



**PART 2A OF FORM ADV**

**FIRM BROCHURE**

**December 21, 2021**

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**This brochure provides information about the qualifications and business practices of Turning Rock Partners, L.P. (the “Adviser”), an investment adviser that will be registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (212) 207-2396.**

**This information has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

**Additional information about Turning Rock Partners, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2. Material Changes**

The annual updating amendment of the brochure dated March 31, 2021 included the following material changes to the annual updating amendment of the brochure dated March 30, 2020: The expense disclosure in Item 5 and the investment strategies and risk factors in Item 8 have been updated.

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#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser on September 8, 2017. Maggie Arvedlund Cassidy is the managing partner of the Adviser.

The Adviser provides advisory services on a discretionary basis to pooled and single-investor investment vehicles (each referred to as a “Client” or a “Fund”, and collectively, the “Clients” or the “Funds”) intended for sophisticated investors and institutional investors.

The Adviser provides advice to the Funds based on specific investment objectives and strategies described in each Fund’s offering memorandum, limited partnership agreement or limited liability company agreement (collectively, the “Offering Documentation”). Fund Investors may not impose restrictions on investing in certain securities or certain types of securities.

As of March 31, 2021, the Adviser managed approximately \$684,327,244 of regulatory assets under management, of which \$654,362,511 was managed on a discretionary basis and \$29,964,733 was managed on a non-discretionary basis.

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

##### Asset-Based Compensation

The Adviser is paid a quarterly asset-based management fee (the “Management Fees”) in advance generally of up to 1.5% of the net asset value, the aggregate committed capital, or the remaining invested capital of, the relevant Fund. The Management Fee rate paid by a Fund to the Adviser is determined based on factors, including but not limited to, the Fund’s investment strategy, the amount of assets placed under management with the Adviser by the Fund, and the point in time in the life cycle of the Fund. For certain Funds, Investors in the same Fund pay different Management Fees based on whether they invested in an early or later round of fundraising and the amount of their investment, with earlier or larger investors at times paying lower Management Fees than other investors. Where Management Fees are based on committed capital or the remaining invested capital of a Fund, the Management Fee payable by such Fund will be due to the Adviser even if the fair value of the relevant remaining investments is below cost. The Adviser may waive or reduce the Management Fees for certain Fund Investors. Management Fees payable to the Adviser by certain Funds may be reduced by certain other compensation received by the Adviser or its affiliates that relate to the relevant Fund.

##### Performance-Based Compensation

An affiliate of the Adviser may also be paid performance-based compensation, which is compensation that is based on the cash proceeds derived by the Funds with respect to their ownership or sale or other disposition of Fund investments, less the amounts necessary to enable the Funds to pay Fund expenses and other debts, obligations and liabilities of the Funds (“Distributable Cash”).

The Adviser’s affiliate generally receives performance-based compensation only after the cumulative amount distributed to the Fund Investors provides the Fund Investors with a preferred return, compounded annually. Once this condition is fulfilled, the Adviser’s affiliate is paid performance-based compensation of up to 20% of the required cumulative amount distributed in order for the performance-based compensation to the Adviser’s affiliate to take effect, and thereafter up to 20% of the Distributable Cash. The rate of performance-based compensation paid by a Fund to the Adviser’s affiliate is determined based on factors, including but not limited to, the Fund’s investment strategy and the amount of assets placed under management with the Adviser by the Fund. For certain Funds, Investors in the same Fund pay different performance-based compensation based on whether they invested in an early or later round of fundraising and the amount of their investment, with earlier or larger investors at times paying lower performance-based compensation than other investors. The Adviser’s affiliate may waive or modify the performance-based compensation for certain Fund Investors.

In addition to paying the Management Fee and, if applicable, performance-based fees or other compensation, Fund Investors will be subject to all expenses or obligations of the Funds or otherwise incurred by the Adviser or its affiliates on behalf of the Funds in furtherance of the purpose of the Funds (other than any expenses identified in the Funds' Offering Documentation as expenses of the Adviser which the Adviser will pay and be solely responsible for). Certain of the Funds have the following expenses, which may include, but are not limited to, expenses incurred in connection with the sourcing, evaluation and potential acquisition of Fund investments, including but not limited to fees and other compensation paid to Senior Advisors (as defined and further discussed below), regardless of whether such acquisition is actually consummated; expenses associated with the holding, monitoring and sale of Fund investments, including, but not limited to, private placement fees, external sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, unaffiliated third-party investment banking fees, custodial, trustee, record keeping and other administration fees, and information services; the Funds' legal, auditing, consulting, accounting, valuation services, loan servicing and other professional expenses; costs and expenses for the preparation of the Funds' financial statements, tax returns, and IRS Schedules K-1; out-of-pocket expenses incurred in connection with the collection of amounts due to the Funds from any person; insurance premiums (including expenses and fees for each of the Funds', the Adviser's and the Adviser's affiliate's errors and omissions and directors' and officers' liability insurance) related to protection of certain persons against any liability arising out of, related to or incurred in connection with the Offering Documentation of the Funds for which that beneficiary of the insurance is entitled to indemnification under such Offering Documentation; taxes, fees and other governmental charges levied against the Funds; expenses incurred with respect to the winding-up or liquidation of the Funds; expenses relating to defaults by Fund Investors; expenses incurred in connection with any action, claim, suit, investigation, arbitration or proceeding, whether at law or in equity, and whether by or before any court, arbitrator, governmental body or other administrative, regulatory or other agency or commission involving the Funds (including the cost of any investigation and preparation) and the amount of any judgment or settlement paid in connection therewith; provided, however, that any such expenses which, if incurred by any person, would not be indemnifiable under the Offering Documentation of the Funds, shall not constitute expenses of the Funds or Fund Investors; costs and expenses related to the limited partner advisory board of the Funds and any meetings of Fund Investors; expenses incurred in connection with distributions to Fund Investors; restructuring or amendments to any of the Offering Documentation of the Funds or any alternative investment vehicles; all of the costs and expenses associates with the purchase, holding or sale, exchange or other disposition of securities, any Fund investments or other Fund assets, including, but not by way of limitation, placement and finder's fees, asset specialist fees and advisory fee paid to unaffiliated third parties; interest and any expenses incurred by the Funds with respect to any credit facility or borrowings; and compliance expenses in connection with the compliance obligations of the Fund, including, without limitation, third party compliance consulting fees, and expenses relating to compliance or regulatory filings, including Form PF. Fund Investors will also pay any indemnification obligation and any other indemnity, contribution or reimbursement obligations of the Funds with respect to any person. Fund Investors will also bear the legal and organizational expenses incurred in connection with the formation and capitalization of the Funds and the marketing of Funds' interests, other than placement agent fees, including the out-of-pocket expenses of the Adviser on behalf of it, the Adviser's affiliate and its agents (collectively, "Organizational Expenses"). At times, if applicable, a cap on such Organizational Expenses may be set forth in a Fund's Offering Documentation. As discussed above, Fund Investors will incur brokerage and other transaction costs.

Certain of the Funds will pay the following expenses: all costs, expenses and liabilities incurred by or on behalf of the Fund (other than Organizational Expenses), including the following items: all ongoing accounting, auditing, legal, consulting, custodial, administrative, valuation, loan servicing, reporting, tax return preparation, and other professional fees and expenses incurred by or on behalf of the Fund (including reimbursable expenses of members of the Fund's advisory committee, fees and expenses of any third party administrator, and expenses incurred in connection with any limited partner annual meetings held pursuant to the limited partnership agreement of the Fund (the "Partnership Agreement")); Management Fees; expenses incurred in connection with the sourcing, evaluation and actual or potential acquisition of portfolio Investments, regardless of whether such acquisition is actually consummated (including postclosing expenses in connection with consummated portfolio investments), and expenses associated with the holding, monitoring and sale of portfolio investments, including, but not limited to, private placement fees, external sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, unaffiliated third-party investment banking fees, custodial, trustee, record keeping and other administration fees, and costs of insurance and information services, including costs and expenses incurred in connection with the formation of any alternative investment vehicle or any other person through or in which any portfolio investment is made; expenses of the general partner, the Adviser and their respective affiliates specifically attributable to monitoring and managing portfolio investments (including, for the avoidance of doubt, costs associated with retaining senior advisors and operating partners, technology expenses for software or systems to monitor portfolio investments, consulting fees and compensation of employees of the Adviser, the general partner and their respective affiliates, to the extent specifically attributable to work conducted by such employees to monitor and manage portfolio investments); provided, that the general partner shall provide the limited partners with a quarterly summary of all such expenses allocated to the Fund in accordance with the Partnership Agreement; expenses incurred by the general partner, the Adviser, the Fund and their respective affiliates in connection with any workout or restructuring of a portfolio investment, including compensation of employees of the Adviser, the general partner and their respective affiliates, to the extent specifically attributable to work conducted by such employees in connection with any such work-out or restructuring; provided, that the general partner shall provide the limited partners with a quarterly summary of all such expenses allocated to the Fund in accordance with the Partnership Agreement; interest on, and fees and expenses relating to or arising from, the Fund's Indebtedness; costs and expenses for the assessment and preparation of the Fund's financial statements, tax returns and IRS Schedules K-1; out-of-pocket expenses incurred in connection with the collection of amounts due to the Fund from any Person; insurance premiums (including expenses and fees for each of the Fund, the general partner, the Adviser's and, if applicable, the investment committee and the advisory committee's errors and omissions, and directors' and officers' liability insurance) related to protection of covered persons against any liability arising out of, related to or incurred in connection with the Partnership Agreement for which that beneficiary of the insurance is entitled to indemnification under the Partnership Agreement; taxes, fees and other governmental charges levied against the Fund; expenses incurred with respect to the winding-up or liquidation of the Fund; expenses relating to defaults by defaulting partners that are not paid by such defaulting partners after request therefor from the general partner; expenses incurred in connection with any legal action or proceeding involving the Fund (including the cost of any investigation and preparation) and the amount of any judgment or settlement paid in connection therewith; provided, however, that any such expenses which, if incurred by any person, would not be indemnifiable under the Partnership Agreement, shall not constitute operating expenses; any indemnification obligation and any other indemnity contribution or reimbursement obligations of the Fund with respect to any person, whether payable in connection with any legal action or proceeding involving the Fund or otherwise; expenses incurred in connection with distributions to the partners; expenses in connection with the compliance obligations of the Fund (including, without limitation, third party compliance consulting fees, and expenses relating to compliance or regulatory filings, including Form PF); and other extraordinary, nonrecurring expenses of the Fund, including all fees and other expenses required to be borne by the Fund pursuant to the Partnership Agreement. Except as described above, the Adviser and the general partner will be responsible for all routine day-to-day expenses associated with their own operations, including salaries, office space and equipment, as well as expenses of compliance with legal and regulatory requirements arising from their own activities. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

The Adviser will from time to time retain "Senior Advisors" to provide services (including serving as board members for portfolio companies) to or otherwise consult with portfolio companies of the Funds on strategy and operational matters. Senior Advisors are generally former executives of companies, including former portfolio companies of the Funds, who are engaged by the Adviser as consultants. Senior Advisors may receive compensation from the Funds or the portfolio companies to which they provide services, as determined

by negotiations between the Adviser and the applicable portfolio company. Such compensation may consist of cash fees, options or other securities. Also, as part of such negotiated arrangement with a portfolio company, a Senior Advisor may be provided with the opportunity to invest in such portfolio company. Directors' fees or consulting fees received by such persons from portfolio companies, whether in cash or in the form of options or securities, do not reduce advisory fees payable to the Adviser by the Funds.

The allocation of expenses by the Adviser between it and any Client and among Clients represents a conflict of interest for the Adviser. The Adviser has adopted an expense allocation policy that is designed to address this conflict. On a quarterly basis, the Adviser will allocate common Client expenses from the list of all expenses among multiple Clients *pro rata* based on capital commitments as of the beginning of the quarter in which the expenses are paid; provided, however, that the Adviser may deviate from *pro rata* allocations with respect to expenses that, in the Adviser's view, disproportionately benefit a particular Client or group of Clients. When considering whether to allocate in different manner with respect to a particular expense, the Adviser may consider the following factors, among others: transaction-related expenses; transaction or portfolio company expenses held by a specific Client; frequency of trading; legal, tax or other professional services obtained for a particular fund or account, Client or investor specific requests or Client specific arrangements. Where the Adviser determines that an expense disproportionately benefits a particular Client, the Adviser may charge all or part of the expense to that Client.

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

An affiliate of the Adviser is entitled to be paid performance-based compensation by the Funds. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements.

Since the Adviser and its investment personnel manage multiple Client accounts, including accounts with different fee arrangements, a potential exists for one Client account to be favored over another Client account. Certain Client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. The Adviser and its investment personnel would have a greater incentive to favor Client accounts that pay the Adviser (and indirectly its investment personnel) performance-based compensation or higher fees. Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest that may arise related to the management of multiple Client accounts. In particular, the Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly reviewed. The Adviser may allocate investment opportunities to certain Client accounts on a non-pro rata basis due to a consideration of factors including but not limited to each Client's investment objective and strategy; risk profile; tax status; size of client account; availability of investable cash within a Client's account; total portfolio exposure; nature and liquidity of the investment being allocated; size of investment being allocated; current market conditions; timing of cash flows and account liquidity and any other information determined to be relevant to the allocation of the investment.

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

The Adviser's clients are the Funds. Any minimum commitment amount with respect to an investment in a Fund is disclosed in each Fund's Offering Documentation. The Adviser or its affiliate may modify minimum commitment amounts.

In connection with the formation and management of a Fund, the Adviser may form certain related entities for such Fund. The Adviser may establish vehicles (collectively, "SPVs") to address tax, legal or regulatory issues or requirements of certain investors in such Fund or for other purposes. In addition, the Adviser may form "alternative investment vehicles" (collectively, "AIVs") for the purpose of facilitating certain investments by one or more Funds. Please refer to the Offering Documentation of each Fund for details on SPVs and AIVs.

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

### ***Methods of Analysis and Investment Strategies***

The Adviser, on behalf of the Funds, employs an opportunistic investment strategy which seeks to make structured debt and equity investments ("Portfolio Companies") tied to North American corporates. The strategy provides flexible capital solutions for situationally distressed, complex or misunderstood middle market and lower middle market companies in the form of debt or structured equity securities. Additionally, the strategy benefits from flexibility to purchase, lend against or create platforms around future cash flow streams backed by assets. Other special situations might include niche asset portfolio purchases and liquidations. The Adviser seeks to lend against or purchase assets at a discount to intrinsic value (book value, earnings or cash flow). Downside protection is an inherent feature of the strategy and will target underlying securities which are tied to business models which benefit from a high degree of asset coverage, definable cash flow and a path to exit. The target investment universe for a Fund includes privately and publicly held North American businesses with enterprise values under \$1 billion which are characterized by (i) existing cash flow, (ii) moderate capital structures, (iii) highly aligned management teams with deep domain expertise and heavy cash contributions to ensure strategic alignment in the businesses, and (iv) healthy competitive positioning in their respective markets. Sectors of focus may include, but are not limited to, communications, transportation, essential business services, industrial logistics, financials, media, real assets and diversified. Investment instruments may include first or second lien debt securities, subordinated capital, structured equity or niche asset portfolios tied to liquidations. Transactions may include acquisition financing, growth capital, recapitalizations, refinancing or opportunistic secondary purchases.

Further information on the methods of analysis and investment strategies of each Fund is provided in each Fund's Offering Documentation.

The Adviser's methods of analysis and investment strategies involve risk of loss to Clients and Clients must be prepared to bear the loss of their entire investment.

### ***Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies***

***Risk of Loss.*** An investment with the Adviser entails a high degree of risk with no certainty as to the magnitude or timing of the returns, if any, on a limited partner's investment. Accordingly, an investment with the Adviser should be made only by persons who are able to bear the risk of loss of all capital invested. No guarantee or representation is made that a Fund will be able to implement its investment strategy or achieve its targeted returns, or that the overall investment program of a Fund will be successful.

***Long-term Nature of Investment; Illiquidity of the Adviser's Investments.*** An investment with the Adviser requires a long-term commitment of capital. The process of searching for, selecting, managing and disposing of investments is likely to take several years from the initial closing date of a Fund. There can be no assurance that a Fund's return targets will be met. Accordingly, the return of capital and the realization of gains, if any, from portfolio investments may not occur until a number of years after such investments are made, if at all. In addition, investments made by the Adviser on behalf of the Funds are likely to be illiquid. Illiquidity may result from the absence of an established market for such investments, as well as from legal, contractual or other restrictions on their resale by the Adviser. This illiquidity may interfere with the Adviser's ability to dispose of its portfolio investments in a timely manner or adversely affect the terms of such dispositions. Moreover, distributions to the partners may be made in kind, including (following the dissolution of a Fund) in illiquid securities, and losses on unsuccessful investments may be realized before any gains on successful investments are realized.

***Lack of Control.*** A portion of the Adviser's investments on behalf of the Funds may represent minority positions in Portfolio Companies, with limited ability to influence or control such Portfolio Companies' management. Although the Adviser will generally seek appropriate shareholder or similar rights to protect its interests in situations where it holds a minority position, there can be no assurance that such rights will be available or that such rights will always provide sufficient protection of the Adviser's interests.

***Dependence on Key Personnel.*** The success of the Adviser depends in substantial part upon the skill and expertise of the principals and the other individuals employed by the Adviser to assist them. However, there



can be no assurance that the principals will continue to be associated with the general partner and/or the Adviser throughout the life of the Adviser, and the loss of one or more principals or other key personnel could have a material adverse effect upon a Fund, its management and/or its selection of portfolio investments.

*General Economic Conditions.* The Adviser's activities and results may be affected by a number of general economic factors which are outside the control of the Adviser, the general partner and the Funds. These factors include, but are not limited to, interest rates, inflation, general levels of economic activity, the price of securities and participation by other investors in the financial markets. Instability in the securities, currency, commodity and other markets may also increase the risks inherent in the Adviser's investments.

*Interest Rates.* The Adviser's portfolio investments on behalf of the Funds may generally include a fixed interest rate component for the loan repayment. As such, movements in the level of interest rates may affect the returns from the Adviser's portfolio investments more significantly than investments in other types of assets. In addition, a material increase in interest rates and/or risk margins during the term of a Fund could materially and adversely affect the Adviser's ability to dispose of its portfolio investments on favorable terms.

*Price Levels.* Inflation may adversely affect the Adviser's portfolio investments on behalf of the Funds. The value of the Adviser's debt investments may decline in periods of rising inflation given a fixed interest rate component. Conversely, during periods of deflation, the market value of the Adviser's Portfolio Companies may decline, reducing the Adviser's ability to achieve targeted returns upon realization of the equity components of its portfolio investments.

*Borrowings and Cost of Leverage.* Subject to the restrictions on borrowings described herein, the Adviser, on behalf of the Funds, may from time to time enter into loan agreements with third parties to provide working capital for the Adviser. The Adviser may borrow or use other forms of leverage on a secured or an unsecured basis for any purpose, including increasing investment capacity, covering operating expenses, making redemption or dividend payments or for clearance of transactions.

The use of leverage creates increased risk of loss and is considered a speculative investment technique. The use of leverage magnifies the potential gains and losses from an investment and increases the risk of loss of capital. Borrowing money to purchase securities may provide an opportunity for greater capital appreciation, but, at the same time, increases the Adviser's exposure to capital risk and higher current expenses through interest charges, fees imposed by lenders and transaction costs. To the extent that income derived by a Fund from investments purchased with borrowed funds is greater than the cost of borrowing, that Fund's income will be greater than if borrowing had not been used. Conversely, if the income from investments purchased from these sources is not sufficient to cover the cost of the leverage, the Fund's investment income will be less than if leverage had not been used, and the amount available for ultimate distribution to the Fund's limited partners will be reduced. The extent to which the gains and losses associated with leveraged investing are magnified will generally depend on the degree of leverage employed. The Adviser may, under some circumstances, be required to dispose of investments under unfavorable market conditions in order to repay its creditors, thus causing the Adviser to recognize a loss that might not otherwise have occurred. In the event of a sale of investments upon default under a Fund's borrowing arrangements, secured creditors may be contractually entitled to direct such sales and may be expected to do so in their interest, rather than in the interests of the Fund's limited partners.

*Expedited Transactions.* Investment analyses and decisions by the Adviser on behalf of the Funds may be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time of an investment decision may be limited, and the Adviser may not have access to detailed information regarding the investment opportunity. Therefore, no assurance can be given that the Adviser will have knowledge of all circumstances that may adversely affect an investment. In this regard, the Adviser intends to rely primarily on its internal market knowledge and research expertise in making investment decisions, and typically it will not engage third-party experts or consultants to assist in due diligence or analysis of particular opportunities.

*COVID-19 and Other Pandemic Risks.* The recent outbreak of COVID-19 has had, and may continue to have, material adverse consequences for general economic, financial and business conditions, and could materially and adversely affect the general partner's and the Adviser's business, financial condition, results of operations and cash flows, as well as their ability to carry out the Adviser's investment strategy. In particular, the outbreak

and the responses of governmental authorities and companies and the self-imposed restrictions by many individuals across the world to curb the spread of the virus have significantly reduced global economic activity, as there has been a dramatic decrease in the number of businesses open for operation. Concerns over the negative effects of COVID-19 on economic and business prospects across the world have contributed to increased market volatility and have diminished expectations for the global economy. These factors, coupled with the emergence of decreasing business and consumer confidence and increasing unemployment resulting from the COVID-19 outbreak, may precipitate a prolonged economic slowdown and recession. The ultimate extent of the impact of COVID-19 on the Adviser's business, financial condition, results of operations and cash flows, as well as their ability to carry out the Adviser's investment strategy, may be impacted by future developments, including the duration and spread of the outbreak, the related impact on overall economic activity and the timing of the lifting of restrictions and return of customer confidence, all of which are uncertain and cannot be predicted with certainty at this time. Actual or threatened epidemics, pandemics, outbreaks, or other public health crises may in the future adversely affect the business and the revenues, financial condition and results of operations of the Adviser, the Funds and the Portfolio Companies.

*General Credit Risks of Debt Obligations.* Debt portfolios are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations which are rated by rating agencies are often reviewed by such agencies and may be subject to downgrade.

*Credit Analysis Risk.* The investment strategy to be utilized by the Adviser may require accurate and detailed credit analysis of borrowers. There can be no assurance that the Adviser's analysis will be accurate or complete. The Adviser may be subject to substantial losses in the event of credit deterioration or bankruptcy of one or more issuers in its portfolio.

*Originated Loans.* A portion of the Adviser's investments on behalf of the Funds will consist of loans originated by the Adviser to finance internal growth, acquisitions, mergers or stock purchases, or for other reasons. As a result of the additional debt incurred by the borrower in the course of the transaction, the borrower's creditworthiness may be judged by the rating agencies to be below investment-grade.

*Uncertainty in Evaluation of Assets.* In evaluating potential portfolio investments, the Adviser will, in the course of conducting due diligence, evaluate the strength of the relevant borrowers' assets. The success of the Adviser's investment strategy will depend in part on the relative accuracy of such evaluations. Because information obtained and evaluated during the diligence process may be incomplete or inaccurate, and because asset valuation involves a high degree of uncertainty, there can be no assurance that the Funds will be able to accurately make such evaluations in all cases.

*Borrower Fraud.* Of paramount concern when originating loans is the possibility of a material misrepresentation or omission on the part of a borrower. Such inaccuracy or incompleteness may adversely affect, among other things, the valuation of the collateral underlying the loans or may adversely affect the ability of the Adviser to perfect or effectuate a lien on the collateral securing the loan. The Adviser will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. While the Adviser will conduct due diligence with respect to the collateral before investing, including obtaining appraisals of inventory values from independent sources, and will seek to obtain appropriate monitoring rights, there can be no assurance that the Adviser will detect representational borrower fraud or inaccuracy or that the Adviser's investments will not be adversely affected by such fraud or inaccuracy.

*Lender Liability Considerations and Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories collectively termed "lender liability". Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. While believed to be unlikely, because of the nature of certain of the portfolio investments, the Adviser could be subject to allegations of lender liability.

*Private Company Investments.* The Adviser has a limited history of managing investment vehicles. Investments in private companies at various stages in their development involve a high degree of business and financial risk. Private companies with limited operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. The Funds will have significant exposure to, as a result of the Adviser's investments on behalf of the Funds, private companies across a variety of industry sectors. These companies typically have modest revenues (and in the case of some companies, no revenue) and may or may not be profitable. Private companies in which the Adviser, on behalf of the Funds, invests may require additional capital, after a Fund's investments, to develop technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Further, the technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Although the Adviser may seek to negotiate certain protective provisions in connection with certain of the Funds' private investments, the Adviser primarily expects to take minority positions in the Portfolio Companies in which it invests. The Adviser and the Funds generally may not be represented on a Portfolio Company's board of directors, and each Portfolio Company will be managed by its own officers (who generally will not be affiliated with the Adviser). As a result, the Adviser typically will not be in a position to exercise control over the management of such Portfolio Companies, and, accordingly, may have a limited ability to protect its position in the Portfolio Companies. Some companies may depend upon managerial assistance or financing provided by their investors. The value of the Adviser's investments on behalf of the Funds may depend upon the quality of managerial assistance provided by the investors in the Portfolio Companies and their ability and willingness to provide financial support. The use of leverage by the private companies may increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event any Portfolio Company cannot generate adequate cash flow to meet debt service or operating expenses, a Fund may suffer a partial or total loss of capital invested in the Portfolio Company, which, depending on the size of that Fund's investments, could adversely affect the return on the capital of the Fund.

The Adviser's ability to realize value from an equity investment in a private company may depend largely upon successful completion of the company's initial public offering ("IPO") or the sale of the company to another company, which may not occur for a period of several years after the date of the Adviser's investment, or may not occur at all. There can be no assurance that any of the Portfolio Companies in which the Adviser invests will complete public offerings or be sold, or, if such events occur, as to the timing and value of such offerings or sales. In addition, the Funds, as a result of the Adviser's investments, may be subject to, or may agree to become subject to, lock-up periods subsequent to an IPO or other liquidity event. A Fund may also lose all or part of its entire investment if the Portfolio Companies fail or their product lines fail to achieve an adequate level of market recognition or acceptance.

*Debt Securities and Obligations.* The Adviser, on behalf of the Funds, will invest in various corporate and asset-based debt obligations. These debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk). The Adviser may intend to actively expose the Funds to credit risk. However, there can be no guarantee that the Adviser will be successful in making the right selections and thus fully mitigate the impact of credit risk on the Funds. A debt security or obligation may be subject to redemption at the option of the issuer. If a debt security or obligation held by a Fund is called for early redemption, that Fund will be required to permit the issuer to redeem such security or obligation, which could have an adverse effect on the Adviser's ability to achieve its investment objective.

*Follow-On Investments.* The Adviser may be called upon to provide follow-on funding for its existing Portfolio Companies or have the opportunity to increase its investment in such Portfolio Companies. There can be no assurance that the Adviser will make such follow-on investments or that it will have sufficient funds to do so. Any decision by the Adviser not to make follow-on investments or its inability to make them may have a substantial negative impact on Portfolio Companies in need of such an investment or may diminish the Adviser's ability to influence the Portfolio Company's future development. In addition, if the Adviser determines not to make follow-on investments, it may reduce the Adviser's ability to obtain a full repayment of its senior secured debt.

*Risk of Reliance on Portfolio Company Management; Investments with Third Parties.* Although the Adviser will monitor the performance of each Fund investment in a Portfolio Company, the Adviser will rely upon each Portfolio Company's management to operate the Portfolio Company on a day-to-day basis. There can be no assurance that the management of Portfolio Companies in which the Funds invest will operate successfully. Further, the Adviser expects the Funds to hold minority positions in its Portfolio Companies in most cases and its ability to exercise influence over these portfolio companies may be extremely limited. In such cases, the Adviser will be significantly reliant on the existing management and board of directors of such Portfolio Companies, which may include representation of other financial investors with whom the Adviser is not affiliated and whose interests may conflict with the interests of the Adviser. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third party may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Adviser, or may be in a position to take (or block) action in a manner contrary to the Adviser's investment objectives. In addition, the Adviser may in certain circumstances be liable for the actions of its third-party co-venturers. 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.

*Expedited Transactions.* Investment analyses and decisions by the Adviser may be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time of an investment decision may be limited, and the Adviser may not have access to detailed information regarding the investment opportunity. Therefore, no assurance can be given that the Adviser will have knowledge of all circumstances that may adversely affect an investment. In this regard, the Adviser intends to rely primarily on its internal market knowledge and research expertise in making investment decisions.

*Market Risks.* The profitability of a significant portion of the Adviser's investment program depends to a great extent upon correctly assessing the future course of price movements of specific securities and other investments. There can be no assurance that the Adviser will be able to predict accurately these price movements. At times, the securities markets experience great volatility and unpredictability, which could make it more difficult or less profitable, for a company to engage in a sale transaction or an IPO. With respect to the investment strategy utilized by the Adviser, there is always some, and occasionally a significant, degree of market risk that impacts a Portfolio Company's ability to execute on its business plan.

*General Risks of Lending.* The value of the Adviser's investments in debt instruments may be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted instrument. The Adviser may attempt to minimize this risk by maintaining low loan-to-liquidation values with each loan and the collateral underlying the loan. However, there can be no assurance that the value assigned by the Adviser to collateral underlying a debt instrument held by a Fund will be realized upon liquidation, nor can there be any assurance that collateral will retain its value. In addition, certain debt instruments may be supported, in whole or in part, by personal guarantees made by the borrower or a relative, or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a debt instrument may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, the value of collateral supporting such debt instruments may fluctuate. In addition, active lending/origination by the Funds may subject it to additional regulation, as well as possible adverse tax consequences to the Funds and/or the Limited Partners or Shareholders. The Adviser will seek to adopt appropriate procedures to minimize such risks. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted debt instruments and, if applicable, taking possession of and subsequently liquidating various types of collateral.

*Lower Rated Debt and Preferred Securities.* The Adviser may invest, on behalf of the Funds, in debt instruments and preferred securities which are rated in the lower rating categories by the various credit rating agencies or, more commonly, in comparable non-rated debt instruments and securities. Debt instruments and securities in the lower rating categories and comparable non-rated debt instruments and securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated debt instruments and securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay dividends and interest and repay principal. They are also generally considered to be subject to greater risk than debt instruments and securities with higher ratings and comparable non-rated debt instruments and securities in the case of deterioration of general economic conditions. The market for lower-

rated and comparable non-rated debt instruments and securities is thinner, often less liquid, and less active than that for higher-rated and comparable non-rated debt instruments and securities, which can adversely affect the prices at which such debt instruments and securities can be sold and may even make it impracticable to sell such debt instruments and securities.

*Non-Diversification.* The assets of a Fund may at times be concentrated into a relatively few number of securities and/or sectors. Accordingly, the investment portfolio of a Fund may be subject to more rapid change in value than would be the case if the Fund were required to maintain a wide diversification among Portfolio Companies, sectors, securities, countries and industry groups.

*High Growth Industry Related Risks.* The Adviser may make, on behalf of the Funds, investments in the securities of high-growth Portfolio Companies. These Portfolio Companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

*Lack of Liquidity of Fund Assets.* The Adviser will invest each Fund's portfolio in non-publicly traded securities and private instruments for which the number of potential purchasers and sellers, if any, is very limited. This factor may have the effect of limiting the availability of these securities for purchase by the Funds and may also limit the ability of the Funds to sell such securities at their fair value prior to termination of the Funds or in response to changes in the economy or financial markets. Due to securities regulations governing certain publicly traded equity securities, that ability could also be diminished with respect to equity holdings that represent a significant portion of the issuer's voting securities. Thus, there can be no assurance as to the timing and amount of distributions from the Funds. To the extent any private investments cannot be sold prior to the termination of a Fund, they may be distributed in kind to the investors of the Fund at termination.

*Non-U.S. Securities.* Investing in securities of Portfolio Companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States companies. These considerations include changes in exchange rates and exchange control regulations, restrictions, risks, or impracticalities that could (i) result in the Adviser relying on third parties with respect to currency transactions (including income repatriation), and/or (ii) make currency transactions expensive, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less governmental supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

*Currency Risks.* Investments in securities or other instruments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Adviser may try to hedge these risks by investing in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts or similar instruments, or any combination thereof, but there can be no assurance that such strategies will be implemented, or if implemented, will be effective.

*Illiquidity of Fund Investments.* The debt and equity instruments in which the Adviser will invest, on behalf of the Funds, may have a limited market of potential purchasers and sellers. This factor may have the effect of limiting the availability of these instruments for purchase by the Funds and may also limit the ability of the Funds to sell such instruments at prices deemed appropriate by the Adviser prior to termination of the Funds or in response to changes in the economy or financial markets. Thus, there can be no assurance as to the timing and amount of distributions from the Funds. Further, losses on unsuccessful investments may be realized before gains on successful investments are realized.

*Warrants.* Warrants are derivative instruments that permit, but do not obligate, the holder to subscribe for other securities. Warrants do not carry with them the right to dividends or voting rights with respect to the securities

that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants may be considered more speculative than certain other types of investments. In addition, the value of a warrant does not necessarily change with the value of the underlying securities or commodities, and a warrant ceases to have value if it is not exercised prior to its expiration date.

*Convertible Securities.* The Adviser may invest, on behalf of the Funds, in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid- yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase, and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

*Valuation of Portfolio Holdings.* There are various conflicts of interest in connection with the valuation of Client assets, in particular, higher valuations of Client assets may result in increased asset-based and performance-based fees, and in some cases, increased compensation for personnel. In addition, inflated valuations may result in better performance which may assist in marketing for the Adviser. Conflicts of interest may be heightened in the case of assets that do not have readily ascertainable market values. To address these conflicts, the Adviser has adopted and implemented policies and procedures for the valuation of client securities, including the formation of a valuation committee to oversee the valuations process, and the review of fair-valued investments.

*LIBOR Affected Instruments.* The Adviser may make, on behalf of the Funds, investments in debt securities and employs investment strategies, that utilize the London Interbank Offered Rate ("LIBOR") as a "benchmark" or "reference rate" for various interest rate calculations. The United Kingdom Financial Conduct Authority, which regulates LIBOR, has announced a desire to phase out the use of LIBOR by the end of 2021. The elimination of LIBOR or changes to other reference rates or any other changes or reforms to the determination or supervision of reference rates could have an adverse impact on the market for, or value of, any securities or payments linked to those reference rates, which may have an adverse impact on the value of client accounts. Uncertainty and risk also remain regarding the willingness and ability of issuers and lenders to include revised provisions in new and existing contracts or instruments. Consequently, the transition away from LIBOR to other reference rates may lead to increased volatility and illiquidity in markets that are tied to LIBOR, fluctuations in values of LIBOR-related investments or investments in issuers that utilize LIBOR, increased difficulty in borrowing or refinancing and diminished effectiveness of hedging strategies, adversely impacting the performance of client accounts.

*Effects of Health Crises and Other Force Majeure Events.* Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on clients' investments and the Adviser's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

*Certain Regulatory Considerations; Potential Changes in Laws.* The Adviser expects to make investments in a number of different industries, some of which are or may become subject to regulation by one or more U.S. federal agencies and by various agencies of the states, localities, and counties in which they operate. New and existing regulations, changing regulatory schemes, and the burdens of regulatory compliance all may have a material negative impact on the performance of portfolio companies that operate in these industries. The Adviser cannot predict whether new legislation or regulation governing those industries will be enacted

by legislative bodies or governmental agencies, nor can it predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on the Funds' investment performance.

Further, amendments to the U.S. Bankruptcy Code, the Code, or other relevant laws, as well as application of recently enacted legislation, could alter an expected outcome or introduce greater uncertainty regarding the likely outcome of an investment situation.

Finally, the regulatory environment for private investment funds, such as the Funds, is evolving, and changes in the regulation of private investment funds may adversely affect the value of investments held by the Funds and the ability of the Adviser to pursue its investment strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of any future regulatory change on the Funds could be substantial and adverse including, for example, increased compliance costs, the prohibition of certain types of trading and/or the inhibition of the Funds' ability to pursue certain of its investment strategies as described herein.

***Cybersecurity Risk.*** The information and technology systems of the Adviser and of key service providers to the Adviser and its Clients may be vulnerable to potential 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 the Adviser has implemented various measures designed 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, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or its Client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

***Risk Management Failures.*** Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of Clients may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to Clients.

***Systems and Operational Risk.*** The Adviser relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including the third-party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. In addition, despite certain measures established by the Adviser and third-party service providers to safeguard information in these systems, the Adviser, Clients and their third-party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the Client trading activities, liability under applicable law, regulatory intervention or reputational damage.

## **Item 9. Disciplinary Information**

This Item is not applicable.

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

The Adviser shares office space with Matrix Private Capital Group, LLC ("MPCG"), an SEC-registered investment adviser with substantially different methods of analysis and investment strategies than the Adviser. The Adviser has adopted and implemented information barrier policies and procedures to prevent the disclosure or receipt of confidential information between the Adviser and MPCG.

Affiliates of the Adviser have entered into an agreement with an affiliate of Investcorp Investment Advisers LLC (“Investcorp”), an SEC-registered investment adviser, pursuant to which the Investcorp affiliate has agreed to make certain capital investments in the Adviser and investment vehicles managed by the Adviser. Under this agreement, the Investcorp affiliate is entitled to receive a share of the Adviser’s revenues.

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

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its supervised persons to put the interests of the Adviser’s Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. In addition to compliance with the Adviser’s policies and procedures, all of the Adviser’s personnel are required to comply with applicable federal securities laws. Fund Investors or prospective Fund Investors may obtain a copy of the Code by contacting the Adviser’s Chief Compliance Officer at (212) 207-2396. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by the Adviser’s supervised persons.

The Adviser and its supervised persons may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. The Adviser has adopted policies and procedures governing gifts and business entertainment, which includes preclearance by the Chief Compliance Officer and quarterly disclosure of gifts in excess of a de minimis threshold and business entertainment that raises a question of impropriety.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the Client or using such information for the Client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser has adopted the following procedures in an effort to minimize conflicts with respect to personal trading by the Adviser’s supervised persons: the Adviser requires its related persons to preclear all transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its Clients. In addition, the Adviser’s Code prohibits the Adviser or its related persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. The Adviser’s supervised persons are required to disclose their securities transactions on a quarterly basis. Trading in the personal accounts of the Adviser’s related persons is reviewed by the Chief Compliance Officer and reviewed against the restricted securities list.

To the extent that the Adviser or a related person or any personnel of the Adviser own securities that the Adviser or its related persons also recommends to Clients, such Clients’ proxies will be voted according to predetermined guidelines rather than subject to the Adviser’s (or its related person’s) discretion. Please refer to Item 17 for further information regarding the Adviser’s proxy voting policy and procedures.

The Adviser will from time to time cause a Fund to engage in “cross transactions” via the purchase of a portfolio investment from, or the sale of a portfolio investment to, another Fund, subject to any conditions under each Fund’s Offering Documentation. Certain Funds will engage in re-balancing transactions pursuant to the terms of their Offering Documentation due to changes in the relative capital commitments between the Funds during their respective fund-raising periods.



## **Item 12. Brokerage Practices**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to: financial stability of the broker; the actual executed price of the security and the broker's commission rates; research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance the Adviser's general portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; the operational facilities of the brokers and/or dealers involved (including back office efficiency); and the ability to handle a block order for securities and distribution capabilities. In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.

The Adviser's Chief Compliance Officer evaluates at least quarterly the broker-dealers used by the Adviser to execute Client trades using the factors that include, but are not limited to: average commission rate charged by each broker; the services provided by the broker other than execution; the value of research provided by each broker; whether the execution and other services provided by the broker were satisfactory (taking into account such factors as the speed of execution, access to the broker's traders, availability of the types of securities traded by the Adviser, the certainty of execution, the ability to handle large orders or orders requiring special handling, and custodial services); reason for using that broker (i.e., research, execution only, etc.); unusual trends (such as higher than usual commission rates or a large volume of business directed to an unknown broker); and potential conflicts of interest (such as directing brokerage to a broker who makes Client referrals to the Adviser).

While it does not currently do so, the Adviser may in the future use Client brokerage commissions, or "soft dollars," to obtain research and brokerage services that provide lawful and appropriate assistance to the Adviser in carrying out its investment decision-making responsibilities, as permitted under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). The Adviser would limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, third party and proprietary broker research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

While it does not currently do so, the Adviser may in the future obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable

to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination by the Adviser of the appropriate allocation of “mixed use” products and services creates a potential conflict of interest between the Adviser and Clients.

The Adviser provides advisory services to multiple Client accounts, and may purchase or sell the same security for multiple Clients at or near the same time and using the same executing broker. The Adviser may, where appropriate, aggregate Client orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction. However, in cases where the Client has negotiated the commission rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the Client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a Client's account, the Adviser may be precluded from aggregating that Client's transaction with others. In such a case, the Client may pay a higher commission rate and/or receive less favorable prices than Clients who are able to participate in an aggregated order.

When the Adviser has determined that an investment opportunity is appropriate for multiple Clients at or near the same time, the Adviser may, in its sole discretion, aggregate Client orders for the purchase or sale of the same securities at or near the same time with the same broker-dealer. In aggregating Client orders for securities at the same broker-dealer, including any orders placed for private investment vehicles, the Adviser will generally follow these guidelines: (i) no Fund Client will be favored over any other Fund Client other than as permitted under the Adviser's policies; (ii) each Fund Client that participates in an aggregated order will participate at the average share price for all the Adviser's transactions in that security on a given business day or such shorter period, as applicable and transaction costs will be shared pro rata based on each Fund Client's participation in the aggregated order; and (iii) the aggregated order generally will be allocated among Fund Clients in accordance with the aggregated order; subject to the exceptions provided below. Notwithstanding these guidelines, an aggregated order may be allocated following execution on a basis different from that specified in the aggregated order, if the reason for the different allocation is explained in writing and approved by the Chief Compliance Officer of the Adviser.

### **Item 13. Review of Accounts**

Each Fund is reviewed by the investment committee of the Funds on a periodic basis to determine whether securities positions should be maintained. Matters reviewed include specific securities held in the Funds, adherence to investment guidelines and the performance of the Funds.

Significant market events affecting the prices of one or more securities in Client accounts, changes in the investment objectives or guidelines of a particular Client or specific Client arrangements may trigger reviews of Client accounts on other than a periodic basis.

Fund Investors receive reports from the Funds pursuant to the terms of the Funds' Offering Documentation.

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

#### ***Economic Benefits Received from Third Parties***

In connection with investments made by Funds, the Adviser (or persons associated with Adviser) may receive an annual management fee and/or monitoring, consulting, directors' or other fees (whether in cash or options or other securities) from a portfolio company while the applicable Fund continues to have an investment in such portfolio company. The Adviser may receive a “break-up” fee from a prospective portfolio company if an investment does not close for certain reasons after a letter of intent related to such investment has been issued. The Adviser may also receive commitment, structuring and/or other transaction fees from portfolio companies in which one or more of the Funds invests or intends to invest (although in most cases the Adviser does not receive these types of transaction-based fees). The amount of any fees that the Adviser or any of its associated persons receives from portfolio companies is determined by negotiations between the Adviser and

the applicable portfolio companies. These types of arrangements present potential conflicts of interest and provide the Adviser with an incentive to recommend investments based on compensation received rather than the best interests of a Fund. To help mitigate potential conflicts, such benefits received by the Adviser or its employees in connection with services rendered to portfolio companies or transactions of a Fund are generally offset (and therefore reduce) advisory fees payable by the relevant Fund, to the extent provided in and subject to certain exceptions described below and in the Offering Documentation of such Fund. To the extent that such fees do not result in a full, dollar-for-dollar offset against the advisory fees payable by the relevant Fund, however, such potential conflicts remain.

While it does not currently do so, the Adviser may in the future receive certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its Clients. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

The Adviser makes cash payments to one or more third-party solicitors for Fund Investor referrals whereby the third-party solicitor receives compensation attributable to the Fund Investor solicited and referred by the third-party solicitor, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for Client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended and related SEC staff interpretations.

#### **Item 15. Custody**

The Adviser and its affiliate are deemed to have custody of Client assets and intend to comply with Rule 206(4)-2 under the Advisers Act by meeting the conditions of the “Pooled Vehicle Annual Audit Exception”. Such Rule requires that each Fund be subject to an annual financial statement audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements will be prepared in accordance with generally accepted accounting principles in the U.S. and will be distributed to each Fund Investor within 120 days of the applicable Fund’s fiscal year end.

#### **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to Clients.

Prior to assuming full discretion in managing a Client’s assets, the Adviser enters into an investment management agreement, LLC agreement or other agreement that sets forth the scope of the Adviser’s discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the Client account. The Adviser may consider the following factors, among others, in allocating securities among Clients: (i) a Client’s investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a Client’s portfolio by the Client or by applicable law; (iv) size of the Client account; (v) availability of investable cash within Client’s account; (vi) total portfolio invested position; (vii) nature and liquidity of the security to be allocated; (viii) supply or demand for a security at a given price level; (ix) size of available position; (x) current market conditions; and (xi) account liquidity and timing of cash flows. Although it is the Adviser’s policy to allocate investment opportunities to eligible Client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to Client accounts in varying amounts.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Adviser's error correction procedure is to ensure that Clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. In the event that a Client account incurs a trade error as a result of the Adviser's gross negligence or willful misconduct, the Adviser will reimburse the Client. Trade errors that do not result from the Adviser's gross negligence or willful misconduct are borne by the Client account. The Adviser is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Adviser.

To the extent the Adviser has authority, pursuant to the Offering Documentation of a Fund, to participate in class action claims (each, a "Claim") it will do so on a case-by-case basis. Once the Adviser receives a Claim, the Adviser will determine whether any Funds or former Funds of the Adviser owned the security during the period covered by the Claim. Appropriate personnel of the Adviser will determine whether they agree with the basis of the Claim and whether or not to participate in the Claim depending upon (i) the nature of the Claim; (ii) prospects for recovery; (iii) resources required to pursue the Claim, (iv) other relevant factors pertaining to the particular Claim and (v) any other factors that the Adviser deems relevant. To the extent the Adviser receives proceeds from a Claim on behalf of a Fund, the Adviser's general policy is that only current investors of the Fund at the time of receipt of the proceeds will participate in the proceeds. The Adviser may under certain circumstances elect not to participate in the proceeds of a Claim.

#### **Item 17. Voting Client Securities**

The Adviser has adopted proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of each Client.

The Adviser will abstain from voting or affirmatively decide not to vote if the Adviser determines that abstention or not voting is in the best interests of the Client in light of the scope of services to which the Adviser and the Client have agreed. In making this determination, the Adviser will consider various factors, including, but not limited to, (i) the costs associated with exercising the proxy (e.g., translation or travel costs); and (ii) any legal restrictions on trading resulting from the exercise of a proxy.

Fund Investors are not permitted to direct their votes in a particular solicitation.

Fund Investors may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted the Fund's proxies by contacting the Adviser's Chief Compliance Officer at (212) 207-2396.

#### **Item 18. Financial Information**

The Adviser does not believe there are any financial conditions reasonably likely to impair its ability to meet contractual commitments to Clients.

#### **Item 19. Requirements for State-Registered Advisers**

This Item is not applicable.