

# **Nolex Management LLC Chapford Management LLC Brochure**

Form ADV, Part 2A  
March 17, 2021

This Brochure (“Brochure”) provides information about the qualifications and business practices of Nolex Management LLC and Chapford Management LLC (together, d/b/a “Chapford Capital Group”) (“Adviser,” “we” or “us”), a registered investment adviser (“RIA”) with the United States Securities and Exchange Commission (“SEC”). Registration does not imply a certain level of skill or training. If you have any questions about the contents of this Brochure, please contact us at (203) 914-1680 or visit us at [www.chapfordcapitalgroup.com](http://www.chapfordcapitalgroup.com).

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

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

**Item 2 – Material Changes** - Since our last annual ADV updating amendment was filed on March 30, 2020 there has been one material change. Ryan McTernan has been added as a senior officer of Nolex Management LLC.

**Item 3 – Table of Contents**

Item 1 – Cover Page.....	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	2
Item 4 – Advisory Business.....	3
Item 5 – Fees and Compensation.....	5
Item 6 – Performance-Based Fees and Side-By-Side Management.....	7
Item 7 – Types of Clients.....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9 – Disciplinary Information.....	11
Item 10 – Other Financial Industry Activities and Affiliations.....	11
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	13
Item 12 – Brokerage Practices.....	15
Item 13 – Review of Accounts.....	21
Item 14 – Client Referrals and Other Compensation.....	21
Item 15 – Custody.....	21
Item 16 – Investment Discretion.....	22
Item 17 – Voting Client Securities.....	22
Item 18 – Financial Information.....	22

**IMPORTANT NOTE ABOUT THIS BROCHURE**

This Brochure is not: an offer or agreement to provide advisory services to any person or separately managed account; an offer to sell interests (or a solicitation of an offer to purchase interests) in

any private fund or other pooled investment vehicle; or a complete discussion of the features, risks or conflicts associated with any advisory service, private fund or pooled investment vehicle.

As required by the Investment Advisers Act of 1940, as amended (the “Advisers Act”), Chapford Capital Group provides this Brochure to both current and prospective Clients. We may also, in our discretion, provide this Brochure to current or prospective investors in a private fund or pooled investment vehicle (“Fund”) advised by us, together with other relevant governing documents, such as an offering or private placement memorandum or investment management agreement (“Client Documents”), prior to, or in connection with, an investment in such account, Fund or other vehicle.

Additionally, this Brochure is available through the SEC’s website.

Although this publicly available Brochure describes investment advisory services and products that we provide, persons who receive this Brochure (whether or not from us) should be aware that it is designed solely to provide information about us as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant Client Documents. More complete information about each separately managed account, or Fund, is included in the relevant Client Documents, certain of which may be provided to current and eligible prospective investors only by persons authorized to communicate with current or prospective investors by, or on behalf of, us. To the extent that there is any conflict between discussions herein and similar or related discussions in any Client Documents, the relevant Client Documents shall govern and control.

No offer or solicitation for an account, Fund or vehicle managed by us will be made before the delivery of Client Documents to a prospective investor. You should read the Client Documents carefully and consult with tax, legal and financial advisors before making any investment decision.

#### **Item 4 – Advisory Business**

Firm Overview. Nolex Management LLC and Chapford Management LLC are affiliated investment advisers and limited liability companies organized in the State of Delaware, with their principal place of business in Stamford, Connecticut. Both entities are majority owned and controlled by Adam Balinsky and Scott Rose each a Managing Member of both entities. Chapford Capital Group serves as investment adviser to a number of Fund vehicles. In addition, these affiliated investment advisers also serve as the general partner (the “GP”) of certain Funds.

In addition to their roles at Chapford Capital Group, Adam Balinsky and Scott Rose also serve as majority owners and executives of Fifth Season Financial, L.P., a limited partnership (“Fifth Season”). Fifth Season provides financial assistance to late stage cancer patients and others, including seniors, with life limiting conditions or limited life expectancies by extending lump sum loans or lines of credit secured by the borrowers’ existing life insurance policies.

Advisory Services. Chapford Capital Group provides investment management services as the RIA to closed-end private investment funds (“Funds”) and ascertains joint venture products in which Chapford Capital Group serves as a co-manager to a Fund.

We do not tailor our advice to the individualized needs of any particular investor in a Fund. Each investor in a Fund must consider whether that vehicle meets such investor's investment objectives and risk tolerances prior to investing. Additional information about each Fund is contained in the relevant Client Documents, which will be available to current and prospective investors only through us or another authorized party.

### Investment Strategy

While we generally have broad investment discretion, in most instances our investment strategy is to:

- purchase life insurance policies, individually or in blocks;
- purchase and hold loans ("FSFLP Loans") secured by life insurance policies originated by Fifth Season;
- purchase and hold loans of other originators of similar loans secured by life insurance policies, and
- invest in other investments that are linked to mortality where the underlying insured has a life limiting condition or life expectancy of less than ten years, in all instances, with a weighted average projected duration for the entire portfolio of seven years or less.

Chapford Capital Group may use financing to leverage returns and to pay premiums.

### Fifth Season

Pursuant to a contractual arrangement, Chapford Capital Group receives research, administrative, employee and back office support from Fifth Season. In addition, Fifth Season serves as originator and/or servicer (in such capacity, the "Servicer") for certain underlying investments (the "Portfolio Investments") in Funds managed by Chapford Capital Group. The Servicer's responsibilities include (i) monitoring the health status of insureds, (ii) maintaining policies in force by paying premiums in accordance with an agreed premium schedule and as funded by the Partnership, (iii) administering policy acquisitions and loans, and (iv) collecting death benefits following a mortality event. The Servicer shall be paid an annual fee, which is typically a fixed amount for each policy being serviced by the Servicer, payable monthly in arrears based on the number of policies being serviced on the first day of each calendar month. The Servicer may outsource certain elements of the servicing to third-party service providers, but will at all times retain responsibility for servicing the Portfolio Investments.

Dual Officers. Certain officers of Chapford Capital Group are also officers or employees of one or more affiliates of Chapford Capital Group ("dual officers") for the purpose of performing investment management and other service related functions. Such affiliates include Fifth Season.

In this dual officer capacity, our officers may:

- provide research with respect to general and specific investment opportunities;
- provide loan servicing for underlying investments; and

- provide back office and other service functions.

When we share personnel with our affiliates pursuant to these arrangements, such personnel will be subject to Chapford Capital Group's compliance policies and procedures when acting on behalf of Chapford Capital Group, and subject to the policies and procedures of the affiliate when acting on behalf of that affiliate. Please see Item 10. Other Financial Industry Activities and Affiliations for more information on our dual officer arrangements.

Client Assets. As of December 31, 2020, Chapford Capital Group had \$255,806,787 in private Client assets under management as an investment adviser, of which \$215,010,090 were on a discretionary basis and \$40,796,697 were non-discretionary.

## **Item 5 – Fees and Compensation**

The following discussion represents our basic compensation arrangements. However, fees may be negotiable in certain circumstances, and arrangements with any particular Client or investor may vary on a case-by-case basis. All investors and Clients should review the relevant Client Documents for complete information on fees and compensation payable to us, including, without limitation, information concerning calculation and payment methodology.

We are typically compensated for our advisory services by earning performance fees from our Clients. Please see Item 6. Performance-Based Fees and Side-by-Side Management for more information on our Fund performance fees. Investors in our Funds should refer to the applicable Fund's offering materials for a complete description of our fees.

Not all Clients pay the same level of fees. As such, we have a financial incentive to allocate investments to Clients that pay a higher rate of fees. To partially mitigate this, our allocation policy prohibits us from favoring any particular account because of the ownership or economic interests of us, our affiliates, officers or employees, in such advisory accounts.

For certain Client accounts, we may elect to waive fees from time to time, and such waivers may have a positive, but one-time, effect on returns.

### Fund Fee Information

Each of the Funds we manage may also be subject to additional charges such as custody, brokerage and other transaction costs, administrative and other expenses. Fifth Season, our affiliate, may serve as one of the service providers of the Funds. Fees are not generally negotiable, though they may be waived or deferred at the discretion of the Fund in accordance with the Fund's offering materials. Such waivers and deferrals will cause some investors to pay fees that are different from the basic fee schedules disclosed in Fund offering materials. Please see the applicable Fund's offering materials for further information regarding fees.

Chapford Capital Group may enter into side letter agreements with certain investors in the Funds providing such investors with different or preferential rights or terms, including but not limited to different fee structures and co-investment rights.

### Transaction-Related Fees and other Expenses

We do not charge or receive compensation in connection with the purchase or sale of investment products. However, certain of our affiliates, including Fifth Season, officers, employees or employees of our affiliates can accept compensation for the sale of securities, Funds or other investment products that we manage. For example, we may purchase Fifth Season Loans for their principal balances, which will generally include an origination fee of 1.5% to 3% charged to borrowers. Thus, for loans sold to a Fund by Fifth Season, Fifth Season effectively will earn a fee in the range of 1.5% to 3% inasmuch as the price paid by the Fund will exceed the amount originally advanced by Fifth Season by this amount. Accepting fees for the sale or the ongoing servicing of such investment products gives rise to a conflict of interest in that it may give us or our affiliates/employees an incentive to recommend or invest in investment products based on the compensation they will receive, rather than solely on a Client's needs. In connection with investments made by certain Clients, Fifth Season (an affiliate of Chapford Capital Group) may receive origination, commitment, document, structuring, facility, monitoring, amendment, agent and/or other transaction fees from portfolio investments in which one or more Clients may invest or propose to invest. The potential for a Chapford Capital Group affiliate to receive such economic benefits may create conflicts of interest as we and our affiliates may have economic incentives to originate investments other than the incentive associated with a performance payment.

In some cases, an excess portion of an asset may be temporarily held by a non-advisory account, and when such excess portion is sold to third parties, Fifth Season may receive a fee or profit. In other cases, an excess portion of an asset may be held by a Client before a third party purchases such asset. Chapford Capital Group may be incentivized to find larger deals than its Clients would ordinarily want in order to generate transaction fees. To partially mitigate these potential conflicts, Chapford Capital Group's Clients receive their entire desired allocation prior to another party receiving an allocation of an originated investment.

In some cases, Fifth Season will serve a leading role with respect to a particular originated loan. While serving in such a role may provide more attractive investments to our Clients over time, it (and the fees associated therewith) may conflict with the short term interests of our Clients. Nonetheless, we believe that in the long term, such leading roles are integral to our efforts to secure the best investment opportunities for our Clients.

### Limited Partner Advisory Committee

To mitigate potential conflicts, certain investments made in a Fund are first approved by a Limited Partner Advisory Committee ("LPAC") of the Fund made up of approximately 3-5 unaffiliated limited partners. The members of the LPAC are given equal voting rights.

The function(s) of the LPAC may include:

- to review and approve any potential conflict of interests, including approval of any loans originated by Fifth Season;
- to periodically review loans available for purchase by the Fund;

- to give any consent, approval or waiver as may be required pursuant to applicable law;
- to approve any deviation from valuation methodology or approve valuation methodology for a non-core investment made by a Fund;
- to approve any investments outside of the Fund’s “core” investment strategy;
- to review any proposed investment in excess of four percent (4%) of the Fund’s assets under management; and
- such other matters as the General Partner may, from time to time in its sole discretion, present to the LPAC.

In addition to fees and expenses described above, each Fund will pay or reimburse Chapford Capital Group or the Fund’s general partner for all reasonable out-of-pocket expenses incurred in connection with the organization and the offering of the Fund, including, but not limited to, legal, accounting, consulting, filing and start-up costs (“Organizational Expenses”). In some cases, there may be a cap on Organizational Expenses. In addition, each Fund will pay all expenses of acquiring and disposing of its investments and the expenses of structuring and obtaining a debt facility.

The Fund will also pay or reimburse Chapford Capital Group or the Fund’s General Partner (to the extent not otherwise reimbursed by a third party) for all operating and other expenses relating to the Fund and its subsidiaries, including but not limited to those in connection with the ongoing administration including legal, auditing, consulting, financing, accounting, record-keeping, administration and other professional expenses, fees and expenses payable under any servicing agreement (including without limitation any servicer fee paid to Fifth Season), administration or information services agreements; the costs of indebtedness and guarantees (including interest thereon); expenses associated with the preparation of financial statements, tax returns and each partner’s Schedule K-1 or other equivalent report; costs of insurance; the costs of meetings of the investors; any taxes of the Fund and its subsidiaries; the costs of any litigation or settlements paid in connection therewith; and the costs of winding up and liquidating the Fund.

Purchases and sales of investment vehicle shares may occur as secondary market transactions for which commissions and other charges or fees may be assessed.

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

As discussed in Item 5 “Fees and Compensation”, we receive allocations or fees based on the investment performance of certain Clients. The performance allocation may be up to 50% of the profits of the Fund or account in excess of a specified hurdle. Our performance-based arrangements are subject to Section 205(a)(1) of the Advisers Act to the extent applicable. The Advisers Act and rules thereunder, including Rule 205-3, permit us to receive various types of performance payments from certain types of Clients, including qualified Clients, Funds relying on exemptions to the Advisers Act, non-U.S. persons and business development companies. We take steps to ensure that performance-based arrangements comply with applicable law.

### Fund Related Performance Allocation

For Chapford Capital II, L.P., for each performance period (as defined in the Fund’s offering memorandum), underlying investors will be allocated 50 percent of the net profit allocable to such underlying investor’s unit(s). The remaining 50 percent of the net profit allocable to such units

will be allocated to Chapford Capital Group (or the relevant GP). Net losses will be allocated first to reverse net profits until the net losses have reduced the net allocation to Chapford Capital Group (or the relevant GP) to zero. Thereafter, net losses are allocated to investors.

### Side-by-Side Investing

“Side-by-side management” refers to our simultaneous management of multiple types of Client accounts/investment products. For example, we manage different types of accounts, including pooled investment vehicles for Clients, many with the same or similar investment strategies, at the same time. Our Clients may have different investment objectives, policies, strategies, limitations and restrictions. Our affiliates likewise manage a variety of private funds.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our employees and our supervised persons. Below we discuss the conflicts that we and our employees face when engaging in side-by-side management and how we deal with them.

### Performance Allocations

Performance-based arrangements may create an incentive for us to recommend investments that are riskier or more speculative than those that would be recommended under a different fee arrangement. Performance-based arrangements also create an incentive to favor higher paying accounts over lower paying accounts in the allocation of investment opportunities. Additionally, under a performance-based structure, we may benefit when capital gains are recognized and, because we determine when an investment is sold, we control the timing of the recognition of capital gains. Our performance-based arrangements often contain a hurdle rate, which may create an incentive to invest in assets that would be likely to surpass the hurdle rate. We or our affiliates, or our respective principals or personnel, may also own a portion of funds or accounts that we manage, and may own a portion of operating companies in which we invest or to which we provide investment management services.

### Valuation

Many of the assets we invest in do not have readily observable values, and we determine the fair value of these investments. If our determinations regarding the fair value of the investments are materially higher than the values that are ultimately realized upon the sale of such investments, the value of the Fund may be affected. Because our compensation may be based, in part, on valuations of assets and performance, we have an incentive to assign valuations that may be higher than could be, or ultimately are, realized upon sale.

To address the conflicts of interest associated with valuation, we have adopted a valuation policy that governs the valuation of Fund investments.



## Different Fees and Allocation

Potential conflicts may arise if we manage accounts that pay performance-based allocations or fees alongside accounts that do not pay based on performance or if we manage accounts that pay performance-based allocations or fees at different rates or subject to certain types of calculation methodologies (e.g., high water mark or hurdle rate). We may have an economic incentive to allocate more favorable investment opportunities to, or otherwise for, an account that pays us a performance-based component or in which we, or an affiliate, have an ownership or other economic interest.

To address the conflicts of interest associated with the allocation of trading and investment opportunities, we have adopted a trade allocation policy that governs the allocation of portfolio transactions and investment opportunities across multiple advisory accounts. This policy requires us to treat each of our Clients in a manner consistent with our fiduciary obligations and prohibits us from favoring any particular Client because of the ownership or economic interests of us, our affiliates, officers or employees, in such Clients.

Our allocation policy seeks to ensure that we allocate investment opportunities across Clients fairly and equitably over time based upon our policies and procedures. These conflicts and certain mitigants are discussed in Item 11, “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”.

## Different Strategies

We may give advice and take action with respect to any Client account we manage, for our own account or for the account of an employee, which may differ from actions taken by us on behalf of other accounts. We are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that we, or our employees, may buy or sell for our or their own account or for the accounts of any other Client. We, or our employees, may invest in securities held by accounts that we manage, except to the extent such investments violate our Code of Ethics or applicable law. When a person is responsible for portfolio management of multiple advisory accounts, such person may have a conflict of interest in connection with investment decisions, since the person may have an incentive to favor the account in which he or she is invested or otherwise entitled to share in the returns or fees.

## **Item 7 – Types of Clients**

We primarily provide investment advisory and management services to Funds. In addition, we have entered into a joint venture partnership in which we co-advise a Fund. The terms and conditions of Client accounts vary depending on the type of services provided or the type of Client, and these terms and conditions may vary even among similar Clients receiving similar types of services.

We may impose investment minimums for investors in such Funds. For example, Chapford Diversified Strategies Fund, L.P. has a minimum investment amount of \$250,000. Disclosure regarding

these investment minimums, can be found in the applicable Client Documents. We may reduce or waive any such investment minimums that are required of investors.

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

In managing discretionary Clients, Chapford Capital Group utilizes the investment strategies and methods of analysis, as described below.

### Investment Strategy

Chapford Capital Group's core investing strategy is to (i) purchase life insurance policies individually or in blocks, (ii) purchase and hold loans secured by life insurance policies originated by Fifth Season or its affiliates or other originators, and (iii) invest in other investments that are linked to mortality where the underlying insured has a life limiting condition or life expectancy of less than ten years, in all instances, with a weighted average projected duration for the entire portfolio of seven years or less. Chapford Capital Group may invest available cash in a money market account or other highly liquid investments. This strategy may use financing to leverage returns.

### Method of Analysis

In making investment decisions, Chapford Capital Group employs a disciplined and selective review process that focuses on, among other things, a thorough analysis of the probable life expectancy of the insured, the recent treatment developments, and the survival variability in life expectancy. As part of its review process, Chapford Capital Group will draw on the underwriting expertise of its investment professionals, as well as on that of the consulting physician review and life expectancy estimate. Each investment is evaluated under standardized underwriting guidelines. This approach should enable Chapford Capital Group to consider the total return on each Portfolio Investment, seeking to minimize the risk of yield compression or loss without forgoing potential for quality risk adjusted returns.

### Certain Risk Factors

This section contains a discussion of the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing, and the particular risks applicable to each Client or investor will depend on the nature of the account, its investment strategy or strategies and the types of investments held in such Client account. While we seek to manage Client accounts so that the risks are appropriate to the return potential for the strategy, it is often not possible or desirable to mitigate fully all possible risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Investors should understand that they could lose some or all of their investments and should be prepared to bear the risk of such potential loss.

Investors should be aware that mandates may be limited to certain types of investments (e.g., life insurance policies) and may not be diversified. Investors are responsible for appropriately diversifying their assets to reduce the risk of loss. Past performance is not necessarily indicative of future results and all investors should be prepared to lose the value of their investments.

An investment in the Funds or other accounts managed by us is speculative and involves a high degree of risk. The Funds have substantial limitations on investors' ability to redeem or transfer their interests, and no secondary market for the Funds' interests exists or is expected to develop. In managing our Funds/Clients, we currently utilize investment techniques, including the use of leverage, that involve significant risks. All of these risks, and other important risks, are described in detail in our Clients' respective Client Documents. Prospective investors are strongly urged to review the applicable confidential offering memorandum carefully and consult with their own financial, legal and tax advisors, before investing in a Fund that we manage or appointing us to manage a Client account.

### Leverage and Subsidiaries

We invest Client assets in a manner that subjects Clients to the financial risks of leverage. Although not all assets will necessarily be levered, portfolio investments financed with or involving leverage may have increased exposure to risks, including adverse fluctuations in interest rates, downturns in the economy and the inability to refinance debt as it matures. Accordingly, any event that adversely affects the value of a Client's investment would be magnified to the extent the Client's account uses leverage. Such events may result in a substantial loss that would be greater than if leverage had not been utilized in managing the Client account origination and seasoning. If our Clients are unable to obtain such leverage or if the interest rates of such leverage are not attractive, our Clients could experience diminished returns.

### Risks Related to Multiple Business Lines

Our Clients, and investors in any Funds or other investment vehicles managed by us, should be aware of the potential risk of errors from separate business lines affecting their investments indirectly. While we keep each Client as a legally distinct entity, there are risks that a separate business line suffering a material adverse condition could affect other business lines. These risks could materially affect our business as a whole, and include, but are not limited to, loss of reputation, loss of management time and focus, regulatory sanctions, and adverse impact to business relationships.

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

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have had no legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

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

Other companies owned directly or indirectly by senior executives of Chapford Capital Group, Adam Balinsky and/or Scott Rose, are engaged in the financial services business. In some cases, we have business relationships with related companies that are material to our advisory business or to our Clients. We refer to the companies under common control with us as "relevant parties"

or “affiliates”. These arrangements are described in more detail below and, in some cases, may cause our, or a relevant party’s, interests to diverge from the best interests of a Client.

We, our affiliates, officers and employees, may also have certain interests, including deferred fees, in our Funds. We rely on our officers and employees who may also serve as officers, directors and/or general partners of certain Funds and other investment entities. Certain relevant parties may form similar limited partnerships to those that we currently manage. We, our employees and/or relevant parties may also enter into financing arrangements with Clients, or make loans or otherwise advance money to Clients for operational ease, to ensure timely funding of negotiated investments and/or to assist with loan origination and seasoning.

### Sponsors of Limited Partnerships

A number of entities that serve as general partner to Funds advised by Chapford Capital Group are affiliated with Chapford Capital Group and its Managing Members. *Please see Item 4 – Advisory Business* for more information.

### Related Operating Companies

We may sponsor related operating companies. In our capacity as investment adviser, we may direct or recommend to our Clients or other accounts to invest in such operating companies. These arrangements may cause conflicts of interest compared to arrangements where we direct our Clients to invest in unaffiliated operating companies. This can raise a variety of conflicts of interest. For example, we or our personnel may have additional direct or indirect compensation considerations in such operating companies. These arrangements may cause conflicts of interest. For example, we may be incentivized to direct more favorable investments to sponsored operating companies for which we are affiliated.

One related financial industry activity that we engage in through domestic entities is the origination of loans. While these loans are typically invested in by our Clients, this origination business is distinct from the advisory business. We have a financial interest in recommending loans originated by us to our Clients, and this may cause a conflict of interest.

We may also originate loans that are larger than the aggregate hold size desired by our Clients. This may create conflicts of interest, as we may retain transaction fees in connection with these loans or make money from selling the excess portion of such loans. We have a financial interest in originating large loans and selling the portion of such loans that our Clients do not wish to hold. To the extent we are unable to sell these excess portions of loans, one or more Clients may hold an allocation of such loans greater than expected or desired, which may increase such Clients’ risk. There is no guarantee that we will be able to, nor do we have any obligation, sell these excess portions of loans.

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

### Code of Ethics

We have adopted a Code of Ethics for all employees and dual employees of Chapford Capital Group describing our standards of business conduct and the fiduciary duties we and our employees owe to our Clients. The Code of Ethics is reasonably designed to minimize actual or potential conflicts of interest and prevent violation of federal securities laws. The Code of Ethics generally prohibits trading restricted securities and provides procedures governing personal securities transactions of employees that contain certain preclearance, regular reporting and other requirements that are designed to mitigate the risk of insider trading or securities trading on the basis of material non-public information in our possession and any other trading activities that are illegal or adverse to the positions taken by us on behalf of our Clients.

Examples of other areas that our Code of Ethics and our compliance manual address include:

- employee conduct;
- conflicts of interest;
- political contributions;
- gifts and entertainment;
- outside business activities;
- confidentiality of information;
- manipulative trade practices; and
- initial public offerings and private offerings.

All our employees acknowledge the terms of the Code of Ethics at least annually and are obligated to report violations of the Code of Ethics to the Chief Compliance Officer.

We will provide a copy of our Code of Ethics to Clients or prospective Clients upon request. Our contact information appears on the cover page of this Brochure.

### Interest in Client Transactions

Note that while each of the following types of transactions present conflicts of interest for us, as described below, we manage our Clients consistent with applicable law, and we follow procedures that are reasonably designed to treat our Clients fairly and to prevent any Client or group of Clients from being systematically favored or disadvantaged.

### Management of Clients

Chapford Capital Group and its affiliates may act in similar capacities for other Clients and are only required to devote such time as may reasonably be required to further the business affairs and activities of each Client. Chapford Capital Group and/or its affiliates may give advice, and take action, with respect to one Client that differs from the advice given, or the timing or nature of action taken, with respect to another Client. Chapford Capital Group and its affiliates may hold

substantial interests in Clients and conflicts of interest may arise in allocating management resources among Chapford Capital Group and its Clients.

### Principal Transactions

“Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any Client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another Client account. We may engage in principal transactions subject to the consent requirements under the Advisers Act, as permitted under applicable law and as described in our compliance policies and procedures (including our Limited Partnership Advisory Committee Policy).

### Cross Transactions

We may direct one Client to sell securities or instruments to another Client or affiliated Client through a cross-transaction in which neither we nor an affiliated person receives compensation. For example, certain assets (the “Seed Assets”) may be acquired by a newly or recently formed Fund in connection with that Fund’s initial closing (“Initial Closing”). Additional details about such Seed Assets and the terms of such acquisition will be provided in the relevant Funds offering memorandum and to the potential investors prior to the Initial Closing. In this case, consent for the transaction will be conducted through the Fund’s Subscription and Partnership Agreements.

Since Chapford Capital Group has an incentive to effect cross transactions between Funds in order to position profitable trades into higher paying and/or performance fee Funds, any such transaction is effected consistent with the Funds’ offering materials which include a discussion of the Fund’s Limited Partnership Advisory Committee and our Cross Trading, Valuation and Best Execution Policies. We may effect cross trades in securities or other instruments for which a market quotation is not readily available. Transaction costs are typically split pro-rata between the participating Clients.

Chapford Capital Group considers a variety of factors when determining the appropriateness of a cross transaction which include, but are not limited to, applicable legal rules and regulations, whether the trade is advantageous to both parties, investment objectives and strategies, applicable investment restrictions, appetite for the security, and cash availability.

### Agency Transactions Involving Affiliated Brokers

Neither we nor any of our officers or directors, acting as broker or agent, effect securities transactions for compensation for any Client.

### Transactions in Same Securities

We or our affiliates may invest in the same securities that we or our affiliates recommend to Clients. When we or an affiliate currently holds for our own benefit the same securities as a Client, we could be viewed as having a potential conflict of interest. If our portfolio managers make inconsistent trading decisions, the basis for those decisions must be documented, and may

be reviewed periodically by our compliance department to determine whether they were made on an appropriate basis.

### Interests in Recommended Securities/Products

We or our affiliates may recommend securities to Clients, or buy or sell securities for Client accounts, at or about the same time that we or one of our affiliates buys or sells the same securities for our (or the affiliate's) own account. This practice may give rise to a variety of potential conflicts of interest, particularly with respect to aggregating, allocating and sequencing securities being purchased on both our (or its affiliate's) behalf and our Clients' behalf. For example, we could have an incentive to cause a Client or Clients to participate in an offering because we desire to participate in the offering on our own behalf, and would otherwise be unable to meet the minimum purchase requirements. On the other hand, we could have an incentive to cause our Clients to minimize their participation in an offering that has limited availability so that we do not have to share a proportionately greater amount of the offering to the Client. Allocations of aggregated trades might likewise raise a potential conflict of interest as we may have an incentive to allocate securities that are expected to increase in value to ourselves.

Further, a potential conflict of interest could be viewed as arising if a transaction in our own account closely precedes a transaction in related securities in a Client account, such as when a subsequent purchase by a Client account increases the value of securities that were previously purchased for ourselves. Our compliance personnel review periodic transaction reports and holdings reports on our accounts to evaluate the nature of sequenced transactions and to assess potential harm caused by trades in our account to Client accounts.

We and our existing and future employees, and our affiliates and their employees may from time to time invest in products managed by us. We have developed policies and procedures to address conflicts of interest created by such investment. We do permit our employees to invest for their own account within the guidelines and restrictions of the Code of Ethics, as described above.

## **Item 12. Brokerage Practices**

### Use of Broker-Dealers

Because of the nature of our private investments, our investment team does not generally use broker-dealers because investments are conducted through private offerings whereby the Funds' ownership is recorded on the books of the issuer. Most of the time the disposal of positions is effected through private transactions and not through broker-dealers/agent banks due to the nature of the transaction (i.e. pay-downs, pay-offs and/or refinancing by portfolio companies of their outstanding debts). However, in the few instances when a Fund uses a broker-dealer/agent bank to effect the liquidation of its holdings, best execution is the primary consideration in placing portfolio transactions with a particular broker-dealer. The team considers the price of the instrument, broker-dealer mark-ups or mark-downs and related transaction costs. Other considerations include a broker-dealer's specific expertise and/or agent bank status with respect to a particular investment, access to underwritten offerings, execution capabilities including such factors as responsiveness

to Chapford Capital Group and back office settlement capabilities, the ability to generate credit investment ideas and the broker-dealer's financial stability.

We have no duty or obligation to seek in advance competitive bidding for the most favorable spreads or transaction costs applicable to any particular Fund transaction but will endeavor to be aware of the current level of transaction costs and will seek to minimize the expenses incurred for effecting fund transactions when possible.

#### Soft Dollars

The term "soft dollars" is commonly understood to refer to arrangements where an investment adviser uses Client brokerage commissions to pay for research or other services used by the investment adviser. Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" that permits investment advisers to enter into soft dollar arrangements if the investment adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided.

As a matter of policy, we do not utilize "soft dollar" arrangements.

#### Brokerage for Client Referrals

We do not direct securities transactions to any broker-dealer in exchange for referral of investment management Clients.

#### Trade Aggregation

We manage Clients with similar investment objectives. Additionally, we may manage Clients with different objectives that trade in the same investments. Despite such similarities, investment decisions relating to the Clients' investments are made independent of each other in light of differing conditions and we will not necessarily purchase or sell securities at the same time or in the same proportionate amounts for all eligible Clients. Therefore, not all Clients will necessarily participate in the same investment opportunity or participate on the same basis and the performance resulting from such decisions will differ from Client to Client. However, if the same investment decision is made for two or more Clients within or across investment strategies, we will seek to aggregate such transactions for the same security into a single "bunched" order to obtain best execution and/or price for participating Clients. Each Client account which participates in an aggregated order generally receives an average price with all transaction costs shared on a pro-rata basis. An order for a new issue, will generally, not be aggregated with a secondary market transaction of the same issuer.

#### Trade Allocation

Clients following our primary strategy invest in many of the same loans. Chapford Capital Group and any affiliates which invest alongside Chapford Capital Group seek to allocate investment opportunities among the Clients on a fair and equitable basis over time, taking into consideration each Client's investment restrictions and various other factors as noted below. When allocating



investment opportunities Chapford Capital Group is precluded from favoring any Client or set of Clients under this strategy over another, considering different fee structures as an incentive in allocating investment opportunities to a Client or Clients that have the potential to pay a larger fee, or recommending or causing a Client to enter into transactions for the purpose of benefiting the direct or indirect securities holdings of Chapford Capital Group or its affiliates or employees. When allocating investment opportunities, Chapford Capital Group first seeks to ascertain the amount of the asset available while keeping in mind each Client's overall investment objective and cash availability. Chapford Capital Group uses its best judgment as determined by Chapford Capital Group's portfolio managers in allocating investments among the Clients. Chapford Capital Group considers a wide range of factors in determining allocations of investments among Clients, including, but not limited to, each Client's available cash, investment objectives, eligibility criteria, limitations outlined in each Client's offering materials and governing instruments, and certain position considerations such as concentration limitations and round lots. When reviewing these factors, there will be certain circumstances under which investments are only eligible for one or a select number of Clients and not all Clients. In addition, we give special consideration to new Clients and other Clients in the ramping stage. Such special consideration is made for both new issues as well as trades in the secondary market. However, in general, allocations among Clients following the primary investment strategy are generally allocated pro rata based on assets under management.

#### Limited Opportunities

If an acquisition is available on a basis which does not satisfy the capacity of all relevant Clients, Chapford Capital Group may allocate or rotate investment opportunities in a manner deemed fair and equitable, but it cannot assure, and assumes no responsibility for, equality among all Clients.

#### Joint Venture

Chapford Capital Group and/or its affiliates have entered into a joint venture ("Joint Venture"), pursuant to which all investments meeting certain prescribed eligibility criteria will be allocated first to the Joint Venture. Pursuant to the terms of the Joint Venture, Clients will have the right to co-invest on each investment allocated to the Joint Venture at a level between 5% and 38%, as determined by Chapford Capital Group (see "Co-Investments" below).

#### Trade Errors

Chapford Capital Group's traders may on occasion experience errors with respect to trades made on behalf of Clients. Trade errors can result from a variety of situations, including, but not limited to, when the wrong investment is purchased or sold, when the correct investment is purchased or sold but for the wrong Account, when the wrong amount is purchased or sold, when an investment is purchased when it was meant to be sold or vice versa, or when a misallocation among Fund clients occurs and is not corrected before settlement.

Chapford Capital Group endeavors to detect trade errors prior to settlement and correct them in an expeditious manner. Chapford Capital Group's portfolio managers review trading records for Clients and reconcile orders and fills on each business day. When a possible trade error is detected, the portfolio manager must notify the CCO. Thereafter, they will collectively review the

applicable trade to determine whether in fact an error occurred, the cause of the error, the effect of the error on the Account(s) involved, and whether the error can be corrected prior to settlement. Subject to applicable law, Chapford Capital Group will reimburse the applicable Client for net losses that occur as a result of trade errors to the extent that it is required to do so under the governing agreements or advisory contract for such Client (as applicable).

If a trade is allocated incorrectly (due to a misinterpretation, mistake, or mathematical errors or incorrect guidance by the traders, etc.), Chapford Capital Group's traders will attempt to re-allocate the trade using the intended allocation methodology prior to the trade's settlement date. If a trade has settled, Chapford Capital Group may, subject to applicable law, effect a cross trade between Clients to correct the misallocation such that each Client would be in the position it would have been in had the misallocation not occurred. The reason for all reallocations will be documented by the CCO. If an erroneous allocation cannot be corrected prior to or after settlement, any correcting trades will be reviewed in the determination of trade errors and their impact to the affected Client as set forth above.

### Co-Investments

During the investment period, Funds may offer co-investment opportunities to underlying Fund investors or affiliates. Co-investments are a direct investment by an investor alongside a Fund's investment in a target portfolio company. In this context, co-investments increase a Fund investor's exposure to an underlying Fund portfolio company. We may, but are not obliged to invite Fund investors to co-invest along with the Funds in investment opportunities offered to the Funds. For more information about co-investments, please refer to offering materials of the Funds.

### Conflicts of Interest – Other Relationships

We will generally not make any investment on behalf of a Client that we do not believe to be in the best interest of the Client. However, there may be conflicts in any particular transaction between the terms of an investment and our relationship with a borrower or private equity sponsor that serves the long-term best interests of our Clients. For example, we may reduce transaction fees, offer loan terms that are more favorable to the borrower (and conversely, less favorable to the Client), accept a below target position size, or make other similar concessions to maintain or improve a relationship with a private equity sponsor or borrower, thereby increasing the likelihood of repeat business for the benefit of our Clients.

### Conflicts of Interest – Allocation Policy

As discussed in Item 6 above, potential conflicts may arise if we manage accounts that make performance payments alongside accounts that do not make performance payments or if we manage accounts that make performance payments at different net rates or subject to different calculation methodologies (e.g., high water marks or hurdle rates). We may have an economic incentive to allocate more favorable investment opportunities to, or otherwise for, an account from which we receive a performance payment or in which we, or an affiliate, have an ownership or other economic interest.

We may have Clients with competing or overlapping investment objectives. As a result, we may face conflicts in the allocation of investment opportunities among our Clients. We seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with our allocation policy then in effect.

To mitigate these conflicts of interest associated with the allocation of trading and investment we will not make investment allocation decisions to:

- unduly favor one account at the expense of another, including any proprietary or personal accounts of us or our officers or employees, over time;
- generate higher fees or greater performance compensation;
- develop or enhance a relationship with a Client or prospective Client;
- compensate a Client for past services or benefits rendered to us or to induce future services or benefits to be rendered to us;
- induce customers of a relevant party's financing operation, if such allocations do not also benefit our Clients; or
- manage or equalize investment performance among different Client accounts.

#### Conflicts of Interest – Differing Investment Positions

Our Clients generally take directionally similar positions. For example, if one of our Clients purchases a loan in a particular issuer, it would be atypical for another Client to take a short position in that same issuer.

#### Conflicts of Interest – Repeat Transactions in the Same Issuer

Fifth Season may act as an underwriter, arranger or placement agent, or otherwise participate in the origination, structuring, negotiation, syndication or offering of loans held by our Clients. These loans may be held by multiple Clients and are often prepayable at the option of the obligor. When determined to be in the overall best interests of all of our Clients, we may cause relevant Clients to waive prepayment premiums or other similar call premiums in certain circumstances, including when we, or our affiliates, are involved in the refinancing, restructuring or other modification of such assets. Where one or more Clients, when considering only those Clients' individual and particular circumstances, do not participate in a related refinancing, we face a potential conflict of interest between our duty to such Clients and the interests of other Clients that will participate in the refinancing, as well as, in some cases, our interests or the interests of related entities. To mitigate these potential conflicts, we may cause a non-participating Client to waive prepayment or call protections only where we have or will offset any adverse economic effect caused by the waiver of such prepayment premiums or other similar call premiums. We do this by waiving management fees or other similar fees or reimbursements to which we would otherwise be entitled from the non-participating Client. As a result of such fee waivers, these Clients will be in the same (or better) economic position as they would have been had we enforced the prepayment or call protection.

### Conflicts of Interest – Loan Origination

Fifth Season is engaged in loan origination activities. Such loan origination activities may result in fees, including origination, commitment, document, structuring, facility, monitoring, amendment, agent and/or other transaction fees. Our Clients, and the investment vehicles in which our Clients invest, may acquire loans originated and/or arranged by such affiliated loan origination activities and in respect of which fees are received. In general, these fees will not be shared with our Clients.

In some cases, we will serve a leading role with respect to a particular originated loan. While serving in such a role may provide more attractive investments to our Clients over time, it (and the fees associated therewith) may conflict with the short term interests of our Clients on any particular deal. For example, when we serve in a leading role, our Clients may retain a larger than pro rata portion of revolving loans or delayed draw term loans. In addition, we may be required to sell more of a loan to third parties in order to win a mandate on a loan origination transaction or to otherwise satisfy sponsor requests, than we would otherwise prefer to sell in our capacity as investment manager to our Clients. Nonetheless, we believe that in the long term, such leading roles are integral to our efforts to secure the best investment opportunities for our advisory Clients.

We may permit certain of our officers and employees to invest in Funds advised by us or our affiliates and/or share in the returns or fees received from such Funds. When an officer or employee is responsible for both the portfolio management of the Fund and other advisory accounts, such person may have a conflict of interest in connection with investment decisions since the person may have an incentive to direct the best investment ideas, or to allocate trades, in favor of the Fund in which he or she is invested or otherwise entitled to share in the returns or fees.

In addition to the allocation policy, to address these conflicts of interest, our Funds have an independent LPAC which can approve or disapprove certain trades and additional conflicts of interest.

Chapford Capital Group understands that the potential for material conflicts of interest exist whenever a portfolio manager has responsibility for the day-to-day management of multiple Clients. As noted above, these conflicts may be greater if a portfolio manager is also responsible for managing a proprietary account or when we and/or an affiliate have an investment in one or more of such accounts or an interest in the performance of one or more of such accounts through the receipt of a fee.

### Conflicts of Interest – Shared Services Expense

In the operation of our business and the management of our Clients' businesses, an inherent conflict arises in connection with shared service expenses. Pursuant to management agreements with our Clients, certain overhead and back office expenses, including employee expenses, are allocated to us and certain overhead and back office expenses, including employee expenses, are allocated to our Clients. Based on the category of service provided, allocation of the expenses requires judgment to determine whether the expense is to be allocated to us, to our Client or split ratably between us and our Client. Accordingly, the use of judgment may create a conflict of interest since it is both in our best interest and in our Clients' best interest to pay less service expenses.

## Conflicts of Interest – Fee Waivers

From time to time, we may reduce or waive some of the fees otherwise payable to us by our Clients. There is no guarantee that such reductions or waivers will occur in the future, and such reductions and waivers are entirely at our discretion. While this activity may be seen as friendly to investors, fee waivers and reductions result in higher returns to investors than such investors would receive if full fees were charged. We do not believe such waivers are material to investors over time. We will provide historical return and fee waiver information upon request.

### **Item 13 – Review of Accounts**

Chapford Capital Group conducts due diligence on proposed investments and compiles information supporting its analysis for itself as manager of the Funds and in some instances as consideration by a Fund's LPAC. The LPAC is responsible for approving certain investments. Chapford Capital Group is responsible for on-going monitoring based on the information provided by its affiliate, Fifth Season. Monitoring of investments is done on a regular basis. Supplementary in-depth reviews by the investment team can be triggered by market or economic factors, severe deterioration in credit performance, collateral value or cash flow. Annual audited financial statements are provided to the Funds' investors. In addition, each Fund's investors will receive an unaudited statement of such investor's capital account monthly. Upon inquiry, investors may be given access to additional or more frequent information, at the discretion of the Fund's general partner or the Chapford Capital Group. Additional information made available to any investor will be made available to each other investor making a similar request; provided, however, no information that is confidential or proprietary as to an investor shall be made available to any other investor.

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

We, and our affiliates, may occasionally enter into solicitation or placement agent agreements, by which third parties receive fees based on providing Client or investor referrals. Under these arrangements, the third party receives fees in part based on the size of the investment made by the referred Client or investor. Typically, these arrangements last for a period of time, but fees may be paid to the solicitor or placement agent for a trailing period following termination of the arrangement.

### **Item 15 – Custody**

Due to certain arrangements, we may be deemed to have "custody", within the meaning of Rule 206(4)-2 under the Advisers Act, of one or more of the Funds that we advise. To comply with this Rule, we provide each investor in such a Fund with audited financial statements within 120 days following the Fund's fiscal year end. If you have invested in such a Fund, and have not received timely audited financial statements, please contact us.

## **Item 16 – Investment Discretion**

Generally, investors rely on us to manage and conduct Client affairs and make investment decisions. We usually receive and exercise discretionary authority in originating, structuring, negotiating, purchasing, financing, securitizing and eventually divesting investments on behalf of our Clients. Further, investors will typically not be able to evaluate for themselves the merits of particular investments prior to such investments being made. Such authority is generally conferred through the Client Documents, and we will exercise such discretion in a manner consistent with the stated investment objectives for the particular Client account. Under certain circumstances in which there is an affiliated transaction or other conflict, Chapford Capital Group will present such investment decision to the relevant Fund's LPAC. When making investments, we observe the investment policies, limitations and restrictions of the Clients we advise. Certain investments must receive approval of LPAC. Through this process, we seek to ensure that investments are in the Client's best interest.

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

Though the Clients that we manage may have delegated proxy voting decisions to Chapford Capital Group, we generally will not be called upon to vote because of the nature of the Funds' investment strategies. However, in certain rare situations we may be called upon to vote proxies for Clients. When voting proxies, we will decide on a case-by-case basis how each proxy should be voted in the best interests of the Funds. This generally means voting proxies with a view toward enhancing the economic value of the investment.

A copy of the Proxy Voting Policy, as well as information regarding the voting of securities, is available upon request by contacting Chapford Capital Group's Chief Compliance Officer at the address designated on Page 1 of this Form ADV Part 2.

Where conflicts of interest may be present, we may disclose such conflicts to our Clients and may request guidance from our Clients on how to vote such proxies. Generally, Clients cannot direct us to cast a proxy vote in a particular way.

## **Item 18 – Financial Information**

Not applicable.