

Form ADV Part 2A

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March 30, 2023

This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Saluda Grade Asset Management LLC (“Saluda Grade”). If you have any questions about the contents of this brochure, please contact Saluda Grade Asset Management LLC at the number above.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Saluda Grade Asset Management LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Any reference to Saluda Grade Asset Management LLC as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.

ITEM 2 MATERIAL CHANGES

This Brochure is filed as the annual update to Saluda Grade Asset Management LLC's Form ADV Part 2A Brochure. Saluda believes that there have been no material changes to its business but has made changes throughout the Brochure in an effort to improve or clarify the description of its business practices and compliance policies and procedures.

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ITEM 4 ADVISORY BUSINESS

Saluda Grade Asset Management LLC ("**SGAM**"), a Delaware limited liability company, was formed in June 2019 and is headquartered in New York, NY. SGAM and its relying adviser, Saluda Grade Ventures LLC ("**SGV**") (a "**Relying Adviser**" as identified in Item 10 of this Brochure), provide discretionary investment advisory services to certain private funds in accordance with their investment objectives and strategies as broadly described in Item 8 of this Brochure. SGAM, SGV and affiliates are referred to throughout this Brochure as "**Saluda Grade**", the "**Firm**", "**we**", "**us**" or "**our**". Unless specifically noted otherwise, the responses to this Form ADV Part 2A combine information about SGAM and SGV.

SGAM is a wholly owned subsidiary of Saluda Grade Holdings, LLC ("**SGH**"). The controlling members of SGAM and SGH are Ryan Joseph Craft, Timothy Edward Carr and Brian Edward Brennan.

SGAM provides investment advisory services to Saluda Grade Opportunities Fund LP ("**SGOF**"), a Delaware limited partnership. SGAM also provides investment advisory services via a master-feeder structure, whereby Saluda Grade Tactical Credit Holdings Ltd., a Cayman Islands exempt company ("**Feeder Fund**"), is a feeder fund investing in Saluda Grade Tactical Credit Holdings LLC, a Delaware limited liability company ("**Master Fund**"). Unless otherwise specified, the Master Fund and Feeder Fund are collectively referred to as "**SGTC**" for purposes of this Brochure.

SGV provides investment advisory services to Saluda Grade Alternative Lending & Fintech Growth Fund I LP ("**ALFI**"), a Delaware limited partnership, and Saluda Grade Alternative Lending & FinTech Growth Fund II LP ("**ALF2**"), a Delaware limited partnership.

Unless otherwise specified, each of the private funds managed by Saluda Grade is generally referred to throughout this Brochure as a "**Fund**", and they are collectively referred to as the "**Funds**".

SGAM and SGV manage the Funds pursuant to the investment guidelines set forth in the relevant governing and offering documents of the Funds, including any Limited Partnership Agreement, Limited Liability Company Operating Agreement, Investment Management Agreement, Investment Advisory Agreement, Private Placement Memorandum and/or Subscription Agreement (each an "**Offering Document**," and collectively, the "**Offering Documents**"). The Offering Documents contain more detailed information about the Funds, including a description of the investment objective and strategy or strategies employed by the Funds and related restrictions that serve as a limitation on the Firm's advice or management.

The Firm does not generally tailor its advisory services to the individual investors in the Funds (each an "**Investor**" and collectively the "**Investors**") or provide Investors with the right to specify or restrict the Funds' investment objectives or any investment decisions. Accordingly, an investment in the Funds does not create a client-adviser relationship between such Investors and the Firm.

Each Investor is strongly encouraged to undertake appropriate due diligence, including but not limited to a review of relevant Offering Documents and the additional details about SGAM's investment strategies, methods of analysis and related risks (as discussed in Item 8 of this Brochure and the Funds' Offering Documents) in considering whether SGAM's advisory services, or an

investment in one of the Funds, is appropriate to the Investor's own circumstances in light of all relevant factors including, but not limited to, the Investor's own investment objectives, liquidity requirements, tax situation and risk tolerance before making an investment decision.

Saluda Grade Opportunities Fund GP LLC, a Delaware limited liability company, serves as the general partner to SGOF and SGTC and has delegated the investment management and advisory responsibilities for SGOF and SGTC to SGAM. Saluda Grade Alternative Lending & Fintech Growth Fund I GP LLC, a Delaware limited liability company, serves as the general partner to ALFI and ALF2 and has delegated the investment management and advisory responsibilities for ALFI and ALF2 to SGV. The general partner has the ultimate responsibility for decisions relating to management and operations made on behalf of the Funds and has the ultimate responsibility for the investment decisions made on behalf of the Funds.

Additional detailed information about Saluda Grade is provided below, including information about the Firm's advisory services, investment approach, personnel, and affiliations.

The Firm does not participate in wrap fee programs.

As of December 31, 2022, the Firm managed \$942,099,598 of discretionary regulatory assets under management.

ITEM 5 FEES AND COMPENSATION

Below is a summary of the fees and expenses charged by the Funds. Please refer to the relevant Offering Documents for a complete description.

SGOF Advisory Fees

As an investment adviser to SGOF, and as further described in the Offering Documents, SGAM receives an "advisory fee" generally equal to an annual rate of 1.5% of net assets, paid quarterly in advance and calculated at the beginning of each quarter. The advisory fee is calculated at a rate equal to .375% of the balance of an Investor's capital account on a quarterly basis. Advisory fees are generally pro-rated for partial periods.

SGOF has reduced, waived, and calculated differently the advisory fee and the management fee for certain Investors.

SGTC Management Fees

SGTC pays SGAM a "management fee" equal to an annual rate of 1% of the net assets of SGTC. The management fee is calculated and payable quarterly in advance, equal to .25% of SGTC's net assets on the first business day of each calendar quarter. Management fees are pro-rated for partial periods.

ALFI and ALF2 Management Fees

As investment adviser to ALF I and ALF2, SGV receives an annual management fee equal to 1.5% of the Investors' total commitments during the investment period and, thereafter, 1.5% of the total capital of the Investors that remains invested in portfolio investments, less the cost of any

such investment that has been written-off. The management fee is paid quarterly in advance with the first payment due as of the first closing date and each quarterly payment thereafter being due on the first business day of each quarter.

The management fee will be reduced by certain fees received by Saluda Grade affiliates as described in the Offering Documents.

ALFI, ALF2 and SGOF have reduced, waived, or calculated differently the advisory fee and the management fee for certain Investors.

Other Fees and Expenses

Each Fund bears all costs and expenses related to its operations and portfolio investments or prospective investments (whether or not consummated), including all out-of-pocket investment costs, such as investment banking fees and brokerage and underwriting commissions, transfer taxes and finder's fees related to investments or proposed investments; expenses relating to investigating, acquiring, financing, monitoring, distributing and disposing of investments (including, without limitation, service fees and any travel and other out-of-pocket expenses, including third party out-of-pocket expenses); domestic and foreign taxes, stamp and other duties and other governmental charges payable in respect of the acquisition, ownership or disposition of any investment; fees and disbursements of outside auditors relating to any audit of, or accounting services with respect to, the books and records of the Funds; fees and disbursements of attorneys, consultants, accountants, third party appraisers and other professionals; interest expenses on borrowings and all expenses incurred in negotiating, entering into, effecting, maintaining, varying and terminating any borrowing or other financing (including securitizations); out-of-pocket expenses incurred in connection with a potential investment that is not ultimately made or a potential disposition that is not ultimately consummated; indemnification amounts required to be paid to any person pursuant to the Offering Documents; insurance premiums or similar expenses incurred by the Funds, the general partner of the particular Fund, the Firm or any affiliate in connection with the activities and management of the Funds (including, without limitation, errors and omissions and fidelity insurance); the cost of maintaining records and books of account in relation to the business of the Funds and all regulatory and compliance costs of the Funds or any related entity; costs and expenses incurred in relation to obtaining waivers, consents or approvals of Investors and all reasonable costs and expenses of, or incidental to, the preparation of amendments to any of the Offering Documents; costs and expenses of, or incidental to, the preparation and dispatch to the Investors of all checks, reports, circulars, forms and notices and any other documents necessary or desirable in connection with the business and administration of the Funds, including the cost of any insurance premiums paid by the Funds in connection therewith; all costs and expenses incurred as a result of the termination of each of the Funds and the distribution, realization or disposal of portfolio investments or other Fund assets; costs and expenses of any threatened or actual claims or litigation involving the Funds, or, to the extent related to investments or the business or affairs of the Funds, the general partner, the Firm or any affiliate, including the amount of any judgment or settlement paid in connection therewith; and expenses incurred in relation to the registration of any securities in which the Fund has invested or the custody of the documents of title thereto (including bank charges, insurance of documents of title against loss in shipment, transit or otherwise, and charges made by agents of the general partner or the Firm for retaining documents in safe custody).

In certain instances, Saluda Grade or its affiliates may receive directors' fees, transaction fees, investment banking fees, advisory fees, monitoring fees, broken deal fees, break-up fees,

commitment fees, financing fees, amendment fees, prepayment fees, closing fees, termination fees, consent fees or other similar fees paid by a portfolio company. Certain of such fees may be applied to reduce the applicable management fee. Notwithstanding the foregoing, (i) Saluda Grade or its affiliates may receive a transaction fee upon the closing of any securitization or term financing arranged by such affiliate, to be paid by the relevant securitization or term financing vehicle, generally equal to 0.50% – 0.75% of the gross amount of the securitization or financing, which amount may be retained by Saluda Grade or such affiliate and will not be subject to offset as provided in the preceding sentence, and (ii) fees paid by or with respect to investments by other accounts managed or advised by Saluda Grade or its affiliates or third-party investors (including co-investors) shall not be subject to offset as provided in the preceding sentence.

ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Performance-based allocations or fees may differ among the Funds managed by Saluda Grade. This may result in a conflict of interest when the Firm allocates opportunities among such clients because there will be an incentive to favor allocations to clients that are subject to higher performance-based fees and allocations. To avoid such conflict of interest, the Firm will follow documented procedures in allocating investment opportunities among its clients.

SGOF

Generally, at the end of each fiscal year, SGOF will reallocate from each Investor's capital account to the general partner's capital account an amount (the **"Incentive Allocation"**) equal to 20% of the net capital appreciation allocated to each Investor's capital account. However, the Incentive Allocation will be reduced to the extent necessary to provide for a minimum return of 6% per year of the capital account of each Investor as of the beginning of each year. Generally, the Incentive Allocation is accrued quarterly and reallocated to the capital account of the Fund's general partner as of the end of each year.

SGOF may reduce, waive, or calculate differently the Incentive Allocation for certain Investors.

SGOF has adopted the "high water mark" method of incentive allocation whereby each Investor has a memorandum account (**"Loss Recovery Account"**) that tracks any losses that must be recouped before the general partner receives the Incentive Allocation. The balance of each Investor's Loss Recovery Account is adjusted at the end of each accounting period to reflect the net capital depreciation, if any, and will be adjusted as necessary to account for net capital appreciation (but not beyond zero). The Incentive Allocation is not made with respect to each Investor until the balance of that particular Investor's Loss Recovery Account has been reduced to zero.

SGTC

In relation to SGTC, at the end of each "Performance Period" (which is generally the period starting on the last date on which a Performance Allocation was paid, as described in the Offering Documents), an amount (the **"Performance Allocation"**) equal to 13.75% of any net capital appreciation with respect to the capital account of an Investor shall be deducted from such capital account and allocated to the capital account of the Feeder Fund. However, the Performance Allocation with respect to each Investor's capital account will be reduced to the extent necessary

to provide for a minimum return of 8% per annum of the balance of each Investor's capital account as of the beginning of such Performance Period.

ALFI

For ALFI, the general partner is entitled to a performance-based "carried interest" equal to 20% of the distributions that each limited partner would otherwise be entitled to receive, as described in greater detail in the Offering Documents.

ALFI may reduce, waive, or calculate differently the carried interest for certain Investors.

ALF2

For ALF2, the general partner is entitled to a performance-based "carried interest" equal to 20% of the distributions that each limited partner would otherwise be entitled to receive after return of capital and an 8% internal rate of return to the Investors, or 25% after the Investors receive three times their capital contributions, as described in greater detail in the Offering Documents.

ALF2 may reduce, waive, or calculate differently the carried interest for certain Investors.

ITEM 7 TYPES OF CLIENTS

The Firm deems its clients to be the Funds. As such, SGAM and SGV shall provide discretionary investment advisory services to the Funds, and not individually to the Investors or underlying Investors of the Funds. The Offering Documents of each of SGOF, SGTC, ALFI and ALF2 set forth the eligibility criteria and investment requirements for Investors.

Each of the Funds has its own minimum investment threshold, ranging from \$225,000 to \$500,000, which may be waived by SGAM or SGV in its sole discretion.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

SGOF

SGOF's investment objective is to seek to maximize total investment return primarily through making opportunistic investments in first and second lien mortgages on residential, commercial, or mixed-use assets, residential mortgage-backed securities, other mortgage related assets, home equity investment contracts, corporate debt, direct and indirect interests in real property, and other performing or non-performing, stressed, distressed and out of favor debt instruments, including commercial and asset-backed securities. SGOF may also invest in other instruments, including derivatives and indices, on a hedged or unhedged basis, and publicly or privately traded securities such as preferred stock, common stock, and warrants. SGOF may also pursue investments outside of the categories described in the Offering Documents to take advantage of prevailing market conditions in order to achieve its investment objective. SGAM intends to utilize leverage in acquiring investments for SGOF. In addition, SGOF will be permitted to borrow cash necessary to pay for withdrawals when the general partner determines that it is not advisable to

liquidate portfolio assets for that purpose. Some lenders to SGOF will have recourse to the entire portfolio of securities owned by SGOF that is pledged as collateral for any funds borrowed.

SGTC

SGTC's investment objective is to seek to maximize total investment return primarily through making opportunistic investments in performing, sub-performing and non-performing mortgage loans and securities backed by performing, sub-performing and/or non-performing residential mortgage loans and other similar credits, including commercial and asset-backed loans and securities, corporate debt, equity securities, and equity-like investments. The mortgage loans may be but are not limited to prime, alternative prime, non-prime (such as alt-A), sub-prime, "hard money" and/or junior lien mortgage loans, home equity loans or lines of credit, or home equity contracts.

ALFI and ALF2

ALFI's and ALF2's investment objective is to produce long-term capital appreciation by making, holding, and disposing of equity and equity-related investments in privately held alternative asset lenders and fintech startups. ALFI and ALF2 will invest growth equity capital into alternative real estate and non-real estate lending platforms and synergistic fintech companies.

In determining whether to pursue certain investments, SGV considers various characteristics, including but not limited to:

- Whether the company's core product market demonstrates considerable scale for growth
- Whether the company's sector demonstrates potential for significant growth and value expansion
- Whether there is a strong management team with product and industry experience
- Whether the company fits within the larger Saluda Grade network

ALFI and ALF2 intend to invest in companies that seek to address the undersupply of housing, provide access to home equity and generally seek to create a simpler lending or borrowing experience for consumers and businesses. Factors such as current profitability and historical growth are used to project a forward valuation to serve as the base case for the investment with the intent that Saluda Grade will accelerate the company's growth trajectory and/or increase the expected growth of the company's income and origination volumes to ultimately make the company a more attractive acquisition target.

Risk Factors and Conflicts of Interest

The following are certain risk factors describing the risks related to the investment strategies, techniques, and instruments we may utilize in advising the Funds. Certain of these risk factors are relevant for certain Funds while others are not. Investors should refer to the relevant Offering Documents for more information.

An investment in the Funds involves significant risk and is suitable only for those Investors who can bear the economic risk of the loss of their entire investment. No guarantee or representation is made that each Fund will achieve its investment object or that the

Investors will receive a return on their capital. As such, Investors should carefully consider the risk factors discussed below. The following list is not exhaustive.

General Economic and Political Conditions: Changes in Environment. Changes in legal, tax, fiscal and regulatory regimes may occur during the life of the Funds which may have an adverse effect on the Funds. The Funds may not be permitted to, or be able to, make adjustments in their structure or investment program in order to adapt to such changes. The general partner of each Fund will have the exclusive right and authority (within the limitations set forth in the Offering Documents) to determine the manner in which each Fund shall respond to such changes, and Investors generally will have no right to withdraw from the Funds or to demand specific modifications to the Funds' operations in consequence thereof. Further, interest rates, inflation, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by each Fund. Instability in the securities markets may affect the value of each Fund's investments, as well as the length of time such investments are held. A sustained period of inactivity and/or low valuations in the public equity markets could result in substantially lower liquidation values and substantially longer periods before liquidity is achieved in comparison with historical values, which would reduce the returns that could be achieved by the Funds. Due to the illiquidity of some of the Funds' investments, the Funds may have limited ability to adapt to any such changes in the economic environment or mitigate any corresponding losses. The investment sourcing, selection, management and liquidation strategies and procedures to be used by the Firm may not be successful, or even practicable, during each Fund's term.

Reliance on Saluda Grade. The Funds will be particularly dependent upon the efforts, experience, contacts, and skills of Saluda Grade's investment team. The loss of the services of some or all of the members of the investment team could have a material adverse effect on the Funds, and such loss could occur at any time due to death, disability, resignation, or other reasons. The members of the investment team will not be required to devote their time and attention exclusively to the Funds and will be engaged in other activities unrelated to each Fund, including but not limited to the management of other accounts that pursue an investment strategy substantially the same as that of a Fund. The Investors will not be permitted to evaluate investment opportunities or relevant business, economic, financial, or other information that will be used by the Firm in making investment decisions. Except as specifically provided in the relevant Offering Documents, the general partner and the Firm will have the exclusive right and power to manage each Funds' business and affairs.

Reliance on Third Parties. Saluda Grade and the Funds will require, and rely upon, the services of a variety of third parties, including but not limited to attorneys, accountants, brokers, consultants, and other agents. Failure by any of these third parties to perform their duties or otherwise satisfy their obligations to the Funds could have a material adverse effect upon the Funds.

Side Agreements. In accordance with common industry practice, the general partner of each Fund or Saluda Grade has entered and may enter into "side letters" or similar agreements with certain Investors pursuant to which the general partner grants to such Investors specific rights, benefits or privileges that are not made available to Investors generally. Such agreements will be disclosed only to those actual or potential Investors that have separately negotiated with the general partner for the right to review such agreements.

Services of the Firm. Each of the Funds depend on Saluda Grade for many operations of each Fund. Although the members, employees and affiliates of Saluda Grade will devote as much time to each such Fund as Saluda Grade deems appropriate to perform their duties in accordance with the Offering Documents and reasonable commercial standards, such members, employees, and affiliates may have conflicts in allocating their time and services among the Funds and Saluda Grade or its affiliates' other clients or accounts. Furthermore, personnel of Saluda Grade may invest in investments for their own accounts being purchased for, held by, or that may fall within the investment guidelines of a Fund, and may give advice or take action for their own accounts that may differ from advice given or action taken for any such Fund. It is expected that none of the activities of the personnel of Saluda Grade will adversely affect the prices and availability of other securities or instruments held by or potentially considered for any Fund. Possible conflicts may also arise as the personnel of Saluda Grade may have investments in one or more affiliated Funds or may have different levels of investments in the various Funds, and further because Funds and other accounts managed by Saluda Grade may pay different levels of fees to the Firm and/or its affiliates.

The Funds may retain or otherwise purchase services from the Firm and its affiliates and businesses in which they have an interest in addition to the management services to be provided by Saluda Grade. Conflicts of interest may arise in connection with such transactions, and such conflicts of interest may have adverse consequences for one or more Funds.

Allocation of Investment Opportunities. Saluda Grade, its affiliates and their respective clients may invest in securities that would be appropriate for certain of the Funds. Such investments may be different from those made in respect of any of the Funds. Saluda Grade and its affiliates may also have ongoing relationships with, render services to or engage in transactions with other investment vehicles which have investment goals similar to those of the Funds. Saluda Grade may give advice and recommend securities and other investments to others, which advice or securities may differ from the advice given to, or securities or other investments recommended or bought for, the Funds, even though their investment objectives may be the same or similar. Saluda Grade and its affiliates may also have ongoing relationships with, render services to or engage in transactions with the issuers of the securities acquired by the Funds. As a result, Saluda Grade may possess information relating to borrowers and other issuers that is not known to the individuals at Saluda Grade responsible for monitoring the Funds' assets and performing the other obligations under the Offering Documents. Saluda Grade serves, and expects to serve in the future, as investment adviser or sub-adviser (or in a similar role) for other pooled investment vehicles. Saluda Grade recognizes that conflicts may arise due to the above circumstances and has procedures in place to ensure that the Funds and such other clients are treated fairly and equitably, and which take into account, in the case of Saluda Grade, the price and terms that would be obtained in the market for securities issued in similar transactions.

Saluda Grade may be subject to conflicts of interest in making decisions for certain Funds as opposed to other Funds that have similar investment objectives. Certain affiliates of Saluda Grade may be entitled to a placement fee or other compensation in connection with certain sales of assets by a loan originator or seller, and in some cases such transactions may be on terms more favorable than those obtained in an arm's-length transactions between unaffiliated third parties. In addition, certain affiliates of SGAM or SGV may engage in underwriting, investment banking, lending, or other financial services including, without limitation: (i) trading of corporate debt, equity securities, United States government and agency securities, non-U.S. sovereign debt, and mortgage and municipal securities; (ii) trading of swaps and derivative instruments; (iii) advisory services regarding mergers and acquisitions; (iv) financial advisory services for restructurings,

private placements, and lease and project financings; (v) making loans; (vi) asset management; (vii) trading of foreign exchange and commodities; (viii) assisting portfolio companies with selling loans to institutional buyers and purchasing loans from portfolio companies; and (ix) assisting companies with obtaining third party financing arrangements. Saluda Grade may have different incentives in determining when to recommend or approve, as applicable, the sale of assets with respect to which it is entitled to fees and compensation and such determinations may not be always in its Funds' best interest.

Co-investment by Fund Investors and Other Third Parties. Saluda Grade may, but is under no obligation to, provide opportunities to co-invest with the Funds to other third parties, which may include (without limitation) the following: other Saluda Grade Funds; Investors in other Saluda Grade Funds (or persons or entities associated with such Investors); the general partner of each Fund, Saluda Grade and their principals and employees; strategic investors who can add important business development relationships or other value to portfolio companies or other accounts; and private equity and other investment firms and individuals known to Saluda Grade, including (without limitation) founders, entrepreneurs, strategic advisors and portfolio company executives ("**Co-Investors**"). The Funds have invested and may in the future invest in portfolio companies in which any of the foregoing, including the principals of Saluda Grade, own an interest. Saluda Grade may provide opportunities to co-invest with each Fund to one or more Investors (or persons or entities associated with Investors) without making such opportunity available to all Investors. Co-investments may be made directly in the applicable portfolio company or through "special purpose vehicles" formed by Saluda Grade or its affiliates for such co-investment. Saluda Grade or its affiliates may receive fees, carried interest or other compensation in connection with such co-investments.

Co-Investors Not Paying Their Pro Rata Share (or Other Portion) of Investment, "Broken Deal" and Other Expenses. In the event that a proposed co-investment opportunity in a new or existing portfolio company is not consummated, but certain costs and expenses have been incurred by one or more Fund in pursuit of such investment opportunity, including (without limitation) legal, financial, travel and other business diligence costs and expenses, such costs and expenses generally will be paid solely by the applicable Fund(s), and it is possible that any potential Co-Investors will not bear any portion of such "broken deal" costs and expenses. If a co-investment does close, the portion of unreimbursed transaction expenses incurred by the Fund(s) in connection with such investment, unreimbursed expenses incurred by the Fund(s) in connection with the ongoing monitoring of its investment in the applicable company, and any other unreimbursed expenses incurred by the Fund(s) with respect to such investment that are payable by the Co-Investors (if any) will be determined on a case-by-case basis. Saluda Grade may not have the ability, and in any event will have no obligation, to cause Co-Investors to bear any expenses incurred by the Fund(s) or to bear any particular portion of such expenses and will have no obligation to pro rate or otherwise reduce the amount paid by the Fund(s) in respect of any such expenses to take into account any proposed or actual co-investment.

Increased Regulation of Financial Markets. Numerous federal, state, and local consumer protection laws impose substantive requirements upon banks, brokerage firms, investment advisers, consumer lenders, mortgage lenders, loan servicers and other companies engaged in financial services activities. Applicable state and local laws regulate, among other things, interest rates and other charges, lending practices, and licensing of brokers, lenders, servicers, owners, and individual loan originators. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair, deceptive, and abusive practices, and debt collection practices may be applied to the origination, ownership, servicing, and collection of loans.

In particular, various federal, state, and local laws have been enacted that are designed to discourage predatory lending practices. The volume of new and modified laws and regulations at both the federal and state levels has increased in recent years. In particular, the Consumer Financial Protection Bureau has been given the authority to issue rules to define unfair and deceptive practices relating to various lending and loan servicing activities, with enforcement authority by state attorneys general.

Recent Developments Affecting Banks. Recent developments in the banking sector have resulted in the appointment of the Federal Deposit Insurance Corporation as receiver for Silicon Valley Bank and Signature Bank, the sale of Credit Suisse to UBS, and speculation about the prospects of other banks. A number of U.S. regional banks have suffered declines in their stock prices and needed to obtain access to additional funds. These events have led to uncertainty in financial and lending markets and the business community as to the stability of the banking sector more generally. It is possible that systemic risk in the banking sector is greater than expected and that the current uncertainty could lead to more widespread disruption of the banking and broader financial sectors, or that other sectors and industries will be affected, including the sectors in which the Funds operate, which could adversely affect the Funds.

Financial Institution Risk; Distress Events. An investment in a Saluda Grade Fund is subject to the risk that one of the Saluda Grade Fund's banks, brokers, hedging counterparties, lenders, or other custodians of some or all of the Fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Saluda Grade, the Saluda Grade Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, or the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on Saluda Grade's ability to manage the Saluda Funds and their investments, and on the ability of Saluda Grade, any Saluda Grade Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses could potentially: (i) cause a Fund to pay fees and expenses in the event the Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise); (ii) result in a Fund being unable to acquire or dispose of investments at prices that Saluda Grade believes reflect the fair value of such investments; and/or (iii) result in portfolio companies being unable to make payroll, fulfill obligations and/or maintain operations. Although Saluda grade expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many Financial Institutions require, as a condition to using their services or otherwise, that Saluda Grade and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with such Financial Institutions, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although the Firm seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Saluda grade Funds, the Firm is under no obligation to use a minimum number of Financial Institutions with respect to any Saluda Grade Fund, or to maintain account balances at or below the relevant insured amounts.

Limited Access to Information. The rights of Investors to information regarding the Funds and their portfolio investments will be specified, and strictly limited, in each Fund's Offering Documents. In particular, it is anticipated that the Firm will obtain certain types of material information that will not be disclosed to Investors. For example, the Firm may obtain information regarding portfolio companies that is material to determining the value of securities issued by such portfolio companies. Such information may be withheld from Investors in order to comply with duties to such portfolio companies or otherwise to protect the interests of such portfolio companies or the Funds. Decisions by the Firm or each Fund's respective general partner to withhold information may have adverse consequences for Investors in a variety of circumstances. For example: (i) an Investor that seeks to sell its interest in a Fund may have difficulty in determining an appropriate price for such interest; (ii) decisions by the general partner of the Fund to withhold information may make it difficult for Investors to subject the general partner to rigorous oversight; and (iii) each communication from the general partner to one or more Investors must be interpreted in light of the possibility that the general partner is in possession of undisclosed information relating to the Funds or its portfolio companies that could be material to a comprehensive assessment of such communication. Overall, prospective Investors should not expect the Funds to be operated with the same degree of "transparency" as a publicly traded corporation.

Natural Disasters and Other Events. The Funds and its investments may be affected by events beyond the control of the Funds and the Firm, including earthquakes, hurricanes, floods or other natural disasters, outbreaks of an infectious disease, pandemic (including, but not limited to, Covid-19) or any other serious public health concern, infrastructure failures, war, terrorism, labor strikes, or social unrest or instability. The Firm is not able to predict the extent, severity or duration of these or other similar events or the impact that these events may have on the Funds or its investments.

Limited Transferability of Interests; Withdrawals. There is no public market for the interests, and none is expected to develop. Certain restrictions on transferability preclude disposition and transfer of interests other than pursuant to an effective registration statement (which is not expected to exist) or in accordance with an exemption from registration contained in the Securities Act and in the Investment Company Act. In addition, the Offering Documents may require the consent of the general partner prior to the transfer of an interest. In light of the limitations imposed on an Investor's ability to withdraw all or part of the Investor's capital from the Funds, an investment in any of the Funds should be viewed as illiquid.

Illiquidity of Investments. Certain of the Funds will acquire illiquid securities, including risk retention securities as sponsor for a securitization (including securitizations sponsored or managed by the Firm or its affiliates). Holding risk retention securities could limit or restrict the Firm's ability to trade such securities on behalf of the Funds, even if the Firm believes that it would be in a Funds' interest to do so, in order to comply with applicable laws or regulations, including the rules

regarding risk retention and other applicable laws. At times, a portion of the Funds' investments will consist of securities that are subject to restrictions on resale by the Funds because they were acquired in a "private placement" transaction or because the particular Fund is deemed to be an affiliate of the issuer of the securities. Generally, the Funds will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specific conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, there is risk that the Funds will be deemed to be an "underwriter," or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Act.

Risks Related to Investments in RMBS. The primary objective of SGOF and SGTC is to invest in residential mortgage-backed securities ("**RMBS**"), including RMBS sponsored, managed, administered, or serviced by SGAM or related entities. RMBS are securities backed by pools of one- to four-family residential mortgage loans that entitle the holders to receive the cash flow from such pools. RMBS backed by residential mortgage loans have experienced a higher and earlier than expected rate of delinquencies, and recently, delinquencies, defaults and foreclosures on residential mortgage loans have increased and may continue to increase. These events have and will continue to adversely affect the value of the related RMBS. While the Firm's analysis will seek to anticipate continued deterioration of credit, a Fund's performance could be adversely affected should actual delinquencies, defaults and severities be worse than the analysis anticipates.

Risks Related to Investments in CMBS. SGOF and SGTC may invest in commercial mortgage-backed securities ("**CMBS**"), including CMBS sponsored, managed, administered, or serviced by SGAM or related entities. CMBS are securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers. CMBS are subject to particular risks that may differ from RMBS securities, including lack of standardized terms, shorter maturities than residential mortgage loans, and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal. Additional risks may involve the type and use of a particular commercial property, such as hospitals, nursing homes, hospitality properties and certain other property types. Commercial property values and net operating income are also subject to volatility, which may result in net operating income becoming insufficient to cover debt service on the related mortgage loan. The repayment of loans secured by income-producing properties typically depends on the successful operation of the project rather than upon the liquidation value of the underlying real estate. Furthermore, the net operating income from, and value of, any commercial property is subject to various economic risks, which may in turn affect the value of the related CMBS, including changes in general or local economic conditions and/or specific industry segments; the solvency of tenants; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; terrorist threats and attacks and social unrest and civil disturbances. The exercise of remedies and successful realization of liquidation proceeds relating to CMBS also may be highly dependent on the performance of the servicer or special servicer. There may be a limited number of special servicers available, particularly those that do not have conflicts of interest.

Risks Related to Investments in ABS. SGOF and SGTC may invest in asset-backed securities ("**ABS**"), including ABS sponsored, managed, administered, or serviced by SGAM or its affiliates. ABS are securities backed by consumer receivables, commercial receivables, or other non-mortgage debt. The structure of ABS and the terms of investors' interests in the collateral can

vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Individual ABS transactions can differ markedly in both structure and execution. Important determinants of the risks associated with holding ABS include the relative seniority or subordination of classes of ABS; the relative allocation of principal and interest payments in the priorities by which such payments are made under the governing documents; how credit losses affect the issuing vehicle and the return to investors; whether collateral represents a fixed set of specific assets or accounts; whether the underlying collateral assets are revolving or closed-end; under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing company; and the extent to which the company that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors. In addition, certain ABS (particularly subordinated ABS) provide that the non-payment of interest in cash on such securities will not constitute an event of default in certain circumstances, and the holders of such securities will not have available to them any associated default remedies. Interest not paid in cash often will be capitalized and added to the outstanding principal balance of the related security. Any such deferral may result in losses on such ABS.

Subordinated Securities. There are no restrictions on the credit quality of SGOF's and SGTC's investments. Securities in which SGOF and SGTC may invest may be vulnerable to default in payment of interest and/or principal. Other securities may have the lowest quality ratings or may be unrated. In the case of below-investment-grade (or unrated) MBS or ABS, these securities will generally be subordinated to other more "senior" securities of the same issue or series. The default-related risks of the underlying mortgages or assets will be severely magnified in subordinated securities. Subordinated securities ("first loss securities") generally absorb all losses from default before any other class of securities is at risk. Such securities therefore possess some of the attributes typically associated with equity investments. Default risks may also be further pronounced in the case of MBS or ABS secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying mortgage loans or assets. Accordingly, these securities may experience significant price and performance volatility with respect to a variety of market and non-market factors.

Difficulty Selling Mortgage and Mortgage-Related Investments. Mortgage-related investments are relatively illiquid. Therefore, SGOF and SGTC will each have a limited ability to vary its portfolio in response to changes in economic or other conditions. In addition, the liquidity of mortgage-related investments may be reduced by turmoil in capital markets, which may constrain equity and debt capital available for investment in mortgage loans, and other mortgage-related assets, resulting in fewer buyers seeking to acquire commercial properties and consequent reductions in property values. As a result of these factors, SGOF and SGTC may also have a limited ability to sell assets in order to fund working capital and similar capital needs. When SGOF or SGTC sells any mortgage-related assets, it may not realize a gain on such sale. SGOF or SGTC may not elect to distribute any proceeds from the sale of mortgage-related assets to Investors. If SGOF determines to form or acquire a real estate investment trust ("**REIT**"), SGOF's ability to sell properties may also be limited by its need to avoid a 100% penalty tax that is imposed on gain recognized by a REIT from the sale of property characterized as dealer property. In order to ensure that SGOF avoids such characterization, SGOF may be required to hold properties for a minimum period of time, generally two years, and comply with certain other requirements in the Internal Revenue Code.

Mortgage Assets May Be Affected By Unfavorable Real Estate Market Conditions. The mortgage assets that SGOF and SGTC invests in will be at risk of defaults by the borrowers on those mortgage assets as well as interest rate risks. To the extent that SGOF and SGTC incur delays in liquidating

such defaulted mortgage loans, SGOF or SGTC may not be able to obtain sufficient proceeds to repay all amounts due under the mortgage loan. Further, SGOF and SGTC will not know whether the values of the properties securing the mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties fall, SGOF's and SGTC's risk will increase because of the lower value of the security associated with such loans. In addition, interest rate fluctuations could reduce returns as compared to market interest rates and reduce the value of the mortgage loans in the event SGOF or SGTC sells them.

Investments in Alternative Lending & Fintech Companies. ALF1 and ALF2 invest in companies engaged in developing new alternative lending and finance platforms, marketplaces, and technologies. While SGV intends on investing in a diversified portfolio within these sectors, its focus on these two sectors may subject ALF1 and ALF2 to certain risks that are specific to companies in those sectors and funds that invest in those sectors. Beyond the risks associated with investing in start-up and growth companies generally, such companies may be subject to additional risks related to the alternative lending and fintech sector, including: competition from more established financial services companies with far greater financial resources; changes in the regulatory environment governing banking, consumer lending, mortgages and other financial services; and the rapid pace of technological changes and cost of developing and implementing new technologies. Companies engaged in financial services will also be affected by conditions and trends in the national, regional, and global financial markets and economic and political climate relating to, among other things, interest rates, the availability and cost of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxes), commodity prices, currency exchange rates and controls, and national and international political events.

Financial Services Sector Risks. Companies in the financial services industry are highly interrelated and reliant on the stability and soundness of other companies in the industry. Defaults or significant losses by a financial services institution, or the financial services industry generally, could adversely affect ALF1's or ALF2's investment in a financial services company. The interdependence of financial services companies also exposes the companies to credit risk, as the company may be adversely affected by the default or inability to pay of a counterparty. Financial services companies are also subject to extensive regulations, which are continuously changing and produce high operating and compliance costs. The failure to comply with these regulations, as well as the high costs of complying with those regulations, could adversely affect a financial services company's results and the results of ALF1 and ALF2.

Technology Sector Risks. The technology industry is highly competitive, and companies in that industry need to continuously create and launch new products in order to remain competitive. Failure to develop and launch successful products could adversely affect the results of a portfolio company in which ALF1 or ALF2 invests. In addition, the success of technology companies depends greatly on their ability to acquire, obtain, defend, and enforce intellectual property rights, including patents, trade secrets and licenses. There is no assurance that the companies in which ALF1 and ALF2 invests will be able to successfully obtain, perfect or preserve their intellectual property interests. If ALF1 or ALF2 invests in a portfolio company that is unsuccessful in acquiring or enforcing intellectual property, its results will be materially affected.

Investments in Junior Securities. The securities in which ALF1 and ALF2 will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, the investments made by ALF1 and ALF2 will be illiquid and difficult to value, and there will be little or no collateral to protect an investment once made. In most cases, investments will be long term in nature and may require several years from the date of initial investment before

disposition. It is possible that ALF1 and ALF2 will still hold some illiquid securities at the time of their respective dissolution, with the result that such securities may be distributed in-kind or sold for a discounted price that reflects their illiquid nature.

Investments in Early-Stage Companies. ALF1 and ALF2 may invest in the securities of smaller, early-stage companies which will involve greater risks than are generally associated with investments in more established companies. Early-stage companies tend to have a lower capitalization and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies may also have shorter operating histories on which to judge future performances.

Concentration of Investments; Limited Diversification. ALF1's and ALF2's portfolios may be concentrated in a limited number of investments or concentrated in a limited number of industries or sectors or geographic regions, thereby increasing the vulnerability of the portfolio as compared to a portfolio that is more diversified. In certain cases, ALF1 or ALF2 may acquire majority or greater interests in portfolio companies, which could further increase the vulnerability of the portfolio. Consequently, the aggregate return of ALF1 and ALF2 may be substantially adversely affected by the unfavorable performance of any investment if not offset by the superior performance of other investments.

Portfolio Company Management. Although representatives of SGV may participate on the Boards of Directors of portfolio companies and/or maintain an ongoing dialogue with each portfolio company's management team, each portfolio company's management will be responsible for the operations of that portfolio company on a day-to-day basis. Although it is the intent of ALF1 and ALF2 to invest in companies with operationally strong management and a successful track record, there can be no assurance that any existing management team, or any new one, will be able to successfully operate any such portfolio company. SGV or an affiliate may serve as an officer or director if SGV believes that such involvement will be beneficial to the portfolio company.

Non-Controlling Investments; Limited Protective Provisions. Each portfolio company will be managed by its own officers, who generally will not be affiliated with ALF1, ALF2 or SGV. ALF1 and ALF2 may acquire minority positions in portfolio companies or securities that are subordinated to other securities as to economic, management or other rights or attributes. Portfolio companies may have substantial variations in operating results from period to period, face intense competition, and experience failures or substantial declines in value at any stage. New technological developments may have a negative effect on a portfolio company's products and business. Portfolio companies may need substantial additional capital to support growth or to achieve or maintain a competitive position. Such capital may not be available on attractive terms. The capital of ALF1 and ALF2 is limited and may not be adequate to protect ALF1 and ALF2 from dilution in multiple rounds of portfolio company financings.

Dilution. ALF1 and ALF2 will invest in early-stage to growth-stage companies that are seeking capital. These companies can be expected to have significant capital requirements which may impel such companies to raise additional capital and issue additional equity securities subsequent to the investment by ALF1 or ALF2. Accordingly, investments in these early-stage to growth-stage companies may be subject to significant dilution. If neither ALF1 nor ALF2 have resources available to participate in subsequent rounds of financing, that shortfall may significantly and negatively impact both the portfolio company and the value of the original investment by ALF1 and ALF2. There is no assurance that sufficient additional sources of finance will be available, or, if available, will be on terms beneficial to the interests of ALF1 and ALF2.

Failure to Find Investment Opportunities that Meet Investment Criteria. The success of ALF1 and ALF2 will depend to a great extent on the ability to find and make investments that meet each Fund's respective criteria and objectives, including investment size. There can be no assurance that ALF1 and ALF2 will be able to locate and complete investments which satisfy ALF1's and ALF2's investment criteria, including target investment size. Such a failure could have a material adverse effect on the performance of ALF1 and ALF2.

Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive early-stage and growth-stage investments is competitive and involves a high degree of uncertainty. There can be no assurance that ALF1 and ALF2 will be able to locate and complete investments which satisfy their respective rate of return objectives or realize upon their values or that they will be able to invest fully their committed capital. Many of ALF1's and ALF2's competitors have financial resources and staffing that are substantially greater than those of ALF1 and ALF2.

Investments in Real Estate-Related and Mortgage-Related Businesses. ALF1 and ALF2 may invest in companies engaged in business in the real estate and mortgage sectors. These businesses may include companies that own, originate, service or administer real estate and real estate-related assets including mortgage loans. As a result, ALF1 and ALF2 and its portfolio companies may be affected by developments affecting the real estate sector, including market conditions and changes in the value of real estate generally. ALF1 and ALF2 and their portfolio companies will also compete with many other entities engaged in real estate investment activities, including individuals, corporations, banks, insurance companies, REITs, and real estate limited partnerships, many of which have greater resources than ALF1 and ALF2. Some of these investors may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Any increase in competition for suitable investments could result in increased prices. At the time ALF1 and ALF2 elects to dispose of one or more of its portfolio investments, it will be in competition with sellers of similar assets to locate suitable purchasers, which may result in ALF1 or ALF2 receiving lower proceeds from the disposal or result in ALF1 or ALF2 not being able to dispose of the portfolio investment due to the lack of an acceptable return.

Investments Related to Securitizations. ALF1 and ALF2 may invest in companies engaged in activities related to securitizations, including companies that provide origination, sourcing, sponsorship, management, administration, consulting and other services to securitization vehicles and their investors. Securitization vehicles are special purpose companies that issue debt and equity securities to investors and then use the proceeds to purchase a portfolio of loans or other assets, such as home mortgage loans, consumer loans, automobile loans or credit card receivables. Securitization vehicles include MBS, ABS, CLOs, and collateralized debt obligations ("CDOs"). The loans acquired by certain asset-backed securitization vehicles often have characteristics that differ from traditional debt securities. Among the major differences are that interest and principal payments are usually made more frequently, typically monthly, and that principal may be prepaid at any time. The default rates of loans backing these securities can depend on a number of factors, including national and regional economic growth, the level of interest rates, and unemployment rates. Since a securitization vehicle must pay off its debt obligations before any return to its equity investors, the equity interests of securitization vehicles are subject to increased exposure to the effects of increased default rates on the underlying loans, and could, in the event of a significant increase in the rate of default of the underlying loans, lose part or all of their investment. In particular, during periods of economic stress, the rate of default by borrowers of many types of

loans may increase significantly, as was the case during the financial crisis that began in 2008, which could significantly negatively impact the values of companies engaged in related businesses.

Cybersecurity Risk. The Funds and any of their service providers, including the Firm and its affiliates, are subject to cybersecurity risks. This could occur as a result of malicious or criminal cyber-attacks. Successful cyber-attacks or other cyber-failures or events may adversely impact a Fund or cause an investment to lose value. Cybersecurity breaches at the Firm or its service providers or counterparties may directly or indirectly affect the Funds, and could lead to theft, data corruption, interference with business operations, disruption of operational systems, interference with the Firm's or the Funds' ability to execute transactions, direct financial loss or reputational damage, or violations of applicable laws related to data and privacy protection and consumer protection.

ITEM 9 DISCIPLINARY INFORMATION

Neither the Firm nor any of its officers or employees have been sanctioned or disciplined by any federal securities or commodities regulatory agency, self-regulatory organization, or state for any violation of their statutes, regulations or rules nor have they ever been involved in any civil or criminal action relating to any violation of the federal or state securities or commodities laws.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As stated in Item 4, SGV is considered a Relying Adviser to SGAM.

Neither SGAM nor SGV is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither SGAM nor SGV is registered or has an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Neither SGAM nor SGV recommend or select other investment advisers for the Funds.

Saluda Grade Advisory, LLC is a subsidiary of SGH that is an adviser and consultant to alternative lenders.

As described in response to Item 8 above, Saluda Grade and its affiliates and their principals and employees are engaged in, and invest in companies engaged in, a wide range of activities in the financial services, real estate, and related sectors. In particular, the Firm sponsors, manages and provides other services to securitization vehicles, and the Funds have in the past invested and are expected in the future to invest in those securitization vehicles, including securitization vehicles that pay origination, sourcing, sponsorship, management, administration, consulting or other fees to Saluda Grade and its affiliates, their portfolio companies, and other companies in which Saluda Grade and its principals and employees own interests.

Saluda Grade and its affiliates and their principals and employees are investors in, and serve as officers, advisors, directors or in other capacities for, portfolio companies in which the Funds invest, or provide other services to portfolio companies, and may receive compensation in

connection therewith. Principals and employees of Saluda Grade may also from time to time serve on the board of directors or a creditors committee of a portfolio company or be given access for other reasons to confidential information relating to companies in which the Funds invest. As a result, the Funds may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition could have an adverse effect on the Funds.

ITEM II CODE OF ETHICS, PARTICIPATION/INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), Saluda Grade has adopted a Code of Ethics (the “**Code**”) that, among other things, establishes certain standards of business conduct and fiduciary duties owed to the Firm’s clients, requires disclosure of potential conflicts of interest, prohibits the inappropriate use of material non-public information, and establishes various procedures with respect to investment transactions in accounts in which any of the Firm’s employees has discretionary investment authority or exercises effective influence or control.

Saluda Grade’s Code was adopted to avoid possible conflicts of interest, avoid the inappropriate use of material, non-public information and ensure the propriety of its employees’ and its principals’ trading activity.

The foundation of the Code is based on the underlying principles that:

- Employees must at all times place the interests of the client first;
- Employees must make sure that all personal securities transactions are conducted consistent with the Code; and
- Employees should not take inappropriate advantage of their position.

The Code generally prohibits the Firm or its Access Persons (as defined in the Code) from executing personal securities transactions of any kind in any securities that are on a restricted securities list. Access Persons must obtain pre-approval from the CCO before participating in an initial public offering or private placement and before making an investment in a company that is on the restricted list.

The Firm’s Access Persons are required to:

- (i) submit an Initial Holdings Report within 10 days of becoming an Access Person;
- (ii) make arrangements for all duplicate trade confirmations and/or duplicate account statements to be sent or otherwise made accessible to the CCO on a regular basis;
- (iii) certify on a quarterly basis that all transactions in all reportable securities (as defined in the Code) have been reported to the CCO; and
- (iv) certify on an annual basis that all positions in reportable securities have been reported to the CCO.

The Firm will provide a copy of the Code to any Investor or prospective Investor upon request.

In certain situations, Saluda Grade and its principals and employees may purchase interests in portfolio investments held by one or more of the Funds. All such purchases are subject to

compliance with the Firm's Code of Ethics as described above. In addition, Saluda Grade and/or certain of its principals or employees may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain of the Funds in connection with certain "warehousing" transactions, provided that the sale is consistent with the Firm's fiduciary obligations to the relevant Funds, and subject, where required by law, to the prior written consent of the appropriate Fund or an authorized representative on its behalf. From time to time the Firm may cause a Fund to engage in "cross trades" via the purchase of a portfolio investment from or sale of a portfolio investment to another Fund, provided that the sale or purchase is consistent with the Firm's fiduciary obligations to each Fund. Cross transactions may include warehousing transactions, entered into pending receipt of capital contributions from investors in a Fund, and rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Firm has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which Saluda Grade or an affiliate is compensated as a broker unless the consent of the affected client, or an authorized representative on behalf of the client, has been obtained based upon written disclosure to the client of the capacity in which the Firm or its affiliate will act. In addition, cross transactions are not permitted for employee benefit plan or other similar accounts that are subject to ERISA.

ITEM 12 BROKERAGE PRACTICES

Saluda Grade provides discretionary investment advice to the Funds and does not have any active prime brokerage relationships due to the type of private equity investments made by the Firm for the Funds.

Subject to the investment objectives, policies and restrictions of each client, the Firm is ordinarily granted discretionary authority by its clients to determine the type, amount and price of securities and investments to be bought and sold on behalf of each client, including the selection of, and commissions paid to, brokers.

All brokerage commissions and related transaction costs are paid by clients. Portfolio transactions are executed by brokers and dealers selected by the Firm, based on their ability to provide the best available execution and in consideration of such broker's provision of, or payment of the costs of, certain services that are of benefit to the Firm and its clients.

In selecting broker-dealers to effect securities transactions, the Firm seeks to obtain best execution by considering factors including, but not limited to, a broker's reputation, special execution capabilities, liquidity and block-positioning capabilities, financial strength and stability, efficiency of execution and error resolution, and other factors the Firm considers relevant and beneficial to its clients. We are not required to seek to obtain the lowest commission cost on each transaction.

The Firm does not currently, but may in the future, have soft dollar arrangements with brokers and providers from which the Firm receives research and other services and capabilities. The Firm will carefully consider the trading costs in relation to the relative value of the benefits received. Brokers that provide value-added research while satisfying best execution criteria will be paid through trading relationships at negotiated commission rates.

Research services obtained from brokers may include market information, technical data, recommendations, discussions with research analysts, access to and meetings with corporate executives, attendance at seminars or conferences, and general reports. The Firm does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among various accounts, believing that the research the Firm receives will help the Firm to fulfill its overall duty to its clients and investors. The Firm may not use each particular research service, however, to service each client that may have generated a particular benefit. As a result, a Fund or client account may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific account. Broker-dealers selected by the Firm may be paid commissions for effecting transaction for clients that exceed the amount other broker-dealers would have charged to effect these transactions if the Firm determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or the Firm's overall duty to its clients.

Unless otherwise agreed to with a client, the Firm will not ordinarily be responsible for losses resulting from trade errors in client accounts, whether caused by the Firm or unrelated third parties, unless caused by the Firm's gross negligence, fraud, or willful misconduct. Accordingly, the Firm will not ordinarily be responsible for the consequences of ordinary trade errors, unless caused by the Firm's gross negligence, fraud, or willful misconduct.

ITEM 13 REVIEW OF ACCOUNTS

The Firm will review the Funds' investments on a regular basis with a view to evaluating, among other things, economic developments, industry outlook and other issues related to the investments.

Saluda Grade will provide the Investors in the Funds with the following reports: (i) audited annual financial statements; (ii) quarterly unaudited performance reports; and (iii) annual tax information necessary to complete any applicable tax returns.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

Saluda Grade has engaged placement agents, who are not employees, in connection with offering interests in certain Funds. Such persons will receive an annual fee or an amount equal to a percentage of capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Saluda Grade may enter into other arrangements with, and compensate, solicitors or placement agents for investor referrals to the Funds.

Saluda has adopted policies and procedures designed to address the requirements under the amended Rule 206(4)-I pertaining to compensated testimonials and endorsements. Such policies and procedures require Saluda, subject to certain permitted exemptions, to disclose or have a reasonable basis to believe the person giving the testimonial or endorsement discloses certain information regarding their relationship with Saluda, the material terms of any compensation arrangement related to the testimonial or endorsement, and any material conflicts of interest on the part of the person giving the testimonial or endorsement resulting from Saluda's relationship with such person and/or any compensation arrangement. Saluda's policies and procedures also

address its oversight of testimonial or endorsement activities and any disqualifications related to anyone giving a compensated testimonial or endorsement.

ITEM 15 CUSTODY

The Firm is deemed to have custody of the assets of the Funds. Therefore, in order to comply with Rule 206(4)-2 of the Advisers Act (the Custody Rule), the Firm complies with the pooled vehicle annual audit provision. Annually, upon completion of the annual audit of the Funds, the Firm shall seek to ensure that the audited financial statements are delivered to Investors in each Fund within 120 days of each Fund's fiscal year end. The audited financial statements will be prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles. Investors should carefully review these audited financial statements.

ITEM 16 INVESTMENT DISCRETION

The Firm, subject to the direction and control of the general partner of each Fund, will have investment discretion in managing the investments of the Funds. The terms of these investments, as well as the investment strategy and guidelines around the use of this discretion, are described in detail in each Fund's Offering Documents.

ITEM 17 VOTING CLIENT SECURITIES

Given the investment mandate and types of securities held in the Funds, it is unlikely that Saluda Grade will be presented with the opportunity to vote proxies. However, in the event that the Firm is presented with an opportunity to vote a proxy, the Firm's general policy will be to vote in accordance with the best interest of the Funds. The Firm's proxy voting policy will ensure that it will act in the best interest of its Clients in determining whether and how to vote on any proxy voting matter.

In the event of a material conflict of interest, the Firm may seek a third party or client recommendation for voting. Upon request, the Firm will provide a copy of the Firm's proxy voting policy and information on how proxies were voted for a client's account.

ITEM 18 FINANCIAL INFORMATION

Registered investment advisers are required in this Item to provide certain financial information or disclosures about the registered investment adviser's financial condition. The Firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.