

**Item 1 - Cover Page**

**CLEAR HAVEN CAPITAL MANAGEMENT, LLC**

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July 14, 2021

**Form ADV Part 2A Brochure**

This brochure provides information about the qualifications and business practices of Clear Haven Capital Management, LLC. If you have any questions about the contents of this brochure (the “Brochure”), please contact us at (332) 240-0416 and/or [adamyoung@clearhavencm.com](mailto:adamyoung@clearhavencm.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Clear Haven Capital Management, LLC is also available on the SEC’s website at <http://www.adviserinfo.sec.gov>.

Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Clear Haven Capital Management, LLC filed its most recent annual updating amendment to its Brochure on March 30, 2021. This Brochure has been amended to reflect Clear Haven Capital Management, LLC's change of address. There are no other material changes. Nevertheless, clients are encouraged to read this document in its entirety.

### Item 3 – Table of Contents

ITEM 1 - COVER PAGE .....	I
ITEM 2 – MATERIAL CHANGES.....	II
ITEM 3 – TABLE OF CONTENTS.....	III
ITEM 4 – ADVISORY BUSINESS.....	1
ITEM 5 – FEES AND COMPENSATION.....	1
ITEM 6 – PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	5
ITEM 7 – TYPES OF CLIENTS.....	6
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	7
ITEM 9 - DISCIPLINARY INFORMATION .....	24
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	24
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	25
ITEM 12 – BROKERAGE PRACTICES.....	26
ITEM 13 – REVIEW OF ACCOUNTS.....	28
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION.....	29
ITEM 15 – CUSTODY.....	29
ITEM 16 – INVESTMENT DISCRETION .....	29
ITEM 17 – VOTING CLIENT SECURITIES .....	30
ITEM 18 – FINANCIAL INFORMATION.....	31
ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	31

## Item 4 – Advisory Business

Clear Haven Capital Management, LLC ("Clear Haven," "we," "us," or "our") is a New York limited liability company and has been operating since March 2009. Clear Haven is owned and controlled by Adam Young, Alex Bashan and Mark Simmer (collectively, the "Principals").

We provide discretionary investment advice to the following private funds (collectively, the "Funds"): (i) Clear Haven 2018 I, LLC, a Delaware limited liability company (the "CH 2018"), (ii) Clear Haven Credit Opportunities Fund I Series (the "Series One"), a series of Clear Haven Investment Fund, LP and (iii) CH Receivables SPV Series (the "Receivables Series" and together with Series One, the "Credit Opportunity Funds"), another series of Clear Haven Investment Fund, LP.

Clear Haven Managing Member, LLC ("Clear Haven MM") serves as the managing member of CH 2018 and Clear Haven Investment Fund GP, LLC ("Clear Haven GP") serves as the general partner of Clear Haven Investment Fund, LP.

The Funds are managed in accordance with their own investment objectives, as described in their offering documents and governing agreements. We do not permit investors in the Funds to impose limitations on the investment activities described in such documents. (*See Item 16 - Investment Discretion.*)

We also provide investment advisory services to clients through separately managed accounts arrangements (such accounts, the "Managed Accounts"). We offer discretionary and non-discretionary accounts to our Managed Account clients. We will construct an Investment Policy Statement ("IPS") for each Managed Account client. The IPS will document the owner of the Managed Account's current financial situation, investment objectives, suitability, restrictions imposed, allowable investments, risk tolerance, liquidity needs and investment time horizon. Managed Account portfolios are structured based on the objectives outlined in the IPS. Clear Haven offers owners of Managed Accounts the ability to impose restrictions on the types of investments and/or management styles of Clear Haven. Any restrictions imposed by a client will be documented in the client's IPS.

References throughout this document to "clients" refer to the Funds and the Managed Accounts, as well as private funds and separately managed accounts that we may manage in the future. References throughout this document to "Governing Documents" means, as applicable, the offering documents and governing documents for a Fund or the IPS for a Managed Account.

Clear Haven does not participate in or offer wrap fee programs.

As of December 31, 2020, Clear Haven managed \$78,398,775 of regulatory assets under management, all of which was managed on a discretionary basis. This asset number remain subject to a final audit.

## Item 5 – Fees and Compensation

### ***Management Fees***

Clear Haven's compensation is described in its clients' Governing Documents. The management fees payable by clients are set forth below. In addition, Clear Haven or its affiliates are entitled to receive performance-based fees, performance-based allocations or carried interest from clients, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

### The Credit Opportunity Funds

Clear Haven or an affiliate thereof is paid management fees from Series One quarterly in arrears. Such management fees are generally calculated based on investor commitments for an initial period of time. Thereafter, such management fees will be based on capital contributions by investors that have been used to fund portfolio investments (including the costs and expense incurred in direct connection with the acquisition or disposition of such investments, including sales commissions, private placement fees, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, and legal, accounting, investment banking, consulting, information and professional fees related to the discovery, investigation, development, making, management and disposition of such investments), subject to certain adjustments. Management fees for Series One are paid by drawdowns of capital commitments and/or deducted from available cash.

In lieu of a management fee, Clear Haven or an affiliate thereof will be paid servicing fees from the Receivables Series quarterly in arrears. Such servicing fees are generally equal to the greater of: (i) a fixed amount per quarter or (ii) a percentage of the fair value of all portfolio investments allocated directly or indirectly to the Receivables Series. Management fees for the Receivables Series are paid by drawdowns of capital commitments and/or deducted from available cash.

Clear Haven may waive or reduce the management fee for one or more investors in the Credit Opportunity Funds (including affiliates of Clear Haven or Clear Haven GP and employees thereof) without notice to or the consent of all other investors.

All of the investors in the Credit Opportunity Funds are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended). Accordingly, more details regarding their management fees and servicing fees, as applicable, can be found in their Governing Documents.

Clear Haven GP may be entitled to retain any fees (including director fees (including the value of any options, warrants and other non-cash compensation), break-up fees and fees for advisory, consulting, monitoring or other similar services) paid by third parties to Clear Haven GP or its affiliates (which includes for this purpose any such fees paid to the members and employees of Clear Haven GP and its affiliates) arising from each Credit Opportunity Fund’s portfolio investments or potential portfolio investments. Such fees and other compensation will not offset the Credit Opportunity Funds’ management fees or servicing fees, as applicable, or any other fees or distributions that Clear Haven or Clear Haven GP are due from the Credit Opportunity Funds.

### CH 2018

CH 2018 does not pay management fees.

### Managed Accounts

Managed Accounts will be generally charged a management fee equal to 0.25 per quarter (approximately 1% per annum) of their assets under management and will be subject to performance-based fees (as described below). At the discretion of Clear Haven, the Managed Accounts’ management fees may be negotiated.

Management fees for each Managed Account will begin to accrue on the date on which the Managed Account is funded. The Managed Accounts’ management fees will be paid in arrears and are payable

on the end of business on the earlier of the last day of the calendar quarter ("billing cycle"). The Managed Accounts' management fees will be prorated for all partial quarter billing cycles. Each Managed Account's custodian will automatically deduct the fee from the client's account and the fee will appear on the account statement provided by the custodian to the client.

Clear Haven will provide Managed Account clients with invoices documenting the relevant management fee deducted from the client's account. Since all fees are paid in arrears, there is no refund policy.

The net asset value used to calculate Managed Account fees at the end of each billing cycle will be the net asset value on the first business day of the billing cycle.

## ***Expenses***

### **The Credit Opportunity Funds**

Except as otherwise provided in the Credit Opportunity Funds' Governing Documents, each Credit Opportunity Fund will generally bear its *pro rata* share of all out-of-pocket expenses incurred in connection with the organization, formation and documentation of the relevant Fund, Clear Haven GP, any parallel vehicle and certain related entities organized by us or our affiliates, including any amendments, modifications or revisions to the constitutive documents of any such entities and the preparation and negotiation of any side letters, and the initial and ongoing offering of the interests therein, including, without limitation, legal and accounting fees and expenses and blue sky and world sky fees and expenses; printing costs; and filing fees.

In addition, except as otherwise provided in the Credit Opportunity Funds' Governing Documents, each Credit Opportunity Fund will also bear its *pro rata* share of all third-party costs and expenses of maintaining its operations or the operations of any parallel vehicles, feeder vehicles and alternative investment vehicles (collectively, the "Credit Opportunity Vehicles") and appraising and valuing, researching, acquiring, maintaining, financing, hedging and disposing of portfolio investments and prospective portfolio investments, whether or not consummated), including broken deal expenses (to the extent not paid for or reimbursed by portfolio investments), including, without limitation, taxes, fees and other governmental charges levied against the Credit Opportunity Vehicles; costs of insurance, including, without limitation, directors and officers liability insurance, errors and omission insurance, and liability insurance covering the Credit Opportunity Vehicles, Clear Haven, Clear Haven GP and the members, partners, officers, employees and agents of any of them (in each case, even if such insurance covers conduct for which indemnity would not be available from the Credit Opportunity Vehicles), in all cases with respect to their activities performed on behalf of or for the benefit of the Credit Opportunity Vehicles; administrative and research fees and expenses; expenses of custodians, outside advisors, counsel (including the Credit Opportunity Vehicles' legal counsel), accountants, auditors, administrators and other consultants and professionals; expenses associated with forming, documenting and operating alternative investment vehicles and other holding vehicles related to a portfolio investment, including any amendments, modifications or revisions to the constitutive documents of any such entities; interest on and fees, costs and expenses arising out of all financings entered into by the Credit Opportunity Vehicles (including, without limitation, those of lenders, investment banks, and other financing sources); travel expenses including lodging and meals; brokerage commissions; custodial expenses; litigation and other dispute resolution expenses (including the amount of any judgments or settlements paid in connection therewith); winding up and liquidation

expenses; expenses incurred in connection with any tax or regulatory audit, investigation, settlement or review of the Credit Opportunity Vehicles, Clear Haven and/or Clear Haven GP with respect to their activities performed on behalf of or for the benefit of the Credit Opportunity Vehicles; expenses associated with meetings of the investors and the preparation and distribution of reports, financial statements, tax returns and K-1s to investors; the fees and expenses incurred in connection with the compliance by the Credit Opportunity Vehicles, Clear Haven and Clear Haven GP with applicable laws, rules, regulations and procedures; the fees and expenses incurred in connection with the compliance by Clear Haven and/or Clear Haven GP, in relation to advising the Credit Opportunity Vehicles, with applicable laws, rules, regulations and procedures (including the cost of any outside compliance consultants and the preparation of Clear Haven's Form ADV and Form PF and updates thereto); hardware and software acquisition, maintenance and development expenses including, without limitation, investor and client relationship management systems, order management systems, cash flow analytics software and data management software; indemnification and other unreimbursed expenses; and any extraordinary expenses to the extent not reimbursed or paid by insurance, but specifically excluding the management fees paid by the Credit Opportunities Funds and organizational expenses described above. Additionally, the Receivables Series will be responsible for the fees and expenses of any backup servicers engaged in connection with its investments. Expenses will be funded through drawdowns of capital commitments and/or from available cash.

From time to time, we may offer certain investors and/or third parties the opportunity to co-invest with certain Funds in particular investments, subject to the relevant Governing Documents and/or side letters, as well as the considerations described in *Item 12* below. Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the relevant Funds. The economic and other terms of any co-investment will be determined by us in our sole discretion on a case-by-case basis, and we may receive fees and/or allocations from co-investors, which may differ among co-investors and also may differ from the fees and/or allocations borne by the Funds. In most cases, co-investors will not bear broken deal expenses or reverse termination fees if an investment is not consummated, and such expenses will be borne solely by the relevant Funds.

#### CH 2018

CH 2018 will bear all costs and expenses incurred in connection with the organization of CH 2018 and the costs and expenses incurred in connection with the initial issuance of CH 2018's interests, including, without limitation, legal and accounting fees and expenses, document production and printing costs, U.S. federal and state filing and blue sky fees, marketing expenses and other related expenses in connection with the organization of CH 2018 and Clear Haven MM and their respective activities.

CH 2018 will also bear the costs and expenses of its activities and operations, including, without limitation: all transaction costs relating to the CH 2018's investments, costs and expenses relating to due diligence on CH 2018 investments, including any travel-related expenses, legal and other professional fees relating to particular investments, expenses of professionals providing services to CH 2018, including legal, audit, accounting, tax and administration, organizational expenses, insurance expenses (including costs of any liability insurance obtained on behalf of CH 2018), regulatory costs and expenses (including filing and license fees), costs of reporting and providing information to investors, the expenses of the offering of CH 2018's interests, any entity level taxes, costs of any

litigation or investigation involving CH 2018 activities, indemnification expenses, any extraordinary expenses, all fees and expenses of CH 2018 attributable to its investments, and all other costs and expenses related to CH 2018's business and operations.

### Managed Accounts

Managed Account clients can incur custodial fees and pricing fees (in the case of Managed Account clients that are paying management fees), as well as transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom the account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. Depending on the management services required, Managed Account clients may be subject to pricing and settlement fees, market data fees, order cancellation fees, and legal expenses.

### Other Expenses Generally

We may also allocate a portion of certain clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, clients will indirectly incur similar fees and expenses if we invest their capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

For a more detailed discussion of brokerage and transaction costs, please refer to *Item 12 - Brokerage Practices*.

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

### ***Performance-Based Compensation***

We or our affiliates are entitled to receive performance-based fees, performance-based allocations or carried interest from our clients, as set forth in more detail below.

### The Credit Opportunity Funds

Clear Haven GP is entitled to receive carried interest from the Credit Opportunity Funds that is distributed as each Credit Opportunity Fund's investments are monetized. Such carried interest will be equal to a percentage of profits after a return of contributed capital and cumulative preferred return. Clear Haven GP may, in its sole discretion, waive or reduce such carried interest with respect to certain investors (including affiliates and employees of ours or Clear Haven GP). No carried interest will be payable with respect to Clear Haven, Clear Haven GP and/or any affiliate or employees thereof.

All of the investors in the Credit Opportunities Funds are qualified purchasers. Accordingly, more details regarding their carried interest can be found in their Governing Documents.

### CH 2018

Clear Haven MM is entitled to receive a performance-based allocation from CH 2018 as CH 2018's investments are monetized. Such performance-based allocation will be equal to 25% of profits after a return of contributed capital. Clear Haven MM may, in its sole discretion, waive, reduce or rebate such performance-based allocation with respect to certain investors, including affiliates and employees

of Clear Haven or Clear Haven MM. No performance-based allocation will be payable with respect to Clear Haven, Clear Haven MM and/or any affiliate or employees thereof.

#### Managed Accounts

Clear Haven will charge the Managed Accounts a performance fee that ranges from 10-15%. At the discretion of Clear Haven, performance fees may be negotiated. The performance fee shall be based on the net capital appreciation of the relevant Managed Account client's account.

The performance fee will be calculated on or after the last day of the calendar year. The fee will be paid in arrears payable on the end of business on the earlier of the fifth business day after the last day of the calendar year. The custodian will automatically deduct the fee from each Managed Account and the fee will appear on the account statement provided by the custodian to the owner of each Managed Account.

Clear Haven will provide the owner of each Managed Account with an invoice documenting the performance fee deducted from the client's account. If the IAC is terminated early, the performance fee will be prorated up to the termination date. Since all fees are paid in arrears, there is no refund policy.

#### ***Side-by-Side Management***

Performance-based compensation arrangements create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement. Performance-based compensation arrangements also create an incentive for Clear Haven to favor accounts with higher performance-based compensation rates over other accounts when allocating investments. We have adopted procedures designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among them. Such procedures do not take into account the performance-based compensation to which our clients are subject. (See *Item 12 – Brokerage Practices*)

### **Item 7 – Types of Clients**

#### The Funds

Investors in the Funds are generally institutional investors and high net worth individuals that qualify: (i) as "accredited investors" (as defined in Rule 501 under Regulation D under the Securities Act of 1933, as amended), and (ii) in the case of the Credit Opportunity Funds, qualified purchasers. The minimum initial investment for CH 2018 is \$50,000, which may be waived by Clear Haven MM in its discretion. The minimum capital contribution for each Credit Opportunity Fund is \$1,000,000, which has been waived, and may in the future be waived, by Clear Haven GP, in its discretion.

#### Managed Accounts

At the present time, we are only providing investment advice through Managed Accounts to individuals who qualify as "qualified clients" (as defined under the Investment Advisers Act of 1940, as amended (the "Advisers Act")). There is no minimum Managed Account size.

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

### *Methods of Analysis and Investment Strategies*

The descriptions below are therefore intentionally general in nature and are not a complete description of the strategies summarized or of all of the strategies that may be utilized by Clear Haven. At any time, Clear Haven may add, remove, or modify any of the strategies it employs and this includes any of the strategies discussed below. No guarantee or representation is made by Clear Haven that the strategies will be successful or that the objectives will be achieved.

**Investing in securities involves risk of loss that investors and clients should be prepared to bear.**

#### Series One

Series One intends to invest in “Consumer Unsecured Loans” and “Consumer Secured Loans,” and offer “Senior Financing Facilities” to originators of consumer and small business unsecured loans. Leverage may either be applied to the series as a whole, or to specific pools of loans.

We intend to enter into forward flow agreements with several “Loan Origination Companies.” Analysis of any pool starts with underlying loan characteristics such as term, payment frequency, rate, terminal value, and premium/discount at origination. With this foundation, we use loan and payment-level servicing tapes to build delinquency, charge-off, and prepayment curves to understand and model how any particular portfolio would be expected to evolve over time. These curves are compared to the actual cash flows and charge-off experience to verify accuracy and identify any potential errors in the data. Combining these curves with recovery data, we build the complete loan level cash flow model to conduct scenario analysis.

Should the dataset be granular enough to yield meaningful results, we will dig deeper into second order analysis, calculating roll rates and replicating the above analysis over various subsegments of the portfolio (*e.g.*, portfolio by FICO score, term, origination month, or other relevant characteristics).

#### The Receivables Series

The Receivables Series will purchase invoices sourced via an invoice payment and processing platform (the “Processing and Payment Platform”) over a fixed period of time. The Receivables Series will also be permitted to engage in such investment and financing activities relating to the foregoing or that are intended to hedge any risks in connection with the foregoing. The Receivables Series intends to utilize leverage.

The Receivables Series’ investment strategy is primarily implemented via the right to approve or reject invoices based on a number of factors including, but not limited to, the credit worthiness of the payor or payee, the length of the invoice’s expected term, the size of the invoice, and the discount rate of the invoice purchase price. These considerations pertain to both risk and return, and directly impact the performance of the investment.

All eligible invoices will be batched and submitted for payment by an approved managed services provider (“MSP”). When evaluating an MSP, we analyze the historical invoices processed by such

MSP, the payors or obligors managed by such MSP, and the payees or suppliers on the MSP platform, when such data is available.

### CH 2018

CH 2018 was formed to invest in a note created by an origination company with a focus on the origination of residential and commercial clean energy financing, and is secured by assets originated or acquired by the origination company.

The note represents a non-recourse obligation and is payable solely from the collateral, which consists primarily of the assets originated or acquired by the origination company. The note is expected to repay investors principal via contractually obligated principal and interest payments. In addition, residual cash flows are pledged to the note, which creates the bulk of our modeled return (yield). Residual cash flows may be volatile due to prepayment speeds and may be short lived or have the potential to extend far into the future.

There can be no assurance that payments of the assets originated or acquired by the origination company, and therefore payments on the note, will occur at the anticipated rate, or a faster or slower rate than anticipated by us. The note has the potential for unpredictable rates and timing of receipt of payments on the assets which may increase the risk of the investment.

### Managed Accounts

We will manage each Managed Account portfolio to seek to achieve a maximum absolute return commensurate with the amount of risk employed and the client's financial objectives. We begin our analysis evaluating current economic conditions. We use a top-down approach to determine an optimum asset allocation mix and sector weighting that matches the risk/reward profile as described in the IPS. We strive to minimize risk and maximize reward by seeking to diversify investment assets and determining the optimal size for each investment. As markets change, we will seek to capitalize on attractive opportunities including selling a portion of, or all of, an investment. Depending on conditions and trends in markets and overall economic conditions, Clear Haven may pursue other objectives or techniques it considers in the client's best interest.

We may use one or more of the following methods of analysis or investment strategies when providing investment advice.

1. Fundamental Analysis: This involves analyzing the assets or collateral underlying a security to assess credit quality.
2. Relative Value Analysis: Potential investments are evaluated relative to investment alternatives.
3. Technical Analysis: Supply and demand factors in the market are analyzed to identify pricing abnormalities.

We invest in several different asset classes to achieve our investment goals, including but not limited to:

1. Mortgage-Backed Securities ("MBS")
2. Asset-Backed Securities ("ABS")
3. Other Fixed-Income Securities

#### 4. Whole Loans or Portfolios of Whole Loans

##### *Fixed Income Securities*

The universe of fixed income securities is extremely large. Generally, for our fixed income allocations, we seek to maintain a conservative posture using a mixture of investment grade and non-investment grade MBS and ABS. U.S. treasuries, U.S. agencies, corporate and municipal securities can also be used. We will manage the duration of these portfolios based upon the time horizon as defined in the IPS.

For certain accounts that have a more aggressive posture, we will invest primarily in non-investment grade MBS and ABS and may invest in high yield corporate bonds. High yield bonds are below investment grade and may be considered to be distressed. Certain classes of MBS and ABS are considered distressed and speculative in nature. Each investment is fully analyzed based on its own fundamental merits and in relation to its relative-value peers. The risks are analyzed and evaluated in relation to the return the investment may potentially yield. In this sense, a risk-return profile is established so that each security as well as the portfolio as a whole can be properly understood. Potential future losses as well as potential future gains (returns) are viewed with objectivity.

Due to the nature of the securities selected for the portfolio in question, the risks may be substantial. Most of these securities are not traded on an exchange and instead are over-the-counter. Therefore, the fundamental performance as well as pricing transparency can be considerably less than other asset classes. Furthermore, the bid-ask spread (transaction cost) can be extremely high relative to other asset classes. Because of these issues, investments should be considered long-term in nature and extremely illiquid.

##### ***Risk Factors***

Clear Haven's investment strategies involve significant risks. A discussion of the material risks is provided below. Such risk factors do not purport to be a complete enumeration or explanation of the risks involved in an investment in Clear Haven's strategies. Prospective clients and investors should read the relevant Governing Documents associated with their investment and consult with their own advisers before deciding whether to invest in the strategies. In addition, as the strategies develop and change over time, an investment in the strategies may be subject to additional and different risk factors.

##### Risks Applicable to Clear Haven's Strategies Generally

***An Investor Should be Aware that it May Lose All or Part of its Investment.*** All investments involve the risk of loss of capital. No guarantee or representation is made that a client's investment program will be successful. Each client's investment program may involve investments or investment techniques, such as the use of leverage, that can increase the adverse impact to which the client's portfolio may be subject and impact the client's performance.

***Portfolio Concentration.*** Clients and investors generally have no assurance as to the degree of diversification of the investments in client accounts, either by issuer, strategy, asset type, security, geographic region or sector. To the extent a client account invests in a particular issuer, strategy,

asset type, security, geographic region or sector, its investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. As a consequence, the aggregate return of each client account would be adversely affected by the unfavorable performance of one or a small number of portfolio investments. There are no assurances that all of a client's investments will perform well or even return capital. If certain investments perform unfavorably, for the client account to achieve above-average returns, one or a few of its investments must perform very well. There are no assurances that this will be the case.

**Competition for Investments.** The activity of identifying, completing and realizing on attractive private equity, credit and other similar investments is highly competitive and involves a high degree of uncertainty. We expect to encounter competition from other entities having similar investment objectives and others pursuing the same or similar opportunities. Potential competitors include other investment partnerships, business development companies, strategic industry acquirers, sovereign wealth funds, and other financial investors investing directly or through affiliates. Further, over the past several years, an ever-increasing number of private equity and credit funds have been formed (and many such existing funds have grown in size). Additional funds with similar investment objectives can be expected to be formed in the future by other unrelated parties. Many of these competitors will have more relevant experience, greater financial and other resources and more personnel than the us, our affiliates and our client accounts. It is possible that competition for appropriate investment opportunities could increase, thus reducing the number of opportunities available to our clients and adversely affecting the terms upon which investments can be made. There can be no assurance that any client account will be able to identify or consummate investments satisfying its investment criteria or that such investments will satisfy the client's objectives. Likewise, there can be no assurance that a client will be able to realize upon the values of its investments or that it will be able to invest its committed capital (if applicable). To the extent that a client account encounters competition for investments, its returns are likely to decrease.

Further, clients will from time to time incur due diligence or other costs on investments which are not consummated or are otherwise not successful. As a result, clients will not recover from such portfolio investments all of their costs, which would adversely affect returns.

**Risk of Inadequate Collateral or Guarantees on Loans.** Even if a loan in which a client account has investment exposure is secured, there can be no assurance that the collateral will, when recovered and liquidated, generate sufficient (or any) funds to offset any losses associated with the defaulting loan. It is possible that the same collateral could secure multiple loans, in which case the liquidation proceeds of the collateral may be insufficient to cover the payments due on all the loans secured by that collateral. There can be no guarantee that the collateral can be liquidated and any costs associated with such liquidation could reduce or eliminate the amount of funds otherwise available to offset the payments due under the loan. As described further herein, certain client accounts generally will need to rely on the efforts of the platforms, servicers or their designated collection agencies to collect on defaulted loans and there is no guarantee that such parties will be successful in their efforts to collect on loans. To the extent that the loan obligations in which a client account directly or indirectly invests are guaranteed by a third party, there can be no assurance that the guarantor will perform its payment obligations should the underlying borrower default on its payments. As described further herein, a client could suffer delays or limitations on its ability to realize the benefits of the collateral to the extent the borrower becomes bankrupt or insolvent. Moreover, a client account's security interests

may be unperfected for a variety of reasons, including the failure to make a required filing by the servicer and, as a result, it may not have priority over other creditors as it expected.

**General Financing Risks.** Investments in loans of the nature contemplated by clients are subject to various risks including, but not limited to: (i) the creditworthiness of the borrower; (ii) the fair market value of any collateral that may be securing the loan; (iii) the lien position of the loan; (iv) the quality of loan documentation; (v) any potential borrower claims or counterclaims that may arise as a result of clients seeking to enforce their rights as creditors; (vi) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (vii) so-called lender-liability claims by the issuer of the obligations; (viii) limitations on the ability to enforce a client's rights with respect to participations; and (ix) various other risks associated with being a lender, including borrower bankruptcy and regulatory compliance matters. All client assets may be at risk in the event of uninsured liability to third parties.

**Distressed Investments and Other Instruments.** Certain client's investment program may include making distressed investments, including for example, investments in defaulted, out-of-favor or distressed loans and securities, and other assets. Certain investments may therefore include specific securities or instruments (including loans and other forms of indebtedness) of issuers that typically are highly leveraged, with significant burdens on cash flow, and therefore involve a high degree of financial risk.

Client accounts may invest in instruments and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These instruments and obligations are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently can be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' equity or debt instruments are considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to a client's investment in any instrument, and a significant portion of the obligations and securities in which a client account invests may be considered less than investment grade. There is no assurance that we will correctly evaluate the value of the assets underlying the clients' investments.

During an economic downturn or recession, securities or instruments of financially troubled or operationally troubled issuers are more likely to go into default than securities or instruments of other issuers. Securities or instruments of financially troubled issuers and operationally troubled issuers often are less liquid and more volatile than securities or instruments of companies not experiencing financial difficulties. The market prices of such securities or instruments are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected. In addition, it is anticipated that many client portfolio investments may not be widely traded and that a client account's investment in such securities or instruments may be substantial relative

to the market for such securities or instruments. As a result, clients may experience delays and incur losses and other costs in connection with the exit from, or sale of, their portfolio investments.

**Credit Risk.** One of the fundamental risks associated with certain clients' investments is credit risk, which is the risk that an issuer or borrower will be unable to make principal and interest payments on its outstanding debt obligations when due or otherwise defaults on its obligations to such clients and/or that the guarantors or other sources of credit support for such persons do not satisfy their obligations. Each client's returns would be adversely impacted if an issuer of debt securities or a borrower under a loan in which the client invests becomes unable to make such payments when due. Although clients may make investments that we believe are secured by specific collateral the value of which may initially exceed the principal amount of such investments or the clients' fair value of such investments, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, a client account could experience delays or limitations with respect to its ability to enforce rights against and realize the benefits of the collateral securing an investment. Under certain circumstances, collateral securing an investment may be released without the consent of the client or the client's expected rights to such collateral could, under certain circumstances, be voided or disregarded. A client's investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders and, as a result, the client may not have priority over other creditors as anticipated. Furthermore, each client's right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of the senior lender. Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In addition, certain instruments may provide for payments-in-kind, which have a similar effect of deferring current cash payments. In both cases, a company's ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the company, the likelihood of which is uncertain. With respect to a client account's investments in any number of credit products, if the borrower or issuer breaches any of the covenants or restrictions under the indenture governing notes or the credit agreement that governs loans of such issuer or borrower, it could result in a default under the applicable indebtedness as well as the indebtedness held by the client account. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. This could result in an impairment or loss of the client's investment or result in a pre-payment (in whole or in part) of the client's investment. As it relates to all of the foregoing risks and related considerations discussed above, it should also be noted that client accounts may also invest in leveraged loans, high-yield securities, marketable and non-marketable common and preferred equity securities and other unsecured investments, each of which involves a higher degree of risk than senior secured loans.

**Investing in High-Yield Securities.** Each client account's investments may include high-yield securities. Such securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, from time to time, client accounts will invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect

individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

***Jurisdictional Risks Affecting the Right of Creditors and other Stakeholders.*** Client accounts may invest in securities and other financial instruments of other issuers domiciled, or assets located outside the United States. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. To the extent such non-U.S. laws and regulations do not provide a client account with equivalent rights and privileges necessary to promote and protect its interest in any such proceeding, its investments in any such company are more likely to be adversely affected. The law and process in such jurisdictions may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. There can be no assurance that the outcome of bankruptcy or insolvency proceedings, particularly in jurisdictions outside the U.S., will result in a favorable outcome with respect to a client's investment. In addition, as more and more companies conduct operations internationally, multi-jurisdictional bankruptcy or insolvency proceedings are increasing in prevalence and the foregoing factors may result in unique challenges that impact the potential recovery and timing thereof.

***Non-U.S. Investments Generally.*** Client accounts may invest outside of the U.S. Non-U.S. securities or instruments involve certain risk factors not typically associated with investing in U.S. securities or instruments, including risks relating to the following: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which a client account's foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which a client invests; (iii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iv) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (v) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation or the imposition of withholding or other taxes on dividends, interest, capital gains, other income, gross sales or disposition proceeds; (vi) the possible imposition of foreign taxes on income, gains and gross sale or other proceeds recognized with respect to such securities or instruments; and (vii) differing and potentially less well-developed or well-tested corporate laws regarding the rights of creditors and other stakeholders (including the rights of secured parties), fiduciary duties and the protection of investors.

Client accounts may be less influential than other market participants in jurisdictions where they do not have a significant presence. Client accounts may be subject to additional risks, which include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. There is no assurance that any client account will be able to avoid these risks.

Additionally, in emerging and developing markets, there is often less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision which is in place may be subject to manipulation or control. Some emerging and developing market countries do not have mature legal systems comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities or financial instruments may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. A client account may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts. Due to the foregoing risks and complications, the costs associated with investments in emerging market securities generally are higher than for securities and other instruments of issuers based in developed countries.

In addition, economic problems in a single country are increasingly affecting other markets and economies. A continuation of this trend could adversely affect global economic conditions and world markets and, in turn, could adversely affect the performance of a client account.

Existing and new laws and regulations in non-U.S. jurisdictions in which a client account may invest may affect the client account's investments in such jurisdictions in a manner that differs adversely from the results that would occur under U.S. laws and regulations applied to similar facts. The implementation or interpretation of such laws and regulations as they relate to a client account's activities are largely outside the client's control.

***Financial Projections Related to Portfolio Investments.*** There can be no assurance that financial or economic models used by us to determine investment decisions will be correct, accurate or appropriately reflect subsequent developments or all the other factors that could cause actual results to differ from such models or projections. Projected operating results will often be based on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections. Moreover, clients' portfolio investments, particularly investments in loans or other forms of indebtedness, may be subject to early redemption features, refinancing options,

pre-payment options or similar provisions which, in each case, could result in the issuer or borrower repaying the principal on an obligation held by such clients earlier than expected (which could result in such clients' investment returns from such portfolio investments being less than that anticipated by the clients when they made such investments). As a consequence, each client's ability to achieve its investment objective may be affected.

**Litigation.** In connection with ordinary course investing activities, we, our related persons, clients and their respective affiliates may become involved in litigation either as a plaintiff or a defendant. Moreover, in light of certain clients' investment activities, we, our related persons, such clients and their respective affiliates may become parties in interest (for example, as creditors) in bankruptcy proceedings. Given the inherently adverse nature of the bankruptcy claims process, claimants having diverse interests to us and our affiliates will seek to advance wide-ranging arguments intended to enhance their recovery prospects.

There can be no assurance that any such litigation, once begun, would be resolved in favor of any client. Any such litigation could be prolonged and expensive. In addition, it is by no means unusual for participants in reorganizations to use the threat of, as well as actual, litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the relevant client account and would reduce net assets or could, in the case of a Fund, require investors to return to the Fund distributed capital and earnings.

**Forward Trading.** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by a client account due to unusual trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which we would otherwise recommend, to the possible detriment of a client account. Market illiquidity or disruption could result in major losses to a client.

**Currency Risks.** Client investments 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. We may try to hedge these risks by investing directly in foreign currencies, buying and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance such strategies will be effective. The occurrence of a fundamental change with respect to the currency in which one or more investments, or hedging transactions thereof, is denominated could adversely impact the performance of a client account. There can be no assurance that such an event, which is

outside the control of a client and could arise due to factors such as political instability, sovereign distress or extreme inflation, will not occur.

**Interest Rate Risk.** The value of the fixed rate securities in which a client account may invest generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise the value of such securities would be likely to decline. In addition, to the extent that the receivables or loans underlying specific securities are prepayable without penalty or premium, the value of such securities would likely be negatively affected by increasing pre-payments, which generally occur when interest rates decline.

**Expedited Transactions.** Our investment analyses and decisions by may be undertaken on an expedited basis in order for a client account to take advantage of investment opportunities. In such cases, the information available to us at the time of an investment decision may be limited, and we may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, we may rely upon independent consultants in connection with our evaluation of proposed investments. There can be no assurance that these consultants will accurately evaluate such investments.

**Highly Volatile Markets.** The prices of financial instruments in which client accounts are expected to invest can, at times, be highly volatile. Price movements of forward and other derivative contracts in which a client account is expected to invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Each client is subject to the risk of failure of any of the exchanges on which its positions trade or of its clearinghouses.

**Operational and Information Security Risk from Cyberattacks; Cyber-Fraud; Disaster Recovery.** Client accounts and their service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cyberattacks affecting us, our related persons, client accounts and certain of our respective third party service providers may adversely impact clients. For instance, cyberattacks may interfere with the processing of client/investor transactions, cause the release of private client/investor information or other confidential information, and subject a client account and its service providers to regulatory fines or financial losses and cause reputational damage. Similar types of cybersecurity risks are also present for other market participants, which may have material adverse consequences for clients, and may cause their investments to lose value. A client account may also be a target of cyber-fraud that could result in the theft of assets from account, especially as computer malware, viruses and computer hacking, fraudulent use attempts and phishing and spoofing attacks have become more prevalent. In the private investment fund industry, these attacks have included third party actors submitting fraudulent transfer requests, resulting in the theft of the rightful investor's assets. Client accounts and their service providers may incur additional costs relating to cybersecurity preparations, and such preparations, though taken in good faith, may be inadequate. Cyberattacks are viewed as an emerging risk and the scope of the risk and related mitigation techniques are not yet fully understood and are subject to continuing change.

There can be no guarantee that any safeguards or other measures put into place by us will be effective against all situations or will be implemented in time and clients may be adversely affected thereby.

### Risks Applicable to the Funds Only

**Consumer Loans Risks.** The Funds will invest in unsecured and secured consumer loans, including debt settlement loans and home improvement loans. The performance of such investments will be affected by general economic conditions. Changes in economic conditions have adversely affected the performance and market value of such investments.

Consumer loans are susceptible to prepayment risks. Prepayments on the loans will be influenced by the prepayment provisions of the loans and may also be affected by a variety of economic, geographic and other factors, including changes in interest rates and the availability of alternative financings. A reduction in interest rates may increase prepayments on consumer loans, which would result in a reduction in yield to maturity for holders of such loans if purchased at a premium. It is possible that an increase in interest rates or other factors could slow prepayments which would result in a reduction in yield to maturity for holders of such consumer loans if purchased at a discount.

Consumer loans are susceptible to default risks. Unsecured consumer loans are not secured by any collateral of the borrowers. The repayment of unsecured consumer loans is dependent upon the ability and willingness of the borrowers to repay; if the borrower defaults on an unsecured consumer loan, only net amounts, if any, recovered through collection efforts will be available with respect to such loan. Other consumer loans may be secured by collateral, but the value of that collateral is not guaranteed and the recovery of such collateral will not necessarily cover the outstanding amount of the defaulted loan.

The ability to collect on consumer loans is dependent on the performance of a servicer. The servicer may be able to commingle funds relating to a transaction (such as collections from the loans and proceeds from the disposition of any repossessed collateral) with its own funds for a period of time. Commingled funds may be used or invested by the servicer at its own risk and for its own benefit. If the servicer were unable to remit those funds or the servicer were to become a debtor under any insolvency laws, delays or reductions in the receivables may occur.

Additionally, servicers may be subject to regulation by certain government agencies, including the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Consumer Financial Protection Bureau. If a servicing arrangement or activities were found to constitute unsafe or unsound banking practices, such government agencies may take regulatory action against the servicer, which could result in losses or delays in payment.

Furthermore, consumer loans are subject to various consumer protection laws which regulate the creation and enforcement of such loans. The violation of such laws by originators, lenders, servicers and their affiliates may permit borrowers to reduce their obligation to pay the amount of principal and interest they owe or require lenders, servicers and their affiliates to pay certain penalties. Similarly, if a borrower were to seek protection under U.S. federal or state bankruptcy or debtor relief laws, a court could reduce or discharge completely the borrower's obligations to repay amounts due on its loan and, as a result, the related principal and interest would be written off as uncollectible. Many states and local jurisdictions have consumer protection laws analogous to, or in addition to, those listed

above. These federal, state, and local laws regulate the manner in which financial institutions deal with customers when making loans or conducting other types of financial transactions.

State regulators generally require holders of consumer whole loan to carry specific licenses. A common practice in the consumer space is to hold whole loans in a national bank for the benefit of the investment fund to avoid an otherwise lengthy process of getting such investment fund licensed. While the law is well established, there is no guarantee that such “titling trusts” will remain a compliant method for holding consumer whole loans.

New legislation and regulation may include changes with respect to consumer financial protection measures and systematic risk oversight authority. Such changes present the risk of financial loss due to regulatory fines or penalties, restrictions or suspensions of business, or costs associated with mandatory corrective action as a result of failure to adhere to applicable laws, regulations, and supervisory guidance. Failure to comply with these laws and regulations could also give rise to regulatory sanctions, customer rescission rights, action by state and local attorneys general, civil or criminal liability, which could materially and adversely affect the Funds’ performance.

***Risk of Unsecured Loans.*** Many of the Funds’ investments are associated with loans that are unsecured obligations of borrowers. This means that they are not secured by any collateral, not insured by any third party, not backed by any governmental authority in any way and not guaranteed by any third party. When a borrower defaults on an unsecured loan, the holder’s only recourse is generally to accelerate the loan and enter into litigation to recover the outstanding principal and interest. There is no assurance that such litigation would result in full repayment of the loan and the costs of such measures may frequently exceed the outstanding unpaid amount of the borrowing. The Funds generally will need to rely on the efforts of the platforms, servicers or their designated collection agencies to collect on defaulted loans and there is no guarantee that such parties will be successful in their efforts to collect on loans. The Funds may not know the identity of borrowers and will contract with the platforms or third-party loan servicers to service the loans and, therefore, do not expect to (and in many cases will have no way to) pursue borrowers that fail to repay principal or interest.

***Regulation and Compliance with Laws.*** The loan industry is highly regulated and the loans in which each Fund invests are subject to extensive rules and regulations issued by federal, state and local governmental agencies. These authorities also may impose obligations and restrictions on the activities of the entities involved in the lending process. Although each Fund will seek to comply with all federal, state and local lending regulations to the extent applicable, there is no assurance that we, our related persons, the Funds, and their affiliates will always be compliant or that there will not be allegations of non-compliance even if each of them was or is fully compliant. Any violation of applicable law could result in, among other things, damages, fines, penalties, litigation costs, investigation costs and even restrictions on the ability of the Funds to invest as contemplated. These laws include, without limitation: (i) the Equal Credit Opportunity Act and Regulation B promulgated under that act; (ii) the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act; (iii) the Federal Truth-in-Lending Act and Regulation Z promulgated under that act; (iv) the Fair Debt Collection Practices Act and similar state debt collection laws; and (v) the Gramm-Leach-Bliley Act.

These laws require extensive disclosure to, and consents from, borrowers and prospective borrowers, prohibit discrimination and may impose multiple qualification and licensing obligations on a loan

origination company's activities. Federal, state or local laws applicable to consumer lending may change from time to time in ways that cannot be foreseen, and laws that do not affect a Fund today may affect it in the future. In addition, some of these laws are extremely rigorous. Violations or alleged violations of such laws could result in statutory, punitive, consequential, and actual damages and/or administrative enforcement. A loan agreement may also be rescinded or voided in certain instances. The Funds or the loan originators may become subject to lending regulations at the federal, state and local levels, and proposals for further regulation of the lending services industry are continually being introduced. Congress and state legislatures, as well as federal and state regulatory agencies and local governments, review such laws, regulations and policies and periodically propose changes or issue guidance that could affect the Funds in substantial and unpredictable ways. Such changes could, for example, limit the types and value of lending services and products that can be offered, require additional licensing for participating in lending activities, alter a Fund's liability, increase a loan origination company's cost to offer lending services and products or hinder its ability to make loans quickly enough to serve its intended client base. It is possible that one or more legislative proposals may be adopted or regulatory changes may be implemented that would have an adverse effect on a loan originator's business, which could in turn affect a Fund's ability to realize its investment goals.

Loan origination companies and the Funds are also subject to potential enforcement, supervisions and other actions that may be brought by state attorneys general or other state and federal enforcement authorities and other governmental agencies. Any such actions could subject a loan origination company or the Funds to civil money penalties, customer remediation and increased compliance costs, as well as damage the Funds' or our reputation and brand and could limit or prohibit our or a Fund's ability to offer certain products and services or engage in certain business practices.

For example, the Consumer Financial Protection Bureau ("CFPB") has broad authority over the U.S. consumer-focused businesses in which certain platforms engage. This includes authority to write regulations under federal consumer financial protection laws, such as the Truth in Lending Act and the Equal Credit Opportunity Act, and to enforce those laws against and examine large financial institutions for compliance. Loan origination companies are subject to the CFPB's jurisdiction, including its enforcement authority, as servicers and acquirers of consumer credit. The CFPB may request reports concerning the loan origination company's organization, business conduct, markets and activities. The CFPB may also conduct on-site examinations of the loan origination company's business on a periodic basis if the CFPB were to determine, through its complaint system that the loan origination companies were engaging in activities that pose risks to consumers. There is uncertainty as to how the CFPB's strategies and priorities, including in both its examination and enforcement processes, will impact a loan origination company's businesses and its results of operations going forward. Actions by the CFPB could result in requirements to alter or cease offering affected loan products and services, making them less attractive and restricting a loan origination company's ability to offer them. Actions by the CFPB or other regulators against a loan origination company, their funding banks or their competitors that suggest to consumers the desirability of loan products or services could result in reputational harm and a loss of borrowers or investors. A loan origination company's compliance costs and litigation exposure could increase materially if the CFPB or other regulators enact new regulations, change regulations that were previously adopted, modify, through supervision or enforcement, past regulatory guidance or interpret existing regulations in a manner different or stricter than previous interpretations. In addition to the CFPB, the Federal Trade Commission can investigate and enforce consumer protection statutes pursuant to its authority under the Federal Trade Commission Act.

**Potential Inability to Accurately Evaluate a Counterparty's Creditworthiness.** Each Fund is reliant in part on the counterparty or borrower credit, identification and other relevant information provided to it or assigned by the loan origination companies and third parties, including credit bureaus, when selecting investments. To the extent a credit rating is assigned to each borrower by a platform, such rating may not accurately reflect the borrower's actual creditworthiness. A lender may be unable, or may not seek, to verify all of the borrower information obtained by it, which it may use to determine such borrower's credit rating. Borrower information on which lenders may rely may be outdated. For example, following the date a borrower has provided its information to a lender, it may have become delinquent in the payment of an outstanding obligation, defaulted on a pre-existing debt obligation, taken on additional debt or sustained an adverse financial or life event. In addition, certain information that a Fund would otherwise seek may not be available, such as financial statements and other financial information. Furthermore, a Fund may be unable to perform any independent follow-up verification with respect to a borrower to the extent the borrower's name, address and other contact information are required to remain confidential.

There is risk that a borrower may have supplied false or inaccurate information. If a borrower supplied false, misleading or inaccurate information, repayments on the corresponding loan may be lower, in some cases significantly lower, than expected. Information provided by borrowers could prove to be inaccurate or incorrect, and information from credit bureaus may be out of date or contain inaccuracies. If this information becomes unavailable or becomes more expensive to access, it could increase costs to lending platforms, and consequently the Funds' costs, as lending platforms seek alternative sources of information. If this third-party data is incorrect, the ability of lending platforms to identify qualified borrowers or acquire consumer loans may suffer and a Fund's business may be harmed, which may have an adverse effect on the Fund's financial condition and results of operations.

Although we conduct diligence on the credit scoring methodologies used by platforms from which the Funds purchase loans, we typically will not have access to all of the data that platforms utilize to assign credit scores to particular loans purchased directly or indirectly by the Funds, and will not confirm the truthfulness of such information or otherwise evaluate the basis for the platform's credit score of those loans. In addition, the platforms' credit decisions and scoring models are based on algorithms that could potentially contain programming or other errors or prove to be ineffective or otherwise flawed. This could adversely affect loan pricing data and approval processes and could cause loans to be mispriced or misclassified, which could ultimately have a negative impact on the Funds' performance.

Certain loans in which the Funds may invest may represent obligations of consumers who would not otherwise qualify for, or would have difficulty qualifying for, credit from traditional sources of lending, or that are unable to effectively access public equity or debt markets, as a result of, among other things, limited assets, adverse income characteristics, limited credit or operating history or an impaired credit record. The average interest rate charged to, or required of, such obligors generally is higher than that charged by commercial banks and other institutions providing traditional sources of credit or that set by the debt market. These traditional sources of credit typically impose more stringent credit requirements than the loans provided by certain platforms through which the Funds may make their investments. As a result of the credit profile of the borrowers and the interest rates on such loans, the delinquency and default experience on such loans may be significantly higher than those experienced by financial products arising from traditional sources of lending.

***Invoices and Receivables Purchased from a Counterparty.*** When we purchase an invoice or receivable from a counterparty, we conduct diligence on a variety of entities including, but not limited to, the payee, payor, channel partner or MSP (as applicable), in order to understand the risks involved in the fulfillment of an obligation. We rely on a variety of inputs including, but not limited to, financial statements, credit bureau information, rating agency reports, and independent third-party verification, if such information exists. In the event a counterparty's credit worthiness has recently changed, or if recent events cause a counterparty to dispute a purchased invoice or receivable, the reliance on such information may be insufficient. From time to time, an invoice that was approved and purchased by us may be subject to an adjustment by the obligor or counterparty. Such adjustments may lower the ultimate amount received by us, which may result in a loss. Similarly, an invoice or receivable may be disputed by a counterparty, which may result in a loss. Adjustments and disputes will likely occur from time to time, and while we retain the ability to deduct such cash flow deficits from future invoices and receivables, this may not always be possible. For instance, a payor may cease working with an MSP or payee. In such an instance, an invoice may not be paid in full, or at all, thereby resulting in a loss.

***Loan Participations.*** We may sell participations in loans made or held by the Funds or their subsidiaries. Such participations sold may constitute junior and/or senior tranches. To the extent that we were to sell a senior tranche (or a significant portion of a senior tranche) and retain all of a junior tranche (or a significant portion of a junior tranche) the Funds may be subject to additional risks. Additionally, a Fund may acquire participations from third parties and/or affiliates of ours, all or a portion of which may be junior tranches, which may subject the Fund to additional risks. Such risks include but are not limited to limited voting, consent, transparency and informational rights with respect to the participations and reduced ability to impact action with respect to the participations, such as whether and how to call defaults, pursue collections or negotiate settlements. Such limitations may reduce the return to the Funds and their investors.

***Investments in Private Companies.*** The Funds may from time to time, through privately negotiated investments or otherwise, invest in private companies (*i.e.*, companies without any publicly-traded securities). Such investments consist of providing equity capital to small/middle-sized, private, emerging companies that we believe are poised to experience rapid growth but lack the capital needed to finance that growth. Investments in private companies are subject to various risks, including the illiquidity of the investment being made. A Fund may be unable to sell its interest in a private company because there may be no market for such interests. In addition, while the potential for significant capital appreciation exists, private company investments involve a high degree of risk of loss. In general, it is typical for private companies seeking capital to confront a significant degree of financial, operating and competitive risk. Furthermore, when investing in a private company, there is no market efficiency or testing in order to determine the correct price for interests in the company. Therefore, the Funds could pay more for interests in a private company than their intrinsic value. Typically, private companies will have very limited reporting obligations, so there may be limited or no information available to investors such as the Funds regarding, among other things, a private company's business prospects and results of operations. Private companies frequently have less oversight from independent directors and regulatory agencies and have less seasoned management teams.

***Equitable Remedies.*** Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer; (ii) engages in other

inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called “equitable subordination”). The Funds may purchase creditor claims subsequent to the commencement of a bankruptcy case. Such purchase may be disallowed if disallowance is permitted under applicable law. Because of the often contentious nature of bankruptcy and insolvency proceedings, the Funds may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.

**Contingent Liabilities.** From time to time, a Fund may incur contingent liabilities in connection with an investment. For example, a Fund may enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party, and may, on the other hand, enter into agreements through which third parties offer default protection to the Fund. From time to time, a Fund may also be asked to guarantee the liabilities of its affiliates. In addition, in connection with the disposition of an investment, a Fund may be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosures ultimately prove to be inaccurate. In the event that the amount of such contingent liabilities exceeds the reserves and other assets of the Fund, subject to the terms of the Fund’s Governing Documents, the investors may be required to return to the Fund all or a portion of amounts distributed to them to fund the Fund’s indemnification obligations.

**Leverage and Financing Risk.** We intend to leverage the capital of the Funds because we believe that the use of leverage may enable them to achieve a higher rate of return. Accordingly, in such circumstances, a Fund may pledge its assets in order to borrow additional funds for investment purposes. We may also leverage a Fund’s investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which a Fund may have outstanding at any time may be substantial in relation to its capital.

While leverage presents opportunities for increasing a Fund’s total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Fund would be magnified to the extent the account is leveraged. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund’s investments could result in a substantial loss to the Fund which would be greater than if the Fund was not leveraged.

A Fund may enter into repurchase and reverse repurchase agreements. When a Fund enters into a repurchase agreement, it “sells” securities issued by the U.S. or a non-U.S. government, or agencies thereof, or corporate issuers to a broker-dealer or financial institution, and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, *plus* interest at a negotiated rate. In a reverse repurchase transaction, a Fund “buys” securities issued by the U.S. or a non-U.S. government, or agencies thereof, or corporate issuers from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Fund, *plus* interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Funds involve certain risks including that the seller under a reverse

repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to the Funds.

**Potential Restrictive Covenants.** Each Credit Opportunity Fund expects to enter into a credit facility with one or more lenders in order to finance the acquisition of such Fund's investments. It is anticipated that any such credit facility will contain a number of common covenants that, among other things, may restrict the ability of the Fund to: (i) acquire or dispose of assets; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (iv) make capital calls to the investors; or (v) engage in certain transactions with affiliates, and otherwise restrict corporate activities of the Fund (including its ability to acquire additional investments or assets) without the consent of the lenders. In addition, such a credit facility would likely require a Credit Opportunity Fund to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements. A Credit Opportunity Fund may incur indebtedness under such credit facility that bears interest at a variable rate. Economic conditions could result in higher interest rates, which could increase debt service requirements on variable rate debt and could reduce the amount of cash available for various corporate purposes.

#### Risks Applicable to the Credit Opportunity Funds Only

**Non-performing Loans.** Loans in which the Credit Opportunity Funds invest may become non-performing loans that require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial writedown of the principal of such loan. A risk exists that, upon maturity of such loan, replacement financing will not be available or that the borrower will not otherwise be able to repay the loan. It may be necessary or desirable to foreclose on collateral securing one or more of such loans. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a residential mortgage loan, including lender liability claims and defenses in an effort to prolong the foreclosure action. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy or its equivalent, potentially delaying the foreclosure process.

**Investments in Bridge Financings.** From time to time, a Credit Opportunity Fund may lend in connection with portfolio investments on a short-term, unsecured basis or otherwise invest on an interim basis in portfolio investments in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans could be convertible into a more permanent, long-term security; however, for reasons not always in the Credit Opportunity Funds' control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. In such event, the interest rate or the terms of such interim investments may not adequately reflect the risks associated with the position taken by the Credit Opportunity Funds.

**Convertible Securities.** From time to time, a Credit Opportunity Fund may execute its strategies through an investment in a convertible security or other similar convertible or equity-linked instrument as a means of limiting downside risk and providing the opportunity to capture upside potential. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different

issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged.

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

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Credit Opportunity Fund is called for redemption, such Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on a Credit Opportunity Fund’s ability to achieve its investment objective.

## **Item 9 - Disciplinary Information**

Clear Haven is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client’s evaluation of Clear Haven or the integrity of Clear Haven’s management. Clear Haven has no information applicable to this Item.

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

### ***Services by Certain Related Persons***

As noted above, Clear Haven MM serves as the managing member of CH 2018 and Clear Haven GP serves as the general partner of Clear Haven Investment Fund, LP.

### ***Management of Multiple Client Accounts***

The management of multiple client accounts may result in conflicts of interests when we and our related persons allocate time and investment opportunities among such accounts. In addition, we expect to earn different compensation from each client account. In order to mitigate associated conflicts, we will generally follow documented procedures in allocating investment opportunities among client accounts, which do not take into account the performance-based fees or allocations to which such accounts are subject. (See *Item 12 – Brokerage Practices*)

Subject to applicable law, we may engage in transactions among client accounts whereby one client account will purchase securities from or sell securities to another client account. This may result in a conflict of interest because a potential transaction may result in benefits to one client account that may be greater than the benefits to the other client account. In order to mitigate such conflicts, we effect such transactions only when we determine in good faith that such transactions are in the best interests of the applicable client accounts and only after receiving prior approval from our Chief Compliance Officer (the “CCO”). Such transactions will generally be made for cash consideration at a price that is calculated in accordance with our Valuation and Pricing Policy. No brokerage commission or transfer fee will be paid to Clear Haven or its affiliates in connection with any such transaction.

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

### ***Code of Ethics***

Clear Haven maintains a Code of Ethics that is designed to help ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, our Code of Ethics set forth standards of conduct for our employees to ensure that they conduct their business on our behalf in a manner that enables us to fulfill our fiduciary duty to our clients.

Among other things, our Code of Ethics: (i) governs personal trading by our employees, (ii) contains our policies with respect to gifts and entertainment, (iii) contains our policies regarding certain outside activities of our employees, (iv) sets forth our policies and procedures relating to insider trading, and (v) sets forth the manner in which employees may report violations of law or our policies and procedures. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

### ***Personal Trading Policy***

Employees must obtain written consent of our CCO before transacting personally in most securities (including private investments), except for transactions in exchange-traded funds, exchange-traded notes and large cap equities. Additionally, employees are required to provide our CCO with periodic reporting relating to their trading activity and personal accounts. Our policies relating to personal trading generally apply to an employee’s spouse or minor child, or an immediate family member of an employee living in the same household as such employee.

### ***Participation or Interest in Client Transactions***

We or our affiliates are entitled to receive performance-based fees or performance-based allocations from client accounts.

From time to time, Clear Haven’s Principals or employees may purchase securities that are held by, or intended to be held by, one or more client accounts. A conflict of interest exists in such cases because Clear Haven has the ability to trade ahead of clients and potentially receive more favorable prices than clients will receive. To mitigate this conflict of interest, such transactions will not be permitted unless Clear Haven has determined that the purchase of such security by such Principal or employee would not be adverse to the best interests of the relevant client accounts. Further, Clear Haven’s Code

of Ethics contains additional processes relating to such transactions, including with respect to the timing of the purchases (and subsequent sales) of such securities by the relevant Principal or employee.

We will not engage in any principal transactions unless we have determined that the transaction is in the relevant clients' best interests and have obtained client consent in accordance with our written procedures and applicable law.

## **Item 12 – Brokerage Practices**

### ***Selection of Brokers***

We have an obligation to seek to obtain “best execution” for our clients with respect to their transactions. While not defined by statute or regulation, best execution generally means the execution of client trades at the best net price considering all relevant circumstances. We seek best execution with respect to all types of client transactions, taking into account the following factors: market coverage, analytical capabilities, balance sheet capabilities, and relationship management. Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

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

Clear Haven has not entered into in any soft dollar arrangements with brokers or dealers. Clear Haven does not receive research reports, products, or bundled services from any broker dealer in exchange for directed business. Notwithstanding the foregoing, in connection with client transactions, broker-dealers may, as part of their bundled services, provide Clear Haven with research and research-related services. To the best of Clear Haven's knowledge, these services are generally made available to all institutional investors doing business with such broker or reviewing a potential market or investment opportunity. If Clear Haven makes a business decision to enter into soft dollar arrangements, it would comply with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

During our last fiscal year, we did not acquire any products or services with client brokerage commissions (or markups or markdowns).

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

Subject to applicable law, we may direct client brokerage business to brokers that refer prospective investors to us. Because such referrals, if any, are likely to benefit us but may not provide a benefit to our clients, we would have a conflict of interest with our clients when allocating brokerage business to such brokers. To mitigate this potential conflict, we will not allocate brokerage business to a referring broker unless we determine that such allocation is consistent with our best execution duties.

**Trade Errors**

We may on occasion experience errors with respect to trades made on behalf of client accounts. If we are unable to cancel the relevant trade and/or adjust an incorrect allocation, we will reimburse each relevant client account for net losses, if any, resulting from trade errors.

**Directed Brokerage**

In limited circumstances and at our discretion, the owner of a Managed Account may instruct Clear Haven to use one or more particular brokers for the transactions in it account. If a client chooses to direct us to use a particular broker, the client should understand that this might prevent us from aggregating trades with other client accounts. This practice may also prevent Clear Haven from obtaining favorable net price and execution. Thus, when directing brokerage business, the owner of a Managed Account should consider whether the commission expenses, execution, clearance, and settlement capabilities that could be obtained through the client's other brokers are adequately favorable in comparison to those that we would obtain.

**Allocation of Investments; Aggregation of Orders**

We will seek to allocate investment opportunities between client accounts on a fair and equitable basis under the circumstances existing at such time based upon a number of factors, including, but not limited to: (i) each client account's investment or risk restrictions or guidelines, (ii) legal, regulatory and tax considerations, (iii) relative amounts of capital available for new investments, (iv) minimum and maximum participation thresholds we deem appropriate, (v) the overall portfolio composition of each client account, (vi) liquidity, and (vii) the desire to avoid *de minimis* allocations and odd lots.

To the extent that a security is purchased or sold for more than one client account, we will generally aggregate orders for such security unless aggregation is not consistent with our duty to seek best execution and the terms of the investment guidelines and restrictions applicable to the relevant accounts. To the extent an aggregated order is only partially filled, we will allocate the investment opportunity or partially filled order on a fair and equitable basis based on the criteria described above. Each client that participates in an aggregated order will participate at the average price for all of our transactions in that security on a given business day, with transaction costs shared *pro rata* based on each Fund's participation in the transaction.

From time to time, we may offer certain investors and/or third parties the opportunity to co-invest with certain Funds in particular investments, including in situations where we determine that the amount available for investment by the relevant Funds exceeds the amount that we determine is appropriate for such Funds with respect to an investment opportunity, or where we determine that the relevant Funds' ability to access or execute an investment opportunity is dependent on, or benefitted by, such person or persons co-investing alongside such Funds. We are not obligated to arrange co-investment opportunities, and no investor will be obligated to participate in such an opportunity. We have sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular investor in the Funds and may allocate co-investment opportunities instead to other clients (or investors therein) or third parties, taking into account such factors as the we determine appropriate based on the relevant facts and circumstances, which may include one or more of the following: (i) the potential co-investor's interest in making co-investments; (ii) the potential co-investor's willingness to pay fees and expenses associated with the co-investment opportunity; (iii) the

potential co-investor's capacity to evaluate, commit to and fund the co-investment opportunity (and any follow-on investments) in the time period required; (iv) the potential co-investor's reliability and history of making similar co-investments; (v) the character or nature of the co-investment opportunity, including its size, structure, geographic location, relevant industry, and tax characteristics; (vi) any specialized knowledge, skills or access that we believe the potential co-investor may possess that may enhance the value of a proposed investment and/or the ability of the vehicle to consummate that investment; (vii) the level of demand for participation in the co-investment opportunity; (viii) the potential co-investor's interest in investing in client accounts; and (ix) any other matter that causes us to believe that an investment by a particular co-investor would be in the best interests of the vehicle.

## **Item 13 – Review of Accounts**

### ***Review of Accounts***

The Principals regularly review the portfolio holdings of each client account to determine that the securities (and other financial instruments) held by such account remain consistent with its investment objectives and guidelines.

### ***Reporting***

In addition to the reporting provided below, Clear Haven may provide certain information to clients/investors or prospective clients/investors in response to questions and requests and/or in connection with due diligence meetings or other communications. Such information will not be distributed to other clients/investors or prospective clients/investors who do not request such information. Access to such information may affect the decision of a prospective client/investor to invest with Clear Haven, and clients/investors (which may include personnel and affiliates of Clear Haven or its related persons) may be able to better assess the prospects and performance of the client accounts. Each client and investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

### **The Funds**

On an annual basis, we provide investors in each Fund with a copy of the relevant Fund's annual audited financial statements and, if applicable, a statement of taxable income (Schedule K-1). In addition, Credit Opportunity Fund investors will receive quarterly unaudited financial statements for such Fund.

Pursuant to "side letter" or other agreements, we may provide certain investors (including the Receivables Series' strategic investor) with access to more frequent and/or more detailed information regarding the Funds' securities positions, performance, finances, and management and/or other information about the Funds or us (including notifications of redemptions from a Fund by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the Funds.

### **Managed Accounts**

We will provide Managed Account clients with regular or intra-year written reports in conjunction with account reviews. Reports we provide will contain relevant account and/or market-related information such as an inventory of account holdings and account performance, etc. In addition,

Managed Account clients will receive and monthly or quarterly statements from the account custodian(s). Owners of Managed Accounts should compare our statements with the statements from the account custodian(s) to reconcile the information reflected on each statement.

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

Clear Haven does not receive other compensation from someone who is not a client for providing investment advice. We do not currently pay for client referrals. If we use a third party for investor referrals in the future, we would expect to pay such third party a fee for successful investor referrals, which would equal to a percentage of the compensation of each referred investor. This fee would not borne by any client account or any referred investor.

## **Item 15 – Custody**

### The Funds

For purposes of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), we are deemed to have custody over the Funds’ assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors as long as: (i) the Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds’ audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 120 days after the end of each Fund’s fiscal year.

### Managed Accounts

We do not currently have custody over our Managed Account clients’ assets and accounts.

Owners of the Managed Accounts will receive account statements from the independent, qualified custodian(s) holding account funds and securities at least quarterly. The account statements from the custodian(s) will indicate the amount of our advisory fees deducted from the account(s) each billing period. Owners of the Managed Accounts should carefully review account statements for accuracy. Owners of the Managed Accounts should compare the amount billed to the amount agreed upon in the IAC. For questions regarding account statements or to receive a duplicate or replacement statement from the custodian, please contact Adam Young at [adamyoung@clearhavencm.com](mailto:adamyoung@clearhavencm.com) or Alex Bashan at [alexbashan@clearhavencm.com](mailto:alexbashan@clearhavencm.com).

## **Item 16 – Investment Discretion**

### The Funds

The Funds are managed in accordance with their own investment and trading objectives, as described in their Governing Documents. We do not permit investors in the Funds to impose limitations on the investment activities described in such documents.

### Managed Accounts

We offer discretionary and non-discretionary Managed Accounts. Our IAC for a Managed Account specifies whether the owner of such account has delegated to us discretionary or non-discretionary authority over the account.

#### *Discretionary Managed Accounts*

For each discretionary Managed Account, the IAC will grant us limited authority to trade on behalf of such account. Under this authority, we will have the ability to determine the:

- securities to be bought or sold for the account;
- amount of securities to be bought or sold for the account;
- broker or dealer to be used for a purchase or sale of securities for the account; and
- commission rates to be paid to a broker or dealer for the account's securities transactions.

As noted above, Clear Haven offers Managed Account clients the ability to impose restrictions on the types of investments and/or management styles of Clear Haven. Any restrictions a client imposes will be documented in the IPS.

#### *Non-Discretionary Managed Accounts*

For non-discretionary Managed Accounts that we may manage in the future, we would assist clients in the decision-making process, but we would only act on a client's explicit authorization.

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

Clear Haven does not typically invest in or manage equity investments for clients, and as such does not commonly receive proxy voting ballots. However, from time to time, Clear Haven may receive proxies for its clients and generally has voting discretion over such proxies. Clear Haven has adopted proxy voting policies and procedures, which are summarized below.

In the absence of specific voting guidelines from a client or conflicts of interest, Clear Haven will vote all proxies in the best interests of each client, which may result in different voting results for proxies for the same issuer. In addition, Clear Haven may determine to abstain from voting a proxy if it believes that such action is in a client's best interests. In determining whether a specific proposal is in the best interests of a client, Clear Haven may take into account, among other things: (i) management of the issuer's views and recommendations on such proposal, (ii) whether the proposal may have the effect of entrenching management and/or making management less responsive to shareholders' concerns (e.g., instituting or removing a poison pill, classified board of directors and/or other anti-takeover measures), and (iii) whether Clear Haven believes that the proposal will fairly compensate management for its and/or the issuer's performance. If Clear Haven deems that the issue being voted upon is not material for a client or Clear Haven determines that the cost of voting a proxy would exceed the expected benefit to a client account, it will not be obligated to vote on such matter.

Upon request, clients may obtain information about how we voted their securities and a copy of our proxy voting policy and procedures.

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

We are not required to include our balance sheet for our most recent fiscal year with this Brochure.

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

We are not a state-registered adviser.