**”) and addresses conflicts that arise from personal trading. In recognition of Structural Capital’s fiduciary obligations to its Advisory Clients, Structural Capital has adopted personal trading restrictions and requirements to: (i) prevent improper personal trading by Supervised Persons; (ii) prevent improper use of material, non-public information about securities recommendations made by Structural Capital or securities holdings of Advisory Clients; (iii) identify conflicts of interest; and (iv) provide a means to resolve any actual or potential conflict in favor of the Advisory Client.

The primary goal of this policy is to protect Structural Capital’s Advisory Clients from the conflicts that could result from a violation of the securities laws or from real or apparent conflicts of interests when Supervised Persons engage in personal securities transactions. While it is impossible to define all situations that might pose such a risk, the Code is designed to address those circumstances where such risks are likely to arise.

The Code requires certain Structural Capital personnel to report their personal securities transactions, prohibits or requires preclearance for Structural Capital personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Structural Capital personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from Structural Capital’s Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information.

From time to time, Structural Capital may come into possession of material, non-public information concerning an entity in which an Advisory Client has invested or proposes to invest, and the possession of such information may limit the ability of the Advisory Client to buy or sell securities of such entity or to distribute such securities to the Limited Partners.

A copy of the Code will be provided to any investor or prospective investor upon request to Carl Rizzo, Structural Capital’s Chief Compliance Officer, at 888-243-2448.

The General Partners and certain Structural Capital personnel maintain investments directly in the Advisory Clients. In addition, certain Structural Capital personnel have or may in the future invest directly in portfolio companies in which Advisory Clients are invested. The fact that General Partners and certain Structural Capital personnel have financial interests in Advisory Clients or Advisory Client portfolio companies could create a potential conflict in that it could cause Structural Capital to make different investment decisions than if such parties did not have such financial ownership interests. However, Structural Capital believes that these financial interests align Structural Capital’s incentives with those of the Limited Partners. Potential conflicts are addressed through pre-approval in accordance with the Code and disclosures in the Governing Documents.

Certain conflicts that may be encountered in the course of Structural Capital’s activities for or on behalf of the Advisory Clients are described in Items 5, 6, 8 and 10 above and reference is made

thereto. In addition, the Advisory Clients' Governing Documents address in detail certain other reasonably anticipated potential conflicts.



## **ITEM 12: BROKERAGE PRACTICES**

Structural Capital currently does not engage in trading transactions on behalf of Advisory Clients or utilize the services of broker-dealers for transaction related services. In the event that the services of a broker-dealer are required, Structural Capital will seek to obtain best execution for all transactions. To the extent they aggregate orders for purchase and sale, Structural Capital will aggregate such orders as it deems appropriate and in accordance with the applicable Governing Documents of the Advisory Clients and in the best interests of Advisory Clients.

As a fiduciary, Structural Capital must allocate investment opportunities among Advisory Clients in the best interest of each Advisory Client. It is the general policy of Structural Capital to allocate investment opportunities among the applicable Advisory Clients in a fair and equitable manner and in accordance with the terms of its policies and the applicable Governing Documents for such Advisory Clients.

Structural Capital may determine that it would be appropriate for more than one Advisory Client to participate in an investment opportunity (in instances where more than one Advisory Client still empowered to make investments at the same time), Structural Capital will seek to allocate the investment opportunity to all of the participating Advisory Clients on a fair and equitable basis.

Structural Capital, in its sole discretion, may make allocations based upon other considerations including, but not limited to, minimum investment restrictions, liquidity, investment limits, industry or geographic concentrations or remaining term of the Advisory Clients.

### **ITEM 13: REVIEW OF ACCOUNTS**

Portfolio investments in the Advisory Clients are continuously reviewed by a team of investment professionals, consisting of Structural Capital's principals and other investment professionals. Structural Capital actively monitors the portfolio companies of the Advisory Clients and generally maintains an ongoing oversight position in such portfolio companies.

Each Limited Partner will typically receive, among other things, a copy of audited financial statements of its respective Advisory Client within 120 days after the fiscal year end of such Advisory Client. In addition, Limited Partners in each Advisory Client will typically receive written reports containing unaudited summary financial information regarding such Advisory Client on a quarterly basis.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENATION**

Structural Capital is authorized to provide certain business or consulting services to companies in a Fund's portfolio and will receive compensation from these companies in connection with such services. As described in the relevant Partnership Agreement, this compensation will, in many cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (e.g., reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees will be in addition to Management Fees. See *Item 5. Fees and Compensation*.

From time to time, Structural Capital may enter into arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an investor in an Advisory Client. Currently, Structural Capital has entered into such an arrangement with Park Hill Group LLC. Structural Capital pays such placement agents fee generally based on the capital commitment of the investor introduced to the Advisory Client by the placement agent. Any placement agent fee is borne by Structural Capital either directly or indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are generally borne by the relevant Fund(s).

## ITEM 15: CUSTODY

Structural Capital maintains custody of assets held in the name of one or more Advisory Clients with the following qualified custodian: First Republic Bank, San Francisco, California. Further, Structural Capital intends, with respect to Advisory Clients, to comply with the private fund audit delivery provisions of Rule 206(4)-2(b)(4) under the Advisers Act (the “custody rule”). Structural Capital expects to distribute audited financial statements to the Limited Partners in each Advisory Client on an annual basis within 120 days of the end of the Advisory Client’s fiscal year or earlier to the extent set forth in the relevant Advisory Client’s Governing Documents.

By virtue of its serving as Payment and Collateral Agent for certain Funds, other Advisory Clients, third-party co-lenders and/or vendors, Ocean II PLO, LLC (“Ocean”), an affiliate of Structural Capital, is also deemed to have commingled custody of the cash and bank account deposits of such Funds, other Advisory clients, co-lenders and/or vendors. Structural Capital relies upon a no-action letter which the staff of the SEC’s Division of Investment Management issued to Madison Capital Funding LLC in December 2018 which allows for such arrangements to exist, notwithstanding the entity serving as placement and/or collateral agent not being a “qualified custodian” as otherwise required by the custody rule, provided the SEC registered investment adviser for the private fund(s) or other advised accounts involved complies with various requirements as stated in the cited letter. To rely upon the letter, Structural Capital follows a set of dedicated cash control and associated procedures. These procedures, and Structural Capital management’s assertions in these respects, are subject to annual review by an independent public internal control auditor. To date no exceptions have been noted in these regards.

## **ITEM 16: INVESTMENT DISCRETION**

Structural Capital has discretionary authority to manage securities accounts on behalf of its Advisory Clients. As explained in Item 4 above, each Fund's investment strategy is set forth in detail in such Advisory Client's Governing Documents. Investors in an Advisory Client do not have the ability to impose limitations on this discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in the applicable Advisory Client.

## ITEM 17: VOTING CLIENT SECURITIES

Structural Capital does not generally directly hold publicly traded securities that solicit proxy votes (“**Proxies**”), and therefore does not typically receive Proxies relating to securities owned by Advisory Clients. Nevertheless, Structural Capital will vote any such Proxies in the best interests of Advisory Clients and in accordance with its proxy voting policies and procedures (“**Proxy Policy**”). Under certain circumstances, Structural Capital may abstain from voting specific Proxies if it believes that doing so is in the best interests of the applicable Advisory Client. In the event of a material conflict of interest, Structural Capital will follow the written policies and procedures detailed in the Proxy Policy. Structural Capital may retain an independent third party to vote Proxies in certain situations (including situations where a material conflict of interest is identified). Investors generally do not have the ability to direct Proxies. Investors may obtain additional information regarding how Structural Capital voted proxies and may obtain a copy of Structural Capital’s Proxy Policy by contacting Structural Capital’s Chief Compliance Officer, Carl Rizzo, at 888-243-2448.

## **ITEM 18: FINANCIAL INFORMATION**

Structural Capital does not require or solicit pre-payment of more than \$1,200 in fees per Advisory Client, six months or more in advance.

Structural Capital is not currently under a financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Advisory Clients.

Structural Capital has not been the subject of a bankruptcy petition at any time during the past ten years.