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**Form ADV Part 2A**  
**Firm Brochure**

**November 29, 2021**

This brochure provides information about the qualifications and business practices of ExWorks Capital, LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 312-806-9934. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

## ***Item 2 – Material Changes***

This Brochure contains updated information about the business of ExWorks Capital, LLC (the “Adviser”) since the Brochure dated June 24, 2021.

The Funds (as defined below) managed by the Adviser are party to a revolving loan facility that matured on May 1, 2021. The Funds are in default of their obligations under the facility and the maturity date of the facility has expired. The Funds have negotiated and entered into a forbearance agreement with the lending banks that provides an extended forbearance period through December 31, 2022, subject to certain terms and conditions. Such terms and conditions include required interim pay-downs of the facility, among other obligations. There is no guarantee that the Funds will be able to make such payments. The first such payment of \$15 million is due on December 31, 2021, and the second payment of \$30 million is due on June 30, 2022. Making such payments may require the Funds to sell or liquidate assets at substantial discounts relative to what could be recovered with additional time.

The terms of the forbearance agreement required that the Adviser reconstitute its Operating Committee (as defined below), and that Adviser appoint two new independent managers/directors to the Adviser’s Board. Under the forbearance agreement, the lending banks’ agent, CIBC, has the right in its sole discretion to approve the form and substance of the Funds’ (and hence the Adviser’s) budget, giving it and the bank group the right to control expenditures of the Funds and the Adviser. The Funds have incurred, and may continue to incur, additional costs and expenses as a result of the numerous requirements of the forbearance agreement and the Funds’ efforts to monetize their assets for the benefit of their constituencies. Finally, the Adviser recently retained a new Chief Executive Officer, Mr. Jeffrey Hyland of the Chicago-based CR3 Partners firm, to, among other things, oversee the Operating Committee and report to the Adviser’s Board.

There can be no assurance that the Funds will be able to meet their obligations under the forbearance agreement, including the required interim payments. In addition, the lenders have asserted that certain defaults under the forbearance agreement have already occurred and, thus, reserved their asserted rights as secured lenders, although the lenders have not yet taken legal action with respect to such asserted defaults and rights. The failure of the Funds to resolve the issues raised by the lenders, and otherwise meet their obligations under the forbearance agreement would have a material adverse effect on the Funds and would impact the Funds’ ability to continue as a going concern and recover any amounts for their limited partners. It could also cause the Funds’ lenders to attempt to foreclose on their collateral, obtain a receiver for the Funds, or take other actions under the loan agreement and forbearance agreement against the Funds and/or the Adviser.

A copy of our Brochure may be requested by contacting us at 312-806-9934.

### ***Important Note About this Brochure***

This Brochure is not:

- an offer or agreement to provide advisory services to any person;
- an offer to sell interests (or a solicitation of an offer to purchase interests) in any pooled investment vehicle; or
- a complete discussion of the features, risks or conflicts associated with any pooled investment vehicle.

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), the Adviser provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a private pooled investment vehicle, together with other relevant governing documents, such as the private pooled investment vehicle’s private placement memoranda, prior to, or in connection with, such persons’ investment in the private pooled investment vehicle.

More complete information about each private pooled investment vehicle is included in relevant governing documents, certain of which may be provided to current and eligible prospective investors only by the Adviser. To the extent that there is any conflict between discussions herein and similar or related discussions in any governing documents, the relevant governing documents shall control.

Additional and more current and detailed information about the Funds is also provided to Limited Partners of the Funds in regular written updates.

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## ***Item 4 – Advisory Business***

### **General Information**

ExWorks Capital, LLC (the “Adviser”) is a Delaware limited liability company formed in 2013. The Adviser’s primary business is to provide investment advisory services to certain pooled investment vehicles (each a “Fund” and collectively, the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). As the investment manager to the Funds, the Adviser identifies investment opportunities for, and participates in the acquisition, management, monitoring and disposition of investments of the Funds.

The purpose of the Funds is to make loans and hold loan assets and make and refinance private corporate loans to exporters/importers and other businesses in the United States and abroad, including providing the following types of export/import and collateralized business related loans that may be credit enhanced at the Adviser’s discretion: (a) trade financing transactions which includes lending on a secured basis and/or purchasing assets that may be sold in the U.S. or abroad; and (b) working capital loans and term loans. Less than ten percent (10%) of the Funds’ loan transactions are guaranteed, to some extent, by the Small Business Administration (the “SBA”).

The Adviser is headquartered in the Chicago area.

The Adviser manages all aspects of the lending process, from diligence, to underwriting, to fund operations and management.

Recently, the Funds negotiated the terms of a forbearance agreement with respect to its obligations under its credit facility. Pursuant to the terms of the forbearance agreement, the Adviser reconstituted its operating committee (the “Operating Committee”), which was previously formed by the Adviser to manage the business of the Funds and the Adviser. Additionally, pursuant to the terms of the forbearance agreement Adviser appointed two (2) new independent managers/directors to the Adviser’s Board. Under the forbearance agreement, many material actions the Funds may propose to take require the consent of the lending banks (or their administrative agent), and/or the new independent Adviser board members, before such actions may be taken. Under the forbearance agreement, the lending banks’ agent, CIBC, has the right in its sole discretion to approve the form and substance of the Funds’ (and hence the Adviser’s) budget, giving it and the bank group the right to control expenditures of the Funds and the Adviser. The forbearance agreement also imposes many requirements on the Funds. Any failure to meet those requirements would create a default and could cause the lending banks to seek to exercise their default rights to the material detriment of the Funds and its investors. The lending banks have asserted that certain defaults under the forbearance agreement have already occurred and,

thus, reserved their asserted rights as secured lenders, although the lenders have not yet taken legal action with respect to such asserted defaults and rights.

As of the date of this Brochure, the Adviser has approximately 13 full-time employees, including non-employee members of the Operating Committee and other consultants who are full-time equivalent.

The Adviser's original Fund, ExWorks Capital Fund I, L.P. (the "Original Fund"), was created in August of 2014. The Original Fund participates in loans and loan transactions on a pro rata basis based on capital committed with three parallel vehicles, ExWorks Capital Fund I-Parallel Vehicle, L.P. ("PVI"), ExWorks Capital Fund II-Parallel Vehicle, L.P. ("PVII") and ExWorks Capital Fund QP I, L.P. ("QP Fund" and collectively with the Original Fund, PVI and PVII, the "Funds"). All of the limited partner capital of the Funds was deployed as of December 31, 2020. Based upon the most recently available information, the gross asset value of the Funds was approximately \$271.2 million as of December 31, 2020. The Adviser provides investment advisory services to the Funds on a discretionary basis.

From inception, the Funds sought to execute their strategy by: (i) utilizing the Adviser's in-house origination staff and strong relationships with outside referral sources to originate financing opportunities; and (ii) selecting opportunities with acceptable risk and promising return potential in order to build a diversified portfolio. When possible and available, the Funds sought to leverage their assets through the SBA and EXIM. As a result of the alleged actions of certain individuals and entities, against whom ExWorks initiated civil litigation in 2020, the material and adverse impact of the outbreak and continuation of the COVID-19 pandemic, and the resulting distressed nature of the Funds' portfolio, the Funds shifted their strategy to focus to capital preservation, liquidity and trying to minimize losses to the extent possible. Subsequently, the Funds entered into a forbearance agreement with the lending banks under the Funds' credit facility that requires certain interim paydowns of the credit facility, imposes other operational requirements and limits any new loans or extensions of credit. The Funds intend to prioritize long-term value creation to the extent possible, subject to the terms and conditions of, and further costs and challenges imposed by, the forbearance agreement. See also "Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss" below.

The Adviser does not act as a general partner of any of the Funds. Instead, a wholly owned subsidiary of the Adviser serves as general partner (the "General Partner") to the Funds and has delegated exclusive investment advisory and other authority with respect to the Funds to the Adviser.

The Adviser does not tailor its advisory services to the individual needs of investors in the Funds; rather, investors invest in the Funds and the Adviser manages the Funds in accordance with their stated objectives and strategies as described in each respective Fund's governing documents. Since

the Adviser does not provide individualized advice to investors (and an investment in a Fund does not, in it and of itself, create an advisory relationship between the investor and the Adviser), investors must consider whether a Fund meets their investment objectives, liquidity requirements, tax situation and risk tolerance prior to investing.

**ALL DISCUSSION OF THE FUNDS IN THIS BROCHURE, INCLUDING BUT NOT LIMITED TO ITS INVESTMENTS, THE STRATEGIES USED IN MANAGING THE FUNDS, AND RISKS, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE RESPECTIVE FUND'S GOVERNING DOCUMENTS.**

The Adviser and the Funds have utilized and may continue to utilize the services of various of the Adviser's affiliates and related parties, as described below.

World Trade Finance

World Trade Finance, LLC ("WTF") is a subsidiary of the Adviser that holds the SBA license pursuant to which the Adviser originates loans guaranteed by the SBA. The Adviser acquired WTF in 2015 and, in connection with the acquisition, the Original Fund, the Adviser and WTF entered into an agreement (the "WTF Agreement") through which the Original Fund financed the acquisition of WTF. Pursuant to the terms of the WTF Agreement, the Funds provide funding, in addition to WTF's senior secured revolving credit facility (the "WTF Facility"), necessary for WTF's SBA loans in exchange for all principal, interest and other fee income generated by such SBA loans. The Original Fund has agreed to guarantee a portion (up to \$7.5 million) of the WTF Facility in connection with its funding of WTF (the "WTF Guarantee"). Although loans guaranteed by the SBA are originated by WTF, all investment decisions are made by the Adviser and the Adviser's Operating Committee. The maturity of the WTF Facility has expired, and WTF has negotiated a forbearance agreement through December 15, 2021. WTF is currently seeking to refinance the facility. If WTF is unable to refinance the SBA line and/or the existing bank is unwilling to further extend the terms of the forbearance, WTF would have to develop alternative strategies.

The Original Fund's investment in WTF has no set repayment terms. However, under the terms of the WTF Agreement, the Adviser and WTF are required to repay the deemed value of the SBA license upon notification from the Original Fund that it will no longer provide the WTF Guaranty. Upon termination of the WTF Agreement, the Adviser will continue to own WTF and will benefit from the existing SBA license and franchise after repayment of such value to the Original Fund.

In connection with the Payroll Protection Program under the CARES Act, WTF determined to issue and sell newly created series of membership units to investors for the purpose of funding CARES Act loans and other SBA loans with the proceeds from such loans being paid exclusively to the investors funding them. The Funds did not participate in funding any such CARES Act loans. As described in Item 6 below, the General Partner established an advisory committee (the "Advisory Committee"), which includes representatives of certain investors (or their designees), to resolve certain issues involving certain conflicts of interest. The Adviser sought and received consent of the Advisory Committee to amend the terms of the WTF Agreement to reflect such arrangement. Additionally, WTF has entered into one or more services agreements with other



banking institutions to provide underwriting and loan servicing with respect to certain CARES Act loans originated by such banking institutions.

### Controlling Owners

Richard E. Perlman and James K. Price are the controlling owners of the Adviser. William A. Shutzer may also be deemed to be a controlling owner as a result of his ownership percentage of the Adviser.

The terms of the forbearance agreement require that all decisions made by the Board regarding the Funds require the approval of at least one of the recently appointed independent managers/directors. Although such independent managers/directors do not own any ownership interest in the Adviser, they are presumed to control the Adviser under applicable rules and regulations of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

### Additional Service Providers

Pursuant to the terms of the forbearance agreement, the Funds engaged Novo Advisors as financial adviser. Pursuant to its engagement and the forbearance agreement, Novo Advisors has provided, and will continue to provide reports and information to both the Funds and the Administrative Agent under the credit facility.

### Loan Origination

Prior to the onset of the COVID-19 pandemic, the Adviser and ExWorks UK employed in-house origination staff to source financing opportunities for the Funds. As set forth in the Funds’ respective organizational documents, the Funds are responsible for all expenses associated with the origination, acquisition, holding, servicing and disposition of its investments. The Adviser ceased employing a dedicated in-house origination staff shortly after the onset of the COVID-19 pandemic.

## ***Item 5 – Fees and Compensation***

In consideration for the Adviser's advisory and other services, the Adviser or certain of its affiliates generally are entitled to receive management fees and performance-based fees or carried interest with respect to the Funds. While the fees and compensation applicable to each Fund are described in the applicable governing documents, an overview of the fees and compensation applicable to the Funds is summarized below.

### **Management Fees**

Prior to the Funds defaulting on their obligations of the revolving credit facility, the Funds paid the Adviser an annualized management fee ranging from 2.0% to 7.25% of each investor's unreturned capital contributions or aggregate drawdown amounts, as applicable. The Funds have entered into a forbearance agreement which restricts payments or any form of funding to any party, including the Adviser, except to the extent that such payments are made pursuant to a budget that must be approved by the lending banks and their administrative agent. As a result, the contractual management fee will continue to accrue, but the amount of management fees paid to the Adviser will be reduced in accordance with the budget approved in accordance with the forbearance agreement.

The management fees payable to the Adviser are used to pay all expenses related to (i) each Fund's organizational and startup expenses; (ii) ordinary and administrative overhead expenses incurred in connection with maintaining and operating the Funds, the General Partner and the Adviser; and (iii) all other expenses incurred in connection with the administration or operation of the Funds. As described below, the Funds are responsible for all investment related expenses.

### **Carried Interest**

In addition, the General Partner of the Funds is entitled to receive distributions of carried interests which vary from Fund to Fund, and which are subject to the Funds attaining returns which also vary from Fund to Fund (see below under "Performance-Based Fees").

### **Investment Related and Other Expenses**

Pursuant to the applicable organizational and governing documents, the Funds are responsible for all investment-related expenses, including expenses associated with the origination, acquisition, monitoring, maintenance, holding, servicing and disposition of their actual or proposed investments, including any "broken deal" costs, and any taxes, fees or other governmental charges levied against the Funds, all to the extent all those costs are not paid for or reimbursed by borrowers or counterparties and provided that such costs shall be allocated among the Funds pro rata based on the portion of the applicable investment made by each Fund. Investment-related expenses associated with the origination of loans and the disposition of investments include commission

expenses. The Funds are also responsible for extraordinary expenses and other expenses set forth in their respective governing documents (such as litigation, if any).

The Funds will continue to be liable for the payment of all obligations due and owing to the lending banks under the credit facility. These costs include all costs imposed or incurred in connection with the forbearance agreement, such as the costs relating to the engagement and retention of Novo Advisors and the costs related to the retention of the new independent managers/directors.

#### Miscellaneous Information about Fees and Compensation

The above description of the Funds' expenses is not intended to be exhaustive. For a description of the fees and expenses borne by each Fund, please see the applicable Fund's offering memorandum and other governing documents, as well as the applicable Fund's financial statements. Additionally, such description of the fees and expenses is subject to the terms of the forbearance agreement entered into with the administrative agent on behalf of itself and the lending banks under the credit facility.

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

As noted above, while the Adviser does not receive a performance fee, the General Partner is entitled to receive a carried interest with respect to each Fund. The specific payment terms and other conditions of the carried interest vary between each Fund and are described in detail in the governing documents of each Fund. Investors should note that a carried interest arrangement may provide an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement.

The General Partner will seek the approval of the Advisory Committee to resolve certain issues involving certain conflicts of interest. See "Risks Related to Conflicts of Interest" in "Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss" under the heading "Risk of Loss" for a description of certain of the conflicts of interests that the Adviser or its related entities may face.

#### ***Item 7 – Types of Clients***

The Adviser provides investment advisory services to the Funds.

#### Minimum Investment Requirement for the Funds

Currently, the General Partner and the Adviser do not intend to raise additional capital through the Funds. The minimum investment requirement for each Fund may be found in the applicable Fund's governing documents. In most cases, the General Partner of the Funds, in its sole discretion, was

permitted to allow investments that are less than the required minimum investment commitment set forth in the applicable Fund's governing documents.

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

### **Investment Strategies**

As noted above, at the onset of the COVID-19 pandemic, the Adviser shifted the investment focus of the Funds to capital and liquidity preservation, and to efforts to minimize losses to the extent possible. The Adviser formed the Operating Committee to assist the Adviser with executing such strategy and to otherwise manage the business of the Funds and the Adviser. Subsequently, the Funds entered into a forbearance agreement that requires certain interim paydowns of the Funds' credit facility, imposes other requirements and limits new loans or extensions of credit absent the consent of the administrative agent and/or the lending banks. Except for certain loans to existing borrowers under limited circumstances, no new loans are being made by the Funds. The Funds intend to prioritize long-term value creation to the extent possible, subject to the terms and conditions of, and further costs and challenges imposed by, the operations of the Funds' existing loan and investment portfolio, and the forbearance agreement. The Funds' loan portfolio is generally comprised of three distinct financing products, certain of which may be guaranteed by the SBA:

- (1) Trade Finance. For the trade finance business line, the Funds can act as direct exporter/importer, purchasing goods with an existing purchase order and collecting from a buyer, be it in the U.S. or a foreign jurisdiction. All loans are secured by borrower assets, purchase orders and, when appropriate, the Funds seek to mitigate risk via credit insurance, letters of credit and/or SBA guarantees. Generally, these sales are recurring, and the Funds will collect a margin on each turn of the trade, increasing returns on deployed capital.
- (2) Working Capital Loans. For the working capital loan business, typical loans involve securing assets and extending a facility or line of credit that either revolves, based on new invoices created, inventory on hand or purchased, or remains static based on overall assets of the borrower.
- (3) Term Loans. For term loans, the Funds may lend to companies in similar fashion to that of a working capital loan based on being fully collateralized, having credit insurance or letters of credit on key accounts or customers, property, plant and equipment, intellectual property, brand names/trade styles, other assets and overall enterprise value.

As a result of certain loan restructurings, the Funds' portfolio also includes owned assets. Such portfolio positions are generally illiquid, and the Adviser is focused on identifying exit strategies for such positions, including via sale, capital markets or strategic partnerships. The Operating Committee is tasked with assisting the Adviser in identifying and executing on such exit strategies.

### *Mechanics of Loan and Trade Pricing*

The Funds utilize several mechanisms to arrive at targeted yields on each transaction. A loan or trade will typically have an interest component calculated and charged monthly, margin sharing whereby the Fund shares in the gross margin of the trade or particular sales revenue of the borrower it finances (paid upon collection), Payment in Kind or “PIK” interest capitalized to the loan or trade, closing fees on the outstanding committed facility that are generally capitalized to the loan, success fees due upon payoff of the facility or at certain maturities, unused line fees based on total average unfunded portion of the facility and warrants for equity in some borrowers.

All fee and interest components flow into the Funds to produce yields. The Funds are not a bank or traditional lender and may utilize or convert pricing components during the term of the loans or trades for amended terms, additional advances, longer term or maturity. Pricing mechanics are customized for each transaction and are situational in order to maximize yield for the Funds and create the highest possible values over time.

### *Leverage*

The Funds are borrowers under two credit facilities.

The Funds are party to a revolving loan facility, the maturity of which expired on May 1, 2021. The Funds are currently in default of their obligations under the facility and there can be no assurance that the Funds will be able to renew, extend, replace or otherwise enter into a further forbearance agreement with the lenders, or extension of the existing forbearance agreement on terms that are acceptable or favorable to the Funds, if at all. The ability to renew, extend, replace or otherwise enter into a forbearance agreement or extension of the existing forbearance agreement with respect to such facility will be constrained by the performance of the Funds’ portfolio, as well as current economic conditions affecting the credit markets, including the effects of the novel coronavirus pandemic. The failure of the Funds to renew, extend, replace or otherwise enter into a forbearance agreement or extension of the existing forbearance agreement with respect to such facility would have a material adverse effect on the Funds and impact the Funds’ ability to continue as a going concern.

### *Origination*

Prior to the outbreak of COVID, the Adviser utilized origination platforms spread across the U.S. in major metropolitan areas as well as through its affiliate, ExWorks UK, in London, England.

As noted above, the Funds are in default of their obligations under the revolving credit facility, are liquidity constrained, and are thus prevented from originating loans to new borrowers at this time.

## Risk of Loss

While the Adviser seeks to diversify the Funds' investments by investing in multiple companies, all investments are subject to risks. Accordingly, there can be no assurance that a Fund will be able to fully meet its investment objectives and goals, or that investments will not lose money. Below is a description of several of the principal risks that the Funds face.

- *Defaults under Existing Credit Facility.* The Funds are party to a revolving loan facility, the maturity of which expired on May 1, 2021. The Funds also received a notice of default from the Administrative Agent. The Funds entered into a forbearance agreement whereby the Administrative Agent agreed to forbear from exercising any of their available default rights, subject to the Funds' compliance with the terms of the forbearance agreement. The lenders have asserted that certain defaults under the existing forbearance agreement have already occurred and, thus, reserved their asserted rights as secured lenders, although the lenders have not yet taken legal action with respect to such asserted defaults and rights. There can be no assurance that a waiver or additional forbearances can be obtained by the Funds in the future. Additionally, there can be no assurance that the Funds will be able to maintain compliance with the additional requirements set forth in the existing forbearance agreement. If the Funds are unable to obtain a waiver, additional forbearance on reasonable terms, or maintain compliance with the terms of the existing forbearance agreement, and the Administrative Agent elects to pursue remedies under the credit agreement, the Funds would be materially adversely affected, and the Funds and Adviser may be unable to continue operations as going concerns. Additionally, even if the Funds are able to comply with and extend the terms of the existing forbearance agreement, the investment time horizon of the lenders may cause the Funds to dispose of liquidate investments before achieving maximum potential value that could generate funds to return to limited partners. See "Item 2 – Material Changes" for additional discussion of the terms of the forbearance agreement.
- *Leverage Risk.* As described above under "Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – Investment Strategies – Leverage", each of the Funds and WTF has an outstanding credit facility, the original maturity of which has expired. The Funds and WTF borrowed money to finance loan investments and transactions, which will exaggerate the effect of any default or losses in the Funds' portfolio. Money borrowed is also subject to interest and other costs. As described above, the Funds have entered into a forbearance agreement with the lending banks, and the lending banks have asserted certain defaults under that forbearance agreement have occurred. The lending banks may pursue additional remedies if the Funds fail to comply with the obligations set forth in the forbearance agreement, or the defaults asserted by the lending banks are not resolved to the lending banks' satisfaction. If any lender were to require the Funds to sell or liquidate assets

or otherwise act to realize on such collateral, such actions would materially and adversely impair the Funds.

- *Nature of Investment.* An investment in the Funds is speculative and involves a high degree of risk. The Funds' performance may be volatile, and an investor could incur a total or substantial loss of their investment. There can be no assurance that projected or targeted returns for the Funds will be achieved. There is no assurance that the investments held by the Funds will be profitable, or that there will be proceeds from such investments available for distribution to the limited partners. Although the Funds have booked significant write-downs and increased their reserve for loan losses, such reserve may not be sufficient to cover actual loan losses.
- *COVID-19.* The outbreak of the novel coronavirus, or COVID-19, has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving and the resulting quarantines and restrictions on travel have adversely impacted most industries directly and all industries indirectly, in other words, the entire economy. The Funds and many of the Funds' borrowers have been materially and adversely affected by the crisis and there could be additional adverse effects to the Funds and their investments.
- *Concentration Risk.* The Funds' top five investment exposures constitute greater than 50% of the Funds' gross asset value. A total loss of any of these highly concentrated positions would cause a material and adverse impact on the Funds.
- *Litigation Risk.* In 2020, the Adviser filed a civil complaint alleging misconduct by former management and other entities, appearing in the matter of *ExWorks Capital and World Trade Finance v. Abrahams, et al.*, Case No. 20-CH-06538 (Cir. Court Cook County), as amended (the "Complaint"). The Complaint alleges, among other things, misappropriation of certain corporate opportunities belonging to the Adviser, fraudulent activity by former senior management, and other allegations of wrong doing involving certain entities associated with RedRidge Finance Group, LLC, as well as other parties, relating to prior periods of the Funds. Certain members of the Adviser's former management have filed a complaint against the Adviser alleging defamation and related claims, as further described in the matter of *Randolph Abrahams and Luke LaHaie v. ExWorks Capital, LLC*, Case No. 202-L-011645 (Cir. Court Cook County).

The Funds are also subject from time to time to litigation with respect to their investments in portfolio companies or liability from contractual arrangements made in connection with borrowers. For example, a portfolio company operating in the food, beverage and entertainment industry leases its restaurant facilities under operating leases. Fund I agreed to guarantee the rental payment obligations of such portfolio company with respect to a

new location that the portfolio company was unable to open as a result of the COVID-19 pandemic. The acting agent of the property owner filed a complaint against the portfolio company and Fund I, demanding, among other remedies, the payment by Fund I of its guarantee obligations, which are potentially significant.

In addition to the significant costs related to pursuing and defending litigation, litigation poses risks including, direction of management's attention from day-to-day portfolio management, reputational risk that may make exiting or re-financing existing portfolio positions more difficult, and risks relating to prior periods of the Funds, including the risk of financial restatement. Additionally, such litigation may make it more difficult for the Funds to refinance their existing credit facilities. See also "Credit Facility" above and "Leverage Risk" below.

- *Future and Past Performance.* The Funds have recently experienced large losses as a result of substantial write-downs and increase in the size of the Funds' reserve against loan loss. The Adviser expects that the future performance of the Funds will not meet the historical results of the Funds and there is a substantial likelihood that the Funds will continue to experience losses, including loss of capital.
- *Reliance on Borrower and Financial Reporting.* In many cases, the Adviser will rely on the financial information made available by the borrowers or issuers in which the Funds invest, and generally will not have the ability to independently verify such financial information. Therefore, the Funds are subject to risks of fraud and accounting irregularities. Additionally, borrowers may be delinquent in providing such financial information to the Funds, in which case the Funds are subject to risks of not receiving current financial information from such borrowers. Borrowers that have ceased operations will generally not continue to provide financial information to the Adviser.
- *Bridge Financing.* The Funds lend or provide financial guarantees or similar instruments to borrowers on a short-term basis in anticipation of a future issuance of long-term debt securities or other refinancing, but such future events may not occur. In many cases, these short-term loans remain outstanding, and the interest rate may not adequately reflect the risk associated with the Funds' unsecured position. As a result of the adverse economic consequences of the coronavirus, such refinancing opportunities may be limited, which creates further risks of loss to the Funds.
- *Investments in Companies Materially Impacted by the COVID-19 crisis.* The Funds have invested a significant portion of their assets in companies that have been materially and adversely affected by the COVID-19 crisis. For example, the Funds' current largest investment on the basis of capital invested is a food and beverage business which has been unable to operate as a result of local shut-down orders. A long-term continuation of the



crisis or the emergence of new pandemics would have a material and adverse effect on such companies, including the risk of permanent closure and impairment of capital.

- *Investments in Less Established Companies.* The Funds invest a significant portion of their assets in smaller, less established companies, which typically involves greater risks than are generally associated with investments in more established companies. Less established companies have lower capitalization and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies may also have shorter operating histories on which to judge future performance.
- *Risks of Realization and Lack of Liquidity of Investments.* The Funds generally will provide senior secured debt to private companies, which are not publicly traded and do not have the liquidity of conventional public bond and equity securities. Due to their illiquid nature, the Funds may not be able to dispose of their interest in a debt security before maturity in a timely manner and/or at a fair price (or at the value that would be expected to be realized were the securities to be more liquid), which could result in losses to the Funds, including the loss of their entire investment.

The Funds are also subject to risks arising from changes in the financial condition or prospects of the companies whose borrowings underlie the Funds' investments, changes in national or international economic or political conditions (including acts of war, terrorism or other calamity or crisis), adverse conditions in national or global financial or capital markets, or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made.

- *Uncertain Exit Strategies.* Due to the illiquid nature of some of the positions that the Funds have acquired, the Adviser is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will be available at an attractive price, or at all. Exit strategies which appear to be viable or profitable when an investment is initiated may be precluded or unprofitable by the time the investment is ready to be realized due to market, economic, legal, political or other factors.
- *Risks Associated with Making Loans.* Direct loans are subject to risks, including: (i) the possible invalidation of a particular investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws; (ii) "lender liability" claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Funds to directly enforce rights with respect to participations. Successful claims by third parties arising from these and other risks, absent actual fraud, willful misconduct or gross negligence by the General Partner or the Adviser, may be borne by the Funds.

- *Credit Risks.* Debt investments generally are subject to the borrower's ability to make interest and principal payments as they become due. The Funds' income and value might be reduced if a borrower fails to repay interest or principal. As a result of the coronavirus pandemic, the Adviser anticipate that borrower's ability to make interest and principal payments will be materially and adversely affected, which will cause a risk of loss to the Funds.
- *Nature of Investments in Senior Loans.* The Funds cannot guarantee that the value of any underlying collateral, the creditworthiness of the borrower, or the priority of the liens will be adequate for the protection of the Funds' interests in senior loans. While the Funds' investment interests in senior loans typically will be secured by collateral and may be credit-enhanced, the Funds may have difficulty liquidating the collateral or enforcing their rights under the terms of the senior loans in the event of the borrower's default or other factors, and the value of such collateral may be insufficient to protect the Funds against losses or a decline in income in the event of a borrower's non-payment of interest or principal. In addition, some loans may not have priority over other unsecured debt of an issuer, the Funds may invest in debt instruments that are not secured by collateral, and loans may become non-performing.

Furthermore, the liens referred to herein generally only cover domestic assets; non-U.S. assets are not included (other than, for example, where a borrower pledges a portion of the stock of first-tier non-U.S. subsidiaries).

Finally, upon a bankruptcy filing by an issuer of debt, United States Code (11 U.S.C. §§ 101-1330) (the "Bankruptcy Code") imposes an automatic stay on payments of its prepetition debt. Nonperforming debt obligations may require substantial workout negotiations, restructuring or bankruptcy filings that may entail a substantial reduction in the interest rate, deferral of payments and/or a substantial write-down of the principal of a loan or conversion of some or all of the debt to equity. If an issuer were to file for chapter 11 reorganization, the Bankruptcy Code authorizes the issuer to restructure the terms of repayment of a class of debt even if the class fails to accept the restructuring as long as the restructured terms are "fair and equitable" to the class and certain other conditions are met.

The Funds' investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the borrower repaying the principal on an obligation held by the Funds earlier than expected.

- *Foreign Exposure.* The Funds have entered into loan and finance transactions with foreign borrowers in foreign jurisdictions. Foreign loans and transactions involve additional risks relating to political, economic, or regulatory conditions in foreign countries, including, but not limited to, fluctuations in foreign exchange rates, withholding or other taxes,

restrictions on the repatriation of income, burdens of complying with a wide variety of foreign laws and legal standards, increased financial accounting complexities, difficulties in managing and staffing international operations, difficulties securing collateral, the less stringent legal protections and systems of many foreign markets and other operational risks. The Adviser may, but is under no obligation to, employ hedging techniques to minimize currency exchange related risks to non-U.S. dollar denominated investments in loans and loan related assets, although there can be no assurance that such strategies will be effective. These factors generally make foreign loans and transactions riskier than similar transactions in the United States.

- *Lender Liability Considerations and Equitable Subordination.* In recent years, several judicial decisions in the U.S. have upheld the right of borrowers to sue lending institutions (i.e., the Funds) on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. In addition, the court may utilize “equitable subordination,” where a court subordinates the claim of a lending institution that violated common law principles to claims of the disadvantaged creditors or creditors. While believed to be unlikely, the holder of certain underlying securities could be subject to allegations of lender liability or equitable subordination, which could potentially reduce the cash flows and/or market value of such security.
- *Interest Rate Risk.* In general, the value of a debt security changes as prevailing interest rates change. For fixed-rate debt securities, when prevailing interest rates fall, the values of outstanding debt securities generally rise. When interest rates rise, the values of outstanding debt securities earning lower rates generally fall, and they may sell at a discount from their face amount. The debt instruments in which the Funds will invest generally will have adjustable interest rates. For that reason, the General Partner and the Adviser expect that when interest rates change, the amount of interest received by the Funds in respect of such debt investments will change in a corresponding manner.
- *Creditor Rights.* In some cases, the General Partner or the Adviser may seek appropriate creditor rights to help protect the Funds’ interests, like the right to appoint one or more representatives to the board of directors. Such creditor rights may expose the Funds’ representatives, and ultimately the Funds, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

- *Recourse to the Funds' Assets.* The Funds' assets are available to satisfy all liabilities and other current obligations of the Funds. Satisfaction of liabilities may not be limited to the particular investment giving rise to the liability.
- *Potential Liabilities.* The Funds will indemnify the General Partner, the Adviser, and their investment professionals, among others, for liabilities incurred in connection with operations of the Funds, including liabilities arising from such suits. Such indemnification obligations and other liabilities could be substantial.
- *Diverse Membership of the Limited Partners.* The limited partners include taxable and tax-exempt persons and entities and include investors organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by the General Partner or the Adviser that may be more beneficial for one type of limited partner than for another type of limited partner. In addition, the General Partner may make investments for the Funds that may have a negative impact on other investments made by any limited partner in separate transactions. In selecting investments appropriate for the Funds, the General Partner and the Adviser will consider the investment objectives of the Funds as a whole, not the investment objectives of any limited partner individually.
- *Dilution from Subsequent Closings.* The General Partner and the Adviser do not intend to raise additional capital through the Funds at this time. Each limited partner who subscribed for an interest in a Fund at any closing subsequent to the initial closing participated in existing investments of the Funds based on contributed capital, and hence, diluted the interests of the existing limited partners.
- *Advisory Committee.* The General Partner has appointed limited partner representatives to the Advisory Committee. None of the Advisory Committee members shall owe any fiduciary duties to the Funds or any other Partner. In addition, representatives of the Advisory Committee may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence their decisions as members of the Advisory Committee.
- *Risks Related to Conflicts of Interest*

The Adviser (and its members, managers, directors, employees, or Affiliates) ("Adviser Personnel") may serve as investment manager, advisor, or in another capacity to other funds or client accounts and conduct investment activities for its own accounts ("Other Accounts"). Such other entities or accounts may have investment objectives or may implement investment strategies similar to those of the Funds. At this time, none of the Adviser Personnel, including members of the Adviser's Operating Committee, currently serves as an investment manager, advisor or in another capacity to Other Accounts.

As noted above, the Operating Committee was recently reconstituted as required by the terms of the forbearance agreement. A member of the Operating Committee is the co-founder and managing partner of Novo Advisors. Pursuant to the terms of the forbearance agreement between the Funds and the lenders thereunder, the Funds engaged Novo Advisors as financial consultant. Novo Advisors was previously engaged by the bank group in connection with the Funds, though that representation ceased at the time of Novo Advisors' retention by the Funds. Nonetheless, Novo's prior engagement by the bank group may create a potential conflict of interest.

In the event that Adviser Personnel serve as investment manager, advisor or in another capacity to Other Accounts in the future, such Adviser Personnel may give advice or take action with respect to such Other Accounts that differs from the advice given or action taken with respect to the Funds. The Adviser or any of its Affiliates or any person connected with them, including the members, managers, directors and employees of the Adviser may invest in, directly or indirectly, or manage or advise other investment funds or accounts that invest in assets that may also be purchased or sold by the Funds. Neither the Adviser nor any of its Affiliates nor any person connected with them, including the members, managers, directors and employees of the Adviser, is under any obligation to offer investment opportunities of which any of them becomes aware to the Funds or to account to the Funds in respect of (or share with the Funds or inform the Funds of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Funds and Other Accounts.

In the event that the Adviser Personnel serve as investment manager, advisor, or in another capacity to Other Accounts, the Adviser Personnel will have conflicts of interest in allocating investments and their time by and among the Funds and Other Accounts.

To resolve any such conflict, Adviser Personnel will, at all times, have regard for their obligation to the Funds, use their best efforts in connection with the purposes and objectives of the Funds, will devote so much of their time and effort to the affairs of the Funds as may, in their judgment, be necessary to accomplish the purposes of the Funds. Without limiting the generality of the foregoing, the Adviser and its directors may act as investment manager or adviser for others, may manage funds or capital for others, may have, make, and maintain investments in its own name or through other entities and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. It may not always be possible or consistent with the investment objectives of the various persons or entities described above and of the Funds for the same investment positions to be taken or liquidated at the same time or at the same price. The Adviser may from time-to-time act as investment manager in relation to, or be otherwise involved in, other funds established by parties other than the Funds which have similar objectives to those of, or invest in similar securities to those held by, the

Funds. It is, therefore, possible that any of them or their respective directors, shareholders, members, officers, agents or employees may, in the course of business, have potential conflicts of interest with the Funds. In such event, any of the foregoing persons will, at all times, have regard to its obligations to the Funds and will endeavor to ensure that such conflicts are resolved fairly. In addition, subject to applicable law and the requirements of the Funds' governing documents, any of the foregoing persons may deal, as principal or agent, with the Funds, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis.

### ***Item 9 – Disciplinary Information***

The Adviser has no reportable legal or disciplinary actions that, under the instructions to Form ADV Part 2A, would be presumed to be material for this Item. Additionally, the Adviser is not aware of any legal or disciplinary actions relating to the Adviser or any current management person that the Adviser believes would be material to a client's evaluation of our advisory business or the integrity of our management.

As described in "Item 13 – Review of Accounts" below, The Adviser filed a civil complaint alleging misconduct by former management appearing in the matter of *ExWorks Capital and World Trade Finance v. Abrahams, et al.*, Case No. 20-CH-065387 (Cir. Court Cook County). The Adviser has informed its investors of the contents of the complaint and the facts and circumstances relating thereto.

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

The General Partner of each Fund is an advisory affiliate of the Adviser.

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

#### **Code of Ethics**

Under the Advisers Act, the Adviser and its principals and certain employees ("Supervised Persons") owe fiduciary duties to their clients. Consistent with these duties, the Adviser has adopted the Code of Ethics that, among other things, requires that its Supervised Persons reflect the professional standards expected of investment advisers and comply with federal and state securities laws and regulations pertaining to the Adviser. Under the Code of Ethics, Supervised Persons should place the interests of clients first, ahead of their own personal interests, and generally seek to treat clients fairly. In addition, Supervised Persons are prohibited from engaging in any practice that defrauds or misleads any client or investor or engaging in any manipulative or deceitful practice with respect to clients, investors or securities.

The Code of Ethics also includes provisions addressing personal trading by Access Persons and Supervised Persons, as summarized below:

*Personal Trading.* Under the Code of Ethics, Access Persons are generally required to submit information about their personal trading activities to the Adviser's CCO or the CCO's designee for review. In light of the fact that, at this time, almost of all of the Funds' holdings are in non-public issuers, that the Funds do not trade publicly registered securities other than securities received in the course of originating loans, and the Funds have generally suspended making new investments, the Board of Managers, Operating Committee and certain other Access Persons are required to certify on a quarterly basis that they hold no beneficiary interest in any of the Funds' borrowers or portfolio companies in lieu of submitting information about their personal trading activities. In addition, all Supervised Persons are prohibited from trading any securities in the Adviser's Restricted List and are required to notify the CCO or the CCO's designee and obtain advance approval or pre-clearance of investment in private placement and initial public offerings. Violations of the Code of Ethics may result in disciplinary action up to and including dismissal.

*Participation or Interest in Client Transactions.* Under the Code of Ethics, Supervised Persons are prohibited from trading in securities on the basis of material, non-public information or communicating material, non-public information about the issuer of any security to any other person.

A Supervised Person is generally any partner, officer, director or employee of the Adviser. An Access Person is a Supervised Person who has access to non-public information regarding any borrower or who is involved in making securities recommendations or underwriting decisions on loans and financing transactions.

The Adviser will provide a copy of the Code of Ethics to clients or prospective clients upon request.

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

Since the Funds' portfolios consist primarily of privately negotiated loans and loan assets, the Adviser infrequently uses brokers in the normal course. Generally, the Adviser only utilizes the services of broker-dealers for transaction-related services when disposing of publicly traded equity securities received in connection with loan transactions. With respect to those limited instances in which the Funds sell publicly traded equity securities through a broker-dealer, the Adviser will seek to obtain best execution for any such transactions.

#### **Soft Dollar Transactions**

The Adviser does not generate or use soft dollars, which are credits generated by transactions placed with certain securities broker-dealers that may be used to "purchase" certain research and brokerage products from such securities broker-dealers.

### Aggregation of Trades

The Adviser does not currently aggregate securities trades. In the event that the Adviser determines to aggregate securities trades, the Adviser will ensure that such practice is consistent with best execution.

### Co-Investment Allocations

In certain circumstances, the Adviser will determine that a co-investment opportunity should be offered to one or more un-affiliated third parties, including investors in the Funds, and may maintain discretion with respect to which co-investors are offered such opportunity. The allocation of any co-investment opportunity will be dependent on the facts and circumstances specific to that unique situation. The General Partner will seek the advice and consultation of the Fund's Advisory Committee on any co-investment transactions.

From time to time, the Adviser may determine to cause the Fund to enter into participation agreements with respect to a loan in the Fund's portfolio. In connection with such a participation agreement, the Fund will receive an upfront payment from the loan participant in return for an economic participating interest in the loan. The Fund will generally maintain all rights as lender, including servicing of the loan. Such participations allow the Fund to diversify risk while retaining administration control, as well as potentially leverage income by reducing capital deployed.

## ***Item 13 – Review of Accounts***

### Oversight and Monitoring

The Funds' portfolios consist primarily of privately negotiated loans, loan assets and owned assets.

In 2020, the Adviser formed the Operating Committee to manage the business of the Funds and the Adviser. In connection with the forbearance agreement described above, the composition of the Operating Committee was reformulated with the stated objective of managing the daily activities related to the Funds' investments consistent with the best interest of the Funds. Concurrently, pursuant to the terms of the forbearance agreement, the Funds retained a financial adviser to prepare and deliver reports and other information to the bank group, including assisting in developing monetization plans and milestones for the Funds' investments.

### Reporting

Following the discovery of the events as described in the Complaint against former senior management and other entities as described above, the Adviser's senior management declined to sign an auditor representation letter for the year ended December 31, 2019. The Funds' auditor subsequently declined to issue an audit opinion with respect to the Funds' financial statements for



the year ended December 31, 2019. As a result of the allegations of certain fraudulent activity by former senior management relating to prior periods of the Funds, there is a risk that the audited financial statements relating to such period may require restatement. Additionally, as a result of the events described above, in March 2021, the Funds' existing audit firm informed the Funds that it will not accept an engagement to complete the Funds' audit for the year ended December 31, 2020. The Funds have engaged a successor auditor to obtain GAAP compliant audits of the Funds for the year ended December 31, 2020, and intend to distribute the audited financials to limited partners upon completion.

Prior to the 2019 fiscal year, investors in the Funds received, among other things, a copy of audited financial statements of the relevant Fund after the fiscal year end of the Fund.

Investors will continue to receive annual tax information necessary for each investor's tax return. In addition, investors in each Fund will typically receive periodic updates as determined by the Adviser.

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

The Adviser does not engage solicitors who refer clients or investors in the Funds to the Adviser for compensation.

#### ***Item 15 – Custody***

The Adviser and the General Partner act, respectively, as investment adviser and general partner, to the Funds and, as such, the Adviser is deemed to have custody of client assets. The majority of the Funds' investments are in the form of privately negotiated loans and loan assets. Such instruments are generally held in electronic format by the Adviser or in an offsite managed document storage facility. To the extent that a Fund holds marketable or certificated securities, they are generally held in custody in the relevant Fund's brokerage account at JP Morgan Chase & Co. In some cases, securities may be held in book-entry form by the issuer of such securities on behalf of the Funds. Substantially all of the Funds' and Adviser's cash is held in bank accounts at CIBC Bank USA.

Historically, the Adviser has not used qualified custodians to send quarterly account statements directly to the Funds or investors in the Funds. For fiscal years prior to 2019, each Fund was audited annually and investors in a Fund received audited financial statements. As a result of the circumstances described in Item 13 – Review of Accounts, under the heading "Reporting," above, and other unforeseen circumstances, investors did not receive audited financial statements for the year ended December 31, 2019.

The Funds have engaged a successor auditor to obtain GAAP compliant audits of the Funds for the year ended December 31, 2020, and intend to distribute the audited financials to limited partners upon completion.

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

The Adviser has discretionary authority to determine the investments to be bought or sold and the amounts to invest for the Funds under, and subject to, the governing documents of the Funds and other agreements, including the terms of the forbearance agreement relating to the Funds' credit facility.

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

The Adviser generally does not vote proxies on behalf of the Funds as proxy voting is generally not applicable to the type of investments held by the Funds. From time to time, the Funds may receive equity securities or warrants from borrowers in connection with loan transactions. Additionally, the Adviser (or the General Partner) may take a controlling position in or participate in a loan workout or creditor committee with respect to an investment held by the Funds. Accordingly, the Adviser has adopted proxy voting policies and procedures. As a general policy, the Adviser votes proxies related to securities held in Fund accounts in a manner that serves the best interests of the Fund. In voting securities held by the Funds, the Adviser will attempt to resolve any conflict of interest between the Fund and the Adviser's business interests in the way that will most benefit the Funds. The Adviser's proxy voting policies and procedures and a record of how the Adviser has voted proxies, each of which is available to clients upon request.

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

The Adviser does not require or solicit prepayment of fees six (6) months or more in advance.

The Adviser obtained financial assistance by participating in Paycheck Protection Program ("PPP") established by the SBA. PPP is intended to assist the Adviser with maintaining its business in response to the COVID-19 pandemic by providing low-interest loans for business essentials. The Adviser anticipates these loans will be eligible for forgiveness, but it is not guaranteed as it will be based on factors such as being used for payroll, overhead, and any outstanding interest payments that continue to be serviced by the firm.

Although the Adviser currently does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds for the time-being, as discussed above, as a result of defaults in their obligations under the credit facility and the terms of the related forbearance agreement, the Funds are subject to operational constraints imposed by the lenders, including constraints on the uses of, and access to, cash received by the Funds, including payment of the management fees owed to the Adviser. The inability of the Adviser to collect management

fees, either as a result of lender constraints, or lack of liquidity, would have a material adverse effect on the Adviser's ability to operate.