

## FocusGrowth Asset Management, LP

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This brochure (this "Brochure") provides information about the qualifications and business practices of FocusGrowth Asset Management, LP. If you have any questions about the contents of this Brochure, please contact us at 212-849-6704. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Registration as an investment adviser does not imply that FocusGrowth Asset Management, LP or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

Additional information about FocusGrowth Asset Management, LP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

As part of this annual amendment, FocusGrowth Asset Management, LP has amended this Brochure to reflect the change of its relationship with Feuerstein Kulick LLP ("FK Law"). Previously, several of FocusGrowth Asset Management, LP's partners and other members of the General Partner who hold their equity directly or indirectly through High Five Advisors ("HFA"), are also partners of FK Law, and FK Law was retained as counsel to the in connection with investments and/or to provide regulatory advice to the Funds or Co-Investment Funds (as defined below), or their portfolio companies. The members of HFA are no longer a part of FocusGrowth Asset Management LP. FK Law will continue to be retained as counsel to the in connection with investments and/or to provide regulatory advice to the Funds or Co-Investment Funds.

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**Item 4. Advisory Business**

FocusGrowth Asset Management, LP (“we,” “us,” “our,” the “Adviser”) is a Delaware limited partnership that was formed in February 2020. We are principally owned and controlled by John Lykouratzos.

We provide discretionary investment advice to private funds (each a “Fund,” or collectively, the “Funds”). We also establish a general partner for each Fund that is affiliated with the Adviser (each a “General Partner,”). In addition, from time-to-time we form certain co-investment vehicles (each a “Co-Investment Fund,” or collectively, the “Co-Investment Funds”). In the future, we may also provide investment advice to additional private funds and separately managed accounts for institutional, non-retail investors (“SMAs”). References throughout this document to “clients” refer to the Funds, Co-Investment Funds, and any other private funds and SMA’s that we may advise in the future.

The Funds are managed in accordance with their own investment objectives, as described in their respective offering documents and governing agreements (together, the “Governing Documents”). We do not expect that we will permit investors in the Funds to impose limitations on the investment activities described in the Funds’ Governing Documents. Under certain circumstances, we may contract with a client to adhere to limited risk and/or operating guidelines imposed by that client. We would negotiate such arrangements on a case-by-case basis. (See *Item 16 - Investment Discretion*.)

We do not participate in wrap fee programs.

As of December 31, 2022, we managed approximately \$292,605,749 of regulatory assets under management on a discretionary basis. We do not manage any assets on a non-discretionary basis.

**Item 5. Fees and Compensation**

We generally receive management fees, carried interest, and other additional compensation from portfolio companies in connection with our advisory services, as described in the Governing Documents.

**Management Fees***Funds*

We are paid management fees from the Funds as described in the Governing Documents. The management fee is based on a percentage of each limited partners commitment to the Fund during the Fund’s investment period. After the investment period, the management fee is based on a percentage of each limited partner’s unreturned capital contributions to the Fund. The management fee will also be pro-rated for any partial periods. We have the ability to reduce, waive, assign, participate or share the management fee payable with respect certain limited partners.

*Co-Investment Funds*

The Co-Investment Funds do not pay a management fee.

**Transaction Fees**

As outlined in the Governing Documents, we are entitled to receive transaction fees, break-up fees, commitment fees, underwriting fees, amendment fees, waiver fees, modification fees, monitoring or

management fees, directors' fees, consulting fees, advisory fees, closing fees and similar fees, payments or compensation (whether in the form of cash, options, warrants, stock or otherwise) ("Transaction Fees"), if any, received and retained by us or the General Partner, (including our affiliates) from any third parties or portfolio companies in connection with portfolio investments (or anticipated portfolio investments in the case of a break-up fee) of the Fund in which such limited partner participated (or would have participated in the case of a break-up fee) through the Fund or any Co-Investment Funds (the "Fee Offset Amounts"). Transaction Fee excludes, for the avoidance of doubt, any Service Fees paid to FG Agency Lending LLC (as defined in the Governing Documents and below) by borrowers in connection with loans, as well as (i) any management fees or other asset-based or commitment-based compensation, incentive or performance allocations or distributions or fees or other performance-based compensation, or Transaction Fees or similar fees, paid by or received in respect of any other Fund, any co-investor and/or any other third party, (ii) Service Fees, which include any fees paid to FG Agency Lending LLC; (iii) fees, costs and expenses of affiliates of the Adviser engaged to provide services on behalf of the Funds or portfolio investments as described in the Governing Documents.

Fee Offset Amounts (as defined in the Governing Documents) received in any calendar quarter will reduce the management fee for the following quarter as set forth above. In the event that Fee Offset Amounts reduce the management fee for a given calendar quarter (the "Excess Transaction Fees"), such Excess Transaction Fees will be carried forward to one or more subsequent quarterly periods and applied to reduce the future payments of the management fee until such Excess Transaction Fees have been fully offset. In the event any excess Fee Offset Amounts remain upon the dissolution of the Fund which have not and will not be applied to reduce payments of the management fee to the Adviser, the Adviser will return such remaining excess Fee Offset Amounts to the Fund for distribution. In no event will any Fee Offset Amount be applied to reduce any previously paid management fee amounts. See the Fund's Governing Documents for more information.

### **Carried Interest**

The Funds pay a carried interest to each Fund's General Partner, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*. The Co-Investment Funds do not pay any carried interest.

### **Expenses**

#### *Funds*

In addition to the management fee and carried interest, the Funds bear certain expenses as outlined in the Governing Documents. Please review the Governing Documents for each Fund for a detailed description of expenses such Fund will bear.

A Fund will pay all costs and expenses of organizing and offering its interests, including, without limitation, legal, financial, accounting, consulting, and other costs and expenses attributable to the organization of the Funds and the sale of interests in the Funds to the limited partners, including travel expenses incurred in connection with meeting with potential investors (collectively, the "Organizational Expenses"). To the extent that the General Partner, the Adviser or any of their affiliates incurs, or has incurred, any Organizational Expenses, the Fund will reimburse such party, in full, for the amount of such out-of-pocket Organizational Expenses.

In addition to the Organizational Expenses, the Partnership will also bear operating and administrative costs and expenses of the Fund, including expenses associated with all investments and transactions considered, evaluated and/or consummated by the Fund, including, but not limited to, expenses associated with sourcing, negotiating, investigating, researching, financing, structuring, acquisition and due diligence of investments and potential investments, whether or not consummated (including third-party research, data, analytics, modeling, structuring, pricing, execution and other third-party information systems, software and service fees (including data feeds, subscriptions, reports and similar items)); expenses associated with holding, financing, monitoring, hedging, maintaining and disposing of all investments of the Fund and all transaction and other costs associated therewith; travel and related expenses associated with investments and potential investments, in each case, in accordance with the Adviser's travel and expense policy; professional fees associated with investments and potential investments, including, but not limited to, accounting, consulting, investment banking, legal and other advisory fees and expenses (including, for the avoidance of any doubt, any third-party consultants in respect of the Fund and/or its portfolio investments); transaction fees, brokerage commissions, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments; administrative, custodial, appraisal, valuation, legal, consulting, advisory and similar fees and expenses associated with the Fund's operations, investments and transactions, including fees and expenses of the Administrator (as defined herein); broken-deal, failed transaction, break-up and similar fees, costs and expenses (to the extent not paid by the sponsor of a target investment and/or from the borrower itself, whether through good faith deposits or otherwise) (including any portion thereof attributable to actual or potential co-investors)); costs and expenses of leverage or any other credit arrangements, financings or borrowings utilized, or proposed to be utilized by, the Fund, including interest charges and fees; auditing and accounting expenses of the Fund, including expenses associated with the preparation of the Fund financial statements, tax returns and Schedules K-1; costs and expenses associated with limited partner communications and reports and the delivery thereof to limited partners and, without limitation, any costs and expenses related to Other Agreements (as defined in the Fund's Governing Documents) and any reporting pursuant thereto; reasonable costs and expenses of the Advisory Board, including, upon the approval of at least seventy-five percent (75%) in number of the members of the Advisory Board, the reasonable fees and expenses of a single independent legal counsel engaged to provide advice to the Advisory Board, and any reasonable fees and expenses of any separate independent conflicts committee established in accordance with the Fund Agreement; costs and expenses associated with any special investor meetings and any other committees of the Fund formed in accordance with the Fund Agreement; insurance expenses, including, but not limited to, directors' and officers' liability insurance, errors and omissions insurance and other policies, if any; expenses incurred in the collection of monies owed to the Fund; costs and expenses (including taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, SPV, AIV or similar entity formed with respect to investments, credit facilities or arrangements (including, without limitation, any subscription facilities and term debt securitizations) or other transactions entered into for the benefit of the Fund; wind-up, liquidation, termination and dissolution expenses; costs, fees and expenses related to registration, qualification and/or exemption under any applicable federal, state, local or non-U.S. laws, rules or regulations, including blue sky fees and other securities and/or investment-related filing expenses; costs related to any transfers of Interests, unless otherwise charged to or borne by the applicable transferor and/or transferee; any extraordinary expenses (including litigation-related, indemnification and contribution expenses, including the amount of any judgment or settlement paid in connection therewith); expenses incurred in connection with loans or other investments made by the Fund, including fees and expenses for arranging or syndicating such loans as well as fees and expenses paid to unaffiliated administrative agents, arranging agents or book runners, in each case, not otherwise paid by a borrower or portfolio company of the Fund; provided, that, for the

avoidance of doubt, any Service Fees attributable to FG Agency Lending LLC shall not be charged to the Fund; and all other fees, costs, charges and expenses associated with the business, affairs and/or operations of the Fund.

To the extent that the General Partner, the Adviser, or any of their affiliates incurs, or has incurred, any such operating or administrative costs or expenses, the Fund will reimburse such party, in full, for such out-of-pocket operating expenses, which reimbursement may be made upon liquidation and dissolution of the Fund.

The Adviser has adopted policies and procedures for the allocation of fees and expenses among clients.

#### *Co-Investment Funds*

The Co-Investment Funds will pay all its organizational and offering costs and expenses. In addition, the Co-Investment Funds will pay all costs and expenses related to its activities, operations, and maintenance, including, without limitation, all fees, costs and expenses associated (directly or indirectly) with the sourcing, acquiring, holding, hedging and disposing of its investments, all entity-level taxes, fees or other governmental charges including any withholding not due to the status or non-compliance of a particular Member, the costs of any insurance, expenses incurred in collection of funds owed to the Co-Investment Fund, extraordinary expenses (including, without limitation, litigation-related and indemnification expenses), legal, auditing, consulting, research and accounting fees and expenses, the costs of any third-party administrator and the costs of any reporting to investors.

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

The General Partner for each Fund is entitled to receive carried interest distributions from the relevant Fund. Carried interest is a performance-based form of compensation in which a General Partner is entitled to receive a specified share of the profits earned by each Fund after its investors have been returned one hundred percent of their initial commitments in the Fund. Limited partners and prospective limited partners are encouraged to carefully review the Governing Documents for each Fund for details on how the carried interest is determined for such Fund.

Performance-based compensation arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement. Performance-based compensation arrangements could also create an incentive for us to favor clients with higher performance-based compensation rates over other clients when allocating investments. We have adopted procedures designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among them. In particular, it is our policy that all investment opportunities will, to the extent practicable, be allocated among the Funds on a basis that over time is fair and equitable to each Fund relative to other Funds, taking into account all relevant facts and circumstances. Although we manage multiple Funds, in general, we expect that only a single Fund (or single group of Funds investing in parallel with one another, if applicable) will be eligible to participate in new investments at any given time. Accordingly, we generally intend to allocate new investment opportunities to such Fund (or such group of Funds, if applicable).

If the General Partner identifies co-investment opportunities that it considers attractive, then it will first offer limited partners who have co-investment rights (based on minimum commitment amount to a Fund) or such limited partner's designated affiliate ("Priority Co-Investors"), the right to co-invest with the Fund

in such investments up to the amount of such limited partner's capital commitment to the Fund. To the extent the amount requested from such Priority Co-Investors exceeds the total co-investment amount offered, the co-investment will be allocated to such Priority Co-Investors seeking to participate on a pro rata basis in accordance with such Priority Co-Investor's percentage interest in the Fund (based upon aggregate capital commitments to the Fund of such participating Priority Co-Investors). Thereafter, to the extent that there is remaining capacity in connection with a co-investment opportunity, the General Partner may offer such capacity to the remaining limited partners in the Fund and any third parties (collectively, "Non-Priority Co-Investors"). When offering the Non-Priority Co-Investors the ability to participate in such co-investment opportunities, the General Partner shall allocate such excess capacity among the Non-Priority Co-Investors, in its sole and absolute discretion. The General Partner shall not be required to offer any Non-Priority Co-Investor the ability to participate in a co-investment opportunity.

**Item 7. Types of Clients**

We provide advice directly to our Fund clients and not individually to investors in any Fund. Investors in the Funds are generally fund of funds, other institutional investors, family offices, high net worth individuals, and other individuals. The Adviser generally requires minimum investment amount of \$250,000 for any Fund. However, any minimum investment amounts for a Fund may be waived at our discretion.

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

The Adviser focuses on opportunistic investments by seeking long-term appreciation of capital while providing current income through privately negotiated and open market investments in equity and debt securities as well as loans (including loan originations and investment in loans). The Adviser expects to make investments on behalf of clients into private and public companies involved in the legal cannabis industry.

Clients will invest in opportunities where the investment team's capital and industry expertise can accelerate growth, broaden business opportunities and drive value creation. The Adviser intends to make investments on behalf of its clients primarily in the United States and Canada but may make investments in other jurisdictions on an opportunistic basis.

It is anticipated that debt investments will include term loans, which in certain instances, may be part of (i) a single-tranche financing or (ii) a multi-tranche financing provided to borrowers. Such multi-tranche financings may include first or second lien term loans, and senior, junior or unsecured debt. We also expect to originate or invest in revolving credit facilities for clients. The Adviser for its clients may originate and/or invest in other types of debt assets, including secured or unsecured loans of varying priority and other debt assets, and including loans to, or assets of, non-U.S. based companies, and may invest in loans or other debt assets (including, without limitation, loans, participations in loans and other debt instruments or obligations) originated by other parties and/or trading on the secondary market.

The Adviser may also make other investments on behalf of clients on an opportunistic basis, as determined by the General Partner or the Adviser in its discretion, including investments in equity on a stand-alone basis, and acquisitions of unsecured debt or equity in connection with or incidental to a secured debt



investment, as a result of a reorganization (including receivership and out-of-court workouts), or as a consequence of loan foreclosure or foreclosure on the collateral securing such loans.

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

#### *Risk Factors*

**General Investment Risks.** All investments risk the loss of capital. The General Partner believes that the Fund's investment program and research techniques moderate this risk through a careful selection of investment opportunities, including loans and debt instruments (including participations), and through the use of certain hedging techniques. No guarantee or representation is made (and no such guarantee or representation could be made) that the Fund's program will be successful. The Fund's investment program will utilize various investment techniques including, without limitation, the use of leverage, which could increase the adverse impact of market moves to which the Fund may be subject.

**General Economic and Market Conditions.** The success of the client's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and regulations (including laws relating to taxation of the Fund's investments), currency exchange controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors and general market volatility could disrupt the investment program of the Fund, decrease the value of the Fund's portfolio, and adversely affect its profitability. In addition, the Fund may invest in loans issued to, or the debt instruments of, companies that may be susceptible to economic slowdowns or recessions, including general economic conditions, and which may be unable to repay the obligations owed to the Fund during such periods. In such event, the Fund's non-performing assets are likely to increase and the value of the Fund's portfolio is likely to decrease. Adverse economic conditions also may decrease the value of collateral securing some of the Fund's loans and the value of the Fund's investments in loans or other debt instruments. Economic slowdowns or recessions could lead to financial losses in the Fund's portfolio. Unfavorable economic conditions also could increase the Fund's funding costs or result in a decision by lenders not to extend credit to the Fund. Such events could prevent the Fund from increasing its investments and could harm the Fund's returns. The Fund could incur material losses even if the General Partner reacts quickly to difficult market conditions, and there can be no assurance that the Fund will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future.

**Business and Regulatory Risks of Private Investment Funds.** The financial services industry generally, and the activities of private investment funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Fund's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Adviser, including, without limitation, responding to examinations and investigations, implementing new policies and procedures and complying with recordkeeping and reporting obligations. Such burdens may divert the General Partner's and the Adviser's time, attention and resources from portfolio management activities.

Securities, futures and credit markets are subject to comprehensive statutes, regulations and other requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. Additionally, the regulation of the markets in which the

Fund may participate is increasing and subject to modification by government and judicial actions. The effects of any changes in law or interpretations of existing laws on the Fund could be substantial and adverse.

The legal, tax and regulatory environment worldwide for private investment funds and their managers is evolving, and changes in the regulation of private investment funds, their managers and their investment activities may adversely affect the ability of the Fund to pursue its investment program and the value of the investments held by the Fund. It is impossible to predict whether changes in regulations may occur, but any regulations that restrict the Fund or the Fund's activities, or the ability of the Fund to pursue its investment program or engage counterparties, could have a material adverse effect on the Fund's investments. In addition, such regulatory scrutiny may increase the Fund's exposure to potential liabilities and to legal, compliance and other related costs.

With the passage of the Dodd–Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the U.S. Government undertook extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. Under the Dodd-Frank Act, the SEC mandated reporting requirements (and will mandate new recordkeeping requirements) for investment advisers, which will add costs to the legal, operations and compliance obligations of the Fund and increase the amount of time that the General Partner and the Adviser spend on non-investment related activities. Regulatory changes that will affect other market participants are likely to change the way in which the Adviser conducts business with its counterparties.

The Fund's Governing Documents cannot address or anticipate every possible current or future regulation that may affect the Adviser, the Fund or their respective businesses, activities and investments. Such regulations may have a significant impact on the Fund or the operations of the Fund, including restricting the types of investments the Fund may make, preventing the General Partner, the Adviser or the Fund, as applicable from exercising its voting rights with regard to certain financial instruments, requiring the General Partner, the Adviser or the Fund to disclose the identity of the limited partners or otherwise. The General Partner may, in its sole discretion, cause the Fund to be subject to additional laws or regulations if it believes that an investment or business activity is in the Fund's interest, even if such laws and regulations may have a detrimental effect on one or more limited partners. Each prospective limited partner is encouraged to consult its own advisors regarding an investment in the Fund.

***The Fund's Investments May be Volatile.*** The prices of the Fund's investments can be volatile. A portion of the Fund's loan portfolio may have variable interest rates. In addition, price movements may also be influenced by, among other things, changing supply and demand relationships, trade, fiscal, regulatory, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Fluctuations or prolonged changes in the volatility of such instruments, therefore, can adversely affect the value of investments held by the Fund. In addition, governments from time to time intervene in certain markets. Such intervention often is intended directly to influence prices and may cause or contribute to rapid fluctuations in asset prices, which may adversely affect the Fund's returns.

***Diversification.*** The Fund's investments are not diversified across investment strategies and should not be considered a complete investment program. Subject to the General Partner's risk framework, in the normal course of making investments on behalf of the Fund, the Adviser expects to select investments for the Fund that are concentrated primarily in the cannabis industry as well as secured loans and other debt instruments. A significant portion of the Fund's investments may be highly concentrated in a limited

number or type of financial instruments or in a few issuers, industries, sectors or geographic regions. Such concentration of risk may expose the Fund to losses disproportionate to those incurred by the market in general if the investments in which the Fund is concentrated are disproportionately adversely affected by price movements.

***Hedging Derivative Transactions.*** The Fund may use a variety of financial instruments, such as derivatives, options, swaps, caps, floors, futures, forward contracts, indices and short positions, for risk management purposes in order, among other things: (i) to protect against possible changes in the market value of the Fund's investments resulting from fluctuations in the markets and changes in interest rates; (ii) to protect the Fund's unrealized gains in the value of its investments; (iii) to facilitate the sale of any such investments; (iv) to enhance or preserve returns, spreads, or gains on any investment of the Fund's; (v) to hedge the interest rate or, credit or currency exchange rate on any of the Fund's financial instruments or leverage; (vi) to protect against any increase in the price of any financial instrument that the Fund anticipates purchasing at a later date; or (vii) to act for any other reason that the General Partner or the Adviser deems desirable or appropriate. Although the Fund may enter into such hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating all types of risk (including unidentified or unanticipated risks) or risks in every market environment, thereby resulting in losses to the Fund. In addition, such hedging transactions may result in poorer overall performance for the Fund than if it had not engaged in any such hedging transactions. Moreover, the General Partner or the Adviser may determine not to hedge against, or may not anticipate, certain risks. Finally, the Fund may be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties). Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which the Fund may participate is evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on the Fund's ability to employ such derivative instruments.

***Equity Securities Generally.*** The Fund may invest in equity and equity-related securities. Equity securities in general fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments and movements in the equity markets in general. As a result, the Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the General Partner's expectations or if equity markets generally move in a single direction and the Fund has not hedged against such a general move.

The Fund may acquire equity as an "equity kicker" or otherwise in connection with a debt investment and may also invest in standalone equity and equity-related securities, or acquire equity as a result of a reorganization or as a consequence of default or foreclosure on the collateral securing the Fund's loans. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of the issuer, the business market in which the issuer competes, industry market conditions, interest rates and general economic environments. As a result, the Fund may suffer losses if the General Partner invests in equity instruments of issuers whose performance diverges from the General Partner's expectations or if equity markets generally move in a single direction.

***Growth-Stage Investments.*** The Fund may invest in privately-held, growth-stage companies. In general, these companies will be in early stages of development and may not have a proven operating history or proven management, may be operating at a loss, and may require additional capital to support their operations. Further, such companies often involve a high degree of business and financial risk. They may

require additional capital to develop technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Such companies may face intense competition, including competition from more established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. The percentage of such portfolio companies acquired at an early-stage of development that survive and prosper can be small.

***Investments in Private Middle-Market Companies.*** In addition to limited liquidity, investments in loans issued to, and debt instruments of, private middle-market companies may involve a number of additional risks. Generally, little public information exists about such companies, and the Fund will rely on the ability of the Adviser to obtain adequate information to evaluate the potential returns from investing in such loans or debt instruments. If the Fund is unable to uncover all material information about such companies, it may not make a fully-informed investment decision, and may lose money. Private middle-market companies typically have shorter operating histories, less predictable operating results, narrower product lines, and smaller market shares than larger businesses, which characteristics tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Private middle-market companies are also more likely to depend on the management talents and efforts of a small group of persons, the loss of which could have a material adverse impact. In addition, private middle-market companies may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. As a consequence, certain loans invested in by the Fund could be or become non-performing loans and borrowers could default with respect to such loans.

***Investments in Public Companies.*** The Fund may invest in public companies. Investments in public companies may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, movements in the stock market and trends in the overall economy, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times (including due to the possession by the Fund of material non-public information), increased likelihood of shareholder litigation against such companies' board members, regulatory action by the SEC and increased costs associated with each of the aforementioned risks.

***Competition; Availability of Investments.*** The market for attractive investment opportunities is highly competitive. There can be no assurance that the General Partner will be able to identify or to pursue attractive investment opportunities successfully in such environments. The number of investors seeking to make such investments may reduce the number of suitable investment opportunities available to the Fund and adversely affect the terms upon which investments can be made. In that regard, the Fund will be competing for investments with other investors, including other investment funds, individuals, companies and financial institutions. If a supply increase in portfolio investments within the Fund's investment mandate does not materialize or falls short of expectations, the Fund can expect to face increased competition in obtaining suitable investments. Competition for suitable investments from other alternative investment managers, the public equity markets and other investors may reduce the availability of investment opportunities or alter the terms on which the Fund is able to invest. It may be difficult for the Fund to capitalize on investment opportunities or to purchase investments at the Fund's initial desired price. There can be no assurance that the General Partner will be able to identify or to pursue attractive investment opportunities for the Fund successfully.

**Commitment Facilities.** The Fund may, either directly or through a Related Borrower, borrow funds or incur indebtedness in the form of Commitment Facilities, which may include the grant of security interests in the limited partners' unfunded capital commitments. Such facilities (sometimes referred to as subscription credit lines, or capital call facilities) have been utilized by private funds for many years to bridge the time between the closing of an investment and the calling of capital and for broader cash management purposes. From the investor's perspective, such facilities can smooth cash flows and ease the administrative burden of responding to capital calls. In addition, the General Partner may use Commitment Facilities to permit the Fund to have ready access to cash in the event short-term funding obligations (e.g., margin requirements) arise, which the General Partner believes allows for more efficient cash management as opposed to holding larger cash reserves. However, certain bodies, including the SEC and the Institutional limited partners Association ("ILPA") have suggested that investors, and the private fund industry generally, take into account a number of factors when considering the use of such facilities. In guidelines released by ILPA, some of the concerns and risks that are noted regarding such facilities include the following: (i) the use of such facilities can impact performance (i.e., if such facilities are drawn upon, the delay in calling capital can distort the calculation period for returns); (ii) drawdowns from a Commitment Facility may delay or reduce the drawdown of capital contributions from investors and will not be subject to performance-based compensation, which may result in investors being entitled to lesser amounts of return than such investors might otherwise have been entitled in the absence of such a Commitment Facility and may result in the reported performance of a fund being greater than it would have been in the absence of use of such a Commitment Facility; (iii) because the use of such facilities is not universal among fund managers, the use of such facilities makes it more challenging for investors to compare reported returns across funds; (iv) the use of such facilities creates the potential for general partners to receive performance-based compensation in cases where unlevered performance may not meet a preferred return or other hurdle, and could potentially lead to clawback issues; (v) such facilities give rise to Fund expenses, which can limit any positive leverage impacts on performance and decrease returns realized by investors and (vi) the terms and provisions that may apply to such facilities may pose legal risks for investors, including, without limitation, transfer restrictions, documentation requests and other requirements of lenders. Notwithstanding the foregoing, the General Partner believes that the Fund's use of Commitment Facilities will be in the best interests of the Fund and consistent with the General Partner's fiduciary duties to the Fund.

**General Credit Risks.** Although the Fund intends to invest in loans and other debt instruments or obligations that are secured by collateral, the Fund may be exposed to losses resulting from default and foreclosure of any such loans or interests in loans or other debt instruments in which it has invested. Therefore, the value of underlying collateral, the creditworthiness of borrowers and the priority of liens are each of great importance in determining the value of the Fund's investments. No guarantee can be made regarding the adequacy of the protection of the Fund's security in the loans or other debt instruments in which it invests. Moreover, in the event of foreclosure, the Fund or an affiliate thereof may assume direct ownership of any assets collateralizing such foreclosed loans. The liquidation proceeds upon the sale of such assets may not satisfy the entire outstanding balance of principal and interest on such foreclosed loans or other debt, resulting in a loss to the Fund. Any costs or delays involved in the effectuation of loan foreclosures or liquidation of the assets collateralizing such foreclosed loans will further reduce proceeds associated therewith and, consequently, increase possible losses to the Fund. In addition, no assurances can be made that borrowers or third parties (which may include other creditors) will not assert claims in connection with foreclosure proceedings or otherwise, or that such claims will not interfere with the enforcement of the Fund's rights with respect to its investments.

**Unrated or Below Investment Grade Loans and Debt Instruments.** There are no restrictions on the credit quality of loans and debt instruments that may be invested in by the Fund. Certain of these investments may be unrated and whether or not rated, such debt instruments may have speculative characteristics. The market values of certain of these lower-rated and unrated loans and debt instruments tend to reflect individual corporate developments and changes in economic conditions to a greater extent than do higher-rated debt instruments. As a result, the market prices of such loans and debt instruments may be subject to abrupt and erratic movements in price and liquidity. Borrowers that are the subject of such loans and that issue such debt instruments are often highly leveraged and may not have available to them more traditional methods of financing.

**Illiquid Nature of Investments and Loans.** The Adviser anticipates that the Fund will hold a significant portion of its loans and other debt investments until redeemed or maturity and that many of its investments will be illiquid. Additionally, investments may not be readily disposable and, in some cases, may be subject to contractual, statutory or regulatory prohibitions on disposition for a specified period of time. Should the Adviser determine it to be advisable to earlier dispose of any illiquid investments, the Fund may have difficulty doing so. Alternatively, the Fund may only be able to sell such investments or loans at substantial discounts to face value. In certain circumstances, the Fund may be prohibited by contract from selling investments for defined periods of time. Depending on the type of investments or loans held by the Fund, such investments and loans may require a substantial period of time to liquidate. There can be no assurances that there will be a liquid market for resale of such investments or loans, and illiquidity may result from the absence of an established market for certain investments and loans as well as from legal or contractual restrictions.

**Syndication and/or Transfer of Debt Instruments.** The Fund, directly or through the use of one or more SPVs, intends to originate and purchase loans and other assets. The Fund may also purchase loans or other assets (including, participation interests or other indirect economic interests) that have been originated by entities affiliated with the Adviser or from other parties. The Fund expects, in some instances, that it will originate loans with the intent of syndicating and/or otherwise transferring or offering for transfer a portion thereof (including, without limitation, corresponding portions of outstanding principal and future interest, and a corresponding amount of unamortized fees, but excluding any Service Fees) to one or more affiliated entities such as certain Funds, whether currently existing or created hereafter. The Fund may also originate or purchase loans or other assets with the intent of syndicating and/or otherwise transferring or offering to transfer a portion thereof to one or more third parties. The Fund will bear the risk of any decline in value prior to any syndication and/or other transfer to other Funds or third parties, as well as the risk of any inability to syndicate or otherwise transfer such loans or other assets or such amount thereof as originally intended (and including as a result of any such loans not being approved by such established independent committee of any Non-Originating Funds to which they are offered), which could result in the Fund owning a greater interest therein than originally anticipated. In addition, operating expenses of the Fund will include any investment and transaction expenses of an affiliated entity of the Adviser attributable, as determined by the General Partner, to loans or other assets considered for investment by the Fund, including, to the extent not paid by the sponsor of a potential borrower and/or from the borrower itself (whether through good faith deposits or otherwise), the costs and expenses of any loans or other assets (or interests therein) purchased by or transferred to the Fund and any broken-deal or failed transaction expenses incurred by such affiliated entity of the Adviser in respect of contemplated loans or other assets that would have been originated by or invested in by the Fund, and these expenses generally will not be borne or shared by potential syndicate partners, transferees or offerees, including, without limitation, Non-Originating Funds (as defined in the Fund's Governing Documents).



**Participations and other Indirect Economic Interests.** A portion of the assets of the Fund may consist of participation interests or other indirect economic interests in loans or other assets. In such circumstances, the Fund will not directly own the loans or other assets underlying such participation or other economic interests and/or have custody thereof. As a result, the Fund will be exposed to the risk that the assets of the holder/custodian of any such underlying loans or other assets may be subject to the claims of third-party creditors or other parties. In addition, as an owner of participation interests or other indirect economic interests (including as a member of a loan syndicate), the Fund may not be able to assert any rights against borrowers of the underlying indebtedness, and may need to rely on the holder/custodian (or other financial institution) issuing the participation interests or such other entity charged with the responsibility for asserting such rights, if any. Such holders/custodians and financial institutions or other entities may have reasons not to assert their rights, whether due to a limited financial interest in the outcome, other relationships with the underlying defaulting borrowers, the threat of potential counterclaims or other reasons, that may diverge from the interests of the Fund. The failure of such holders/custodians and financial institutions or other entities to assert their rights (on behalf of the Fund) or the insolvency of such entities could materially adversely affect the value of the assets of the Fund.

**Distressed Borrowers; Bankruptcy, Receivership and Insolvency Risks.** The Fund may invest in loans and debt instruments of companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy, state-law receivership or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the Fund, they involve a substantial degree of risk. Distressed borrowers may be less likely to meet their obligations in connection with such loans or debt instruments, and the inability to meet such obligations may result in certain loans of the Fund becoming nonperforming. The level of legal and financial sophistication necessary for successful investment in the loans issued to, or the debt instruments of, companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing the loans invested in by the Fund or the prospects for a successful reorganization or similar action, if any, or the general performance of such loans. In addition, to the extent that the Fund invests in loans or debt instruments with respect to companies that subsequently undergo bankruptcy, receivership or similar liquidation proceedings, such investments may be subject to additional risks. Many of the events within a bankruptcy case, receivership proceedings or similar liquidation proceedings are adversarial and often beyond the control of creditors. Although creditors generally are afforded an opportunity to object to significant actions, there is the possibility that a bankruptcy court, receiver, conservator or other arbiter could approve actions that may be contrary to the interests of the Fund. The duration of bankruptcy or similar proceedings is often difficult to accurately predict, and such proceedings may be lengthy. The administrative costs in connection with bankruptcy or similar proceedings are frequently high and will be paid out of the debtor's estate (other than out of assets or proceeds thereof that are subject to valid and enforceable liens and other security interests) prior to any return to unsecured creditors and equity holders. In connection with a bankruptcy or similar proceeding, the Adviser, on behalf of the Fund, may seek representation on creditors' committees or other groups to ensure preservation or enhancement of the Fund's position as a creditor. If the Fund is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group. In addition, the Fund's return on investment can be adversely affected by the passage of time during which the plan of reorganization of a bankrupt debtor (or analogous process under state law) is being negotiated, approved by the creditors and confirmed by the bankruptcy court, state court or other arbiter. Reorganizations outside of bankruptcy are also subject to unpredictable and potentially lengthy delays.

***Ability to Lend on Advantageous Terms; Competition and Supply.*** The Fund intends to originate loans and may also invest in loans originated by other parties (including, without limitation, debt that trades on the secondary market). Success in this area will depend in part on the ability of the Fund to originate and obtain loans, and the Adviser's or such other parties' ability to originate or source loans, on advantageous terms. In making loans, the Fund and the Adviser will compete with a broad spectrum of lenders, some of which may be willing to lend money on terms more favorable to borrowers. Such competing lenders may include private investment funds and other entities. If and to the extent the Secure and Fair Banking Enforcement Act of 2019 (the "SAFE Banking Act") is enacted into law in the United States, commercial banks in the United States may also be able to lend money to borrowers in the cannabis industry and could become a significant competitor to the Fund. Some competitors may have a lower cost of funds and/or access to funding sources that are not available to the Fund and the Adviser. In addition, some competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than the Fund and the Adviser. The Fund and the Adviser may also choose not to compete for investment opportunities based on interest rates. Ultimately, increased competition for, or a diminution in the available supply of, qualifying borrowers may result in lower yields on loans to such borrowers, which could reduce returns to the Fund.

***Risks of Litigation.*** In addition to the risks associated with bankruptcy, insolvency, receivership and liquidation proceedings described above, investing in loans issued to or debt instruments of distressed companies can be a contentious and adversarial process in general. Different investor groups may have qualitatively different, and frequently conflicting, interests and this may lead to competing claims or litigation. The Fund's investment activities may also subject the Fund to the risk of becoming involved in litigation by third parties. This risk may be greater if the Fund exercises control or significant influence over such companies' decisions. The expense of defending any such claims made against the Fund and paying any amounts pursuant to settlements or judgments will be borne by the Fund and would, in such case, reduce the Fund's returns. A number of parties, including, without limitation, the General Partner, the Adviser and their affiliates, will be entitled to indemnification by the Fund in connection with such litigation, subject to certain conditions described in the Fund's Governing Documents

***Priority of Debt Instruments and Loans.*** The Fund may originate or invest in secured or unsecured debt issued by companies that have or may incur additional debt that is senior to the debt owned by the Fund. In many instances, loans made by the Fund may be part of a unitranche structure in which a single lien on behalf of all the lenders in the structure will be filed against the assets of the company if the lenders holding the different tranches of debt (including the Fund) will contractually agree to their respective priorities in those assets. In the event of insolvency, liquidation, dissolution, reorganization, receivership or bankruptcy of any such company, the owners of senior secured debt (*i.e.*, the owners of first priority liens), including in a unitranche structure through the contractual agreements between the lenders, generally will be entitled to receive proceeds from any realization of the secured collateral until they have been reimbursed. At such time, the owners of junior secured debt (including, in certain circumstances, the Fund) will be entitled to receive proceeds from the realization of the collateral securing such debt and only thereafter would the owners of unsecured debt be entitled to any recovery. There can be no assurances that the proceeds, if any, from the sale of such collateral would be sufficient to satisfy the loan obligations secured by subordinate or unsecured debt instruments. To the extent that the Fund owns debt that is junior to other secured debt, the Fund may lose the value of its entire investment in such debt. In the event of an insolvency proceeding of a portfolio company involved in the legal cannabis industry, the priority of the debtor's debt and capital structure will be governed by state law.



**Interest Rate Risk; Prepayment.** The Fund may invest in fixed interest rate debt instruments. The value of fixed interest rate debt instruments generally has an inverse relationship with future interest rates. Accordingly, if interest rates rise, the value of such instruments may decline. In addition, to the extent that the receivables or loans underlying specific financial instruments may be prepaid without penalty or premium, the value of such financial instruments may be negatively affected by increasing prepayments. Such prepayments tend to occur more frequently as interest rates decline.

**Limitations on Remedies.** Although the Fund will have certain contractual remedies upon the default by any borrowers under the investments, certain legal requirements may limit the ability of the Fund to effectively exercise such remedies. The laws with respect to the rights of creditors and other investors in certain jurisdictions in which the Fund may invest may not be comprehensive or well-developed, and the procedures for the judicial or other enforcement of such rights may be of limited effectiveness.

**Market Risks upon Enforcement.** In the event of a default in respect of any of the Fund's investments into loans or other debt instruments, it may be necessary to foreclose on the collateral securing such loan or other debt instrument. Proceeds from the sale of such collateral could be insufficient to pay accrued interest, principal repayments, exit fees, profit shares and other amounts due on the relevant investments in full, in which case the Fund may ultimately suffer a loss.

**Equitable Subordination.** Under the laws of certain jurisdictions, a court may use its equitable powers to subordinate the claim of a lender to some or all of the other claims against a borrower under certain circumstances. The concept of equitable subordination is that a claim may normally be subordinated only if its holder is guilty of some misconduct. The remedy is intended to be remedial, and not penal. In determining whether equitable subordination of a claim is appropriate in any given circumstance, courts may look to whether the following conditions have been satisfied: (i) whether the claimant has engaged in some type of inequitable conduct; (ii) whether the misconduct has resulted in injury to the creditors of the bankrupt company or conferred an unfair advantage on the claimant; and (iii) whether equitable subordination would be inconsistent with other applicable provisions of the U.S. Bankruptcy Code. While the stated test could be interpreted broadly, equitable subordination is usually confined to three general paradigms: (x) when a fiduciary of the debtor (who is also a creditor) misuses its position to the detriment of other creditors, (y) when a third party (which can include a lender) controls the debtor to the disadvantage of other creditors, and (z) when a third party actually defrauds other creditors. The Fund may be subject to claims from creditors of an obligor that debt assets of such obligor which are held by the Fund should be equitably subordinated. The concept of equitable subordination (or the equivalent thereof) may vary from jurisdiction to jurisdiction.

**Recharacterization.** Under Title 11 of the United States Code (the "U.S. Bankruptcy Code"), a court may use its equitable powers to "recharacterize" the claim of a lender, *i.e.*, notwithstanding the characterization by the lender and borrower of a loan advance as a "debt," to find that the advance was in fact a contribution in exchange for equity. Typically, recharacterization occurs when an equity holder asserts a claim based on a loan made to the borrower at a time when the borrower was in such poor financial condition that other lenders would not make such a loan. In effect, a court that recharacterizes a claim makes a determination that the original circumstance of the contribution warrants treating the holder's advance not as debt but rather as equity. In determining whether recharacterization is warranted in any given circumstance, courts may look at the following factors: (1) the names given to the instruments (if any) evidencing the indebtedness; (2) the presence or absence of a fixed maturity or scheduled payment; (3) the presence or absence of a fixed rate of interest and interest payments; (4) the source of repayments; (5) the adequacy or inadequacy of capital; (6) the identity of interest between the creditor

and the equity holders; (7) the security (if any) for the advances; (8) the borrower's ability to obtain financing from outside lending institutions; (9) the extent to which the advances were subordinated to the claims of outside creditors; (10) the extent to which the assets were used to acquire capital assets and (11) the presence or absence of a sinking fund to provide for repayment. These factors are reviewed under the circumstances of each case, and no one factor is controlling. The Fund may be subject to claims from creditors of an obligor that debt obligations of such obligor held by the Fund should be recharacterized.

**Contingent Liabilities.** From time to time the Fund may incur contingent liabilities in connection with an investment or loan. For example, the Fund may invest in a revolving credit facility that has not yet been fully drawn. If a borrower subsequently draws on the facility, the Fund would be obligated to fund the amounts due. The Fund may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party or, conversely, pursuant to which third parties offer default protection to the Fund.

**Fraud.** The Fund's business could be adversely affected by material misrepresentations or omissions on the part of a borrower or counterparty or by fraudulent behavior by a joint venture partner, manager or other service provider. Inaccuracies or incompleteness of representations may adversely affect the valuation of collateral underlying loans and may adversely affect the ability of the Fund to perfect or effectuate a lien on the collateral securing a loan. Fraudulent behavior by a counterparty could result in the misappropriation of Fund funds or otherwise reduce the value of one or more of the Fund's investments. The Fund will rely upon due diligence by the Adviser and the accuracy and completeness of representations made by borrowers, other counterparties, joint venture partners, managers and other service providers and cannot guarantee that it will detect occurrences of fraud. In addition, under certain circumstances, payments by borrowers to the Fund may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential distribution.

**Fluctuations in Receipt of Proceeds.** The General Partner expects to experience fluctuations in the timing and amount of proceeds the Fund receives in the form of interest and fee income and in connection with the realization of investments in loans and other debt instruments in which the Fund has invested. Such fluctuations are due to, among other things, changes in the interest rates payable on the debt instruments acquired by the Fund, the default rate on such debt instruments, the level of the Fund's expenses (including the interest rates payable on Fund borrowings), variations in and the timing of the realization of investments, the degree to which the Fund encounters competition in the markets and general economic conditions. As a result of these factors, the amounts of distributions to limited partners may fluctuate substantially.

**Non-U.S. Investments.** The Fund may invest its assets outside of the United States. In making such investments, appropriate consideration will be given to the factors described below, among others. Many financial markets are not as developed or efficient as others. Financial instruments related to some issuers are less liquid and more volatile than financial instruments of comparable issuers in other countries. Similarly, volume and liquidity in financial markets vary and, at times, volatility of prices can be greater in some countries than in others. The issuers of some of the financial instruments, such as non-U.S. bank obligations, may be subject to different regulations than other issuers. In addition, there may be less publicly available information about issuers in some markets as opposed to issuers in other markets, and some issuers generally are not subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to other issuers.

**Non-U.S. Taxation.** With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, gross sale or disposition proceeds, or other income, limitations on the removal of funds or other assets of the Fund, political or social instability or diplomatic developments that could affect investments in those countries. While the Fund intends to structure its operations to minimize such taxation to the extent possible, there can be no assurance that such taxation will not occur.

**Currency Exposure.** Although the Fund intends primarily to invest in loans, secured debt or other assets or investments that are denominated in U.S. dollars, the Fund may invest in loans, secured debt or other assets or investments that are denominated in a currency other than the U.S. dollar. In such an event, the prices of such investments will be determined with reference to currencies other than the U.S. dollar but the Fund will value its securities and other assets in U.S. dollars. To the extent that the Fund makes investments that are denominated in a currency other than the U.S. dollar, the Fund may hedge its foreign currency exposure. However, to the extent that the Fund's foreign currency exposure is not hedged, the value of the Fund's assets will fluctuate with U.S. dollar exchange rates as well as the price changes of the Fund's investments.

**Systemic Risk.** Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Fund or its borrowers interacts or may interact as well as leverage lenders. A systemic failure could have material adverse consequences on the Fund, its borrowers, and on the ability of the Fund to obtain and maintain its target leverage.

**Regulation in the Derivatives Industry.** There are many rules related to derivatives that may negatively impact the ability of the Fund to employ such derivatives in an efficient manner, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter ("OTC") instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements may add costs to the legal, operational and compliance obligations of the Adviser and the Fund, and increase the amount of time that the Adviser and the Fund spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Fund to the extent the Fund is engaged in derivatives transactions. These rules are operationally and technologically burdensome and these compliance obligations require employee training and use of technology, and there are operational risks that may be borne by the Fund in implementing procedures to comply with many of these additional obligations. These regulations may also result in the Fund forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants), as the use of other parties may be more efficient for the Fund from a regulatory perspective. However, this could limit the Fund's trading activities, create losses, preclude the Fund from engaging in certain transactions or prevent the Fund from trading at optimal rates and terms.

Many of these requirements were implemented pursuant to the Dodd-Frank Act, the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation, or "EMIR") and similar regulations globally. In the United States, the Dodd-Frank Act divides the regulatory responsibility for derivatives between the SEC and the U.S. Commodity

Futures Trading Commission (“CFTC”), a distinction that does not exist in any other jurisdiction. The SEC has regulatory authority over “security-based swaps” and the CFTC has regulatory authority over “swaps”. EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to security-based swaps and EMIR regulations that are still in the proposal stage or are expected to be introduced in the future. Furthermore, on January 3, 2018, the European Union’s Market In Financial Instruments Directive II (“MiFID II”) became effective. MiFID II requires European broker-dealers to unbundle trading costs (*i.e.*, commissions or spreads) from the investment research that they provide to clients. As a result of MiFID II, clients trading with European broker-dealers may be required to pay for investment research that they had previously provided to clients as part of their trading relationship. This change could result in increases in the costs to the Fund of obtaining investment research from European broker-dealers. The increased costs to the Fund resulting from MiFID II could have adverse impacts on the Fund’s ability to efficiently use such derivatives, including for hedging transactions. The changes in the regulation of derivatives in Europe may in due course require the Fund to revise its use of derivatives and related operational procedures, employ third-party service providers to effect the new requirements and adversely affect the Fund’s ability to efficiently employ derivatives.

***Novel Coronavirus Pandemic, Public Health Emergency and Global Economic Impacts.*** As of the date of this Memorandum, the ongoing outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization declared a global pandemic on March 11, 2020, is continuing. The outbreak of COVID-19 has caused a worldwide public health emergency with a substantial number of hospitalizations and deaths, and has significantly adversely impacted global commercial activity and contributed to both volatility and material declines in equity and debt markets. The global impact of the outbreak continues to rapidly evolve, and many national, state and local governments have reacted by instituting mandatory or voluntary quarantines, travel prohibitions and restrictions, closures or reductions of offices, businesses, schools, retail stores, restaurants and other public venues and/or cancellations, suspensions and/or postponements of certain events and activities, including certain non-essential government and regulatory activities. Businesses are also implementing their own precautionary measures, such as mandatory vaccinations, voluntary closures, temporary or permanent reductions in work force, remote working arrangements and emergency contingency plans. Such measures, as well as the general uncertainty surrounding the dangers, duration and impact of COVID-19, are creating significant disruption to supply chains and economic activity, impacting consumer confidence and contributing to significant market losses, including by having particularly adverse impacts on transportation, hospitality, tourism, sports, entertainment and other industries dependent upon physical presence. Technological infrastructure has, and will likely continue to be, strained for so long as mandatory or voluntary quarantines are instituted, which will change, and potentially disrupt, the operations of the Fund and its portfolio companies. As COVID-19 continues to spread, potential additional adverse impacts, including a global, regional or other economic recession of indeterminate duration, are increasingly likely and difficult to assess and, if the spread of the COVID-19 is prolonged, it could adversely affect many economies, global financial markets, the Fund or its portfolio companies even after COVID-19 is contained.

The extent of the impact of COVID-19 on the Fund and its portfolio companies’ operational and financial performance will depend on many factors, including the duration and scope of the resulting public health emergency, the extent of any related restrictions implemented, the impact of such public health

emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of the COVID-19 pandemic may materially and adversely impact the General Partner's ability to source, manage and divest investments and the General Partner's ability to achieve its investment objectives, all of which could result in significant losses to the Fund and its investors.

In addition, COVID-19 and the resulting changes to global businesses and economies likely will adversely impact the business and operations of the Fund, the Adviser, the Fund's portfolio companies and their respective affiliates. Certain businesses and activities may be temporarily or permanently halted as a result of government or other quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors, including the potential adverse impact of COVID-19 on the health of key personnel.

***Other Catastrophic Risks.*** In addition to the potential risks associated with COVID-19 as outlined above, the Fund may be subject to the risk of loss arising from direct or indirect exposure to a number of types of other catastrophic events, including without limitation (i) other public health crises, including any outbreak of SARS, H1N1/09 influenza, Zika, avian influenza, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat or fear thereof or (ii) other major events or disruptions, such as hurricanes, earthquakes, tornadoes, fires, flooding and other natural disasters; acts of war, military conflicts, social unrest or terrorism, including cyberterrorism; or major or prolonged power outages or network interruptions. Such events could exacerbate political, social and economic risks previously mentioned and result in significant breakdowns, delays and other disruptions on a local, regional and global scale, which may have adverse effects on the operating performance of the Fund and its portfolio companies. The extent of the impact of any such catastrophe or other emergency on the Fund and its portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of such emergency, the extent of any related travel advisories and restrictions, the impact on overall supply and demand for goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. In particular, to the extent that any such event occurs and has a material effect on global financial markets or specific markets in which the Fund participates (or has a material effect on any Fund portfolio companies or locations in which such portfolio companies or the Adviser operates or on any of their respective personnel) the risks of loss could be substantial and could have a material adverse effect on the Fund or the ability of Adviser to fulfill its investment objectives.

#### *Risks Relating to the Cannabis Industry*

***Investments in Companies Operating in an Emerging Industry.*** The Fund will invest in or make loans to companies focused on the legal cannabis industry. The market for securities of such companies may be extremely volatile and there can be no assurance that market demand and valuations for such companies will not decline substantially in the future. Furthermore, the cannabis industry is a new emerging market with unclear prospects compared to more established industries due to uncertainty with respect to supply and demand, as well the legal and regulatory framework with respect to the cannabis industry moving forward.

Furthermore, the possibility that a portfolio company will not be able to successfully commercialize its technology, product, or business concept presents considerable risk. Additionally, although some of the

portfolio companies already may have a commercially successful product, or product line when the Fund invests, the sector in which the Fund intends to invest often have a more limited market or life span than products in other industries. Consequently, the ultimate success of these companies often depends on their ability to continually innovate in increasingly competitive markets. The inability of a portfolio company to continue to innovate could negatively impact the investment results achieved by the Fund.

***Risk of Prosecution for Cannabis-Related Companies.*** Potential investors should be aware that cannabis-related companies may be at risk of federal, and perhaps state, criminal prosecution. Under the CSA the possession, use, cultivation, production, distribution, sale and transfer of marijuana is illegal. Certain portfolio companies may engage in the cultivation, production, processing, distribution and retail sale of marijuana and as a result, law enforcement authorities, in their attempt to regulate the illegal use of marijuana, may seek to bring an action or actions against such portfolio companies and/or the Fund, including, but not limited to, a claim of aiding and abetting another's criminal activities. The federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." 18 U.S.C. §2(a). As a result of such an action, the Fund and/or any of the Fund's portfolio companies may be forced to cease operations and the Fund's investors could lose their entire investment. Such an action would have a material negative effect on the Fund's business and operations. If federal enforcement action was taken against the Fund (e.g., forfeiture proceedings), the Fund could incur total losses on any or all of its investments.

***General Risks Associated with Government Regulation.*** Certain portfolio companies may be subject to substantial and diverse laws and regulations by various governmental agencies. In addition, the operation of certain portfolio companies also may rely on state and local government registrations, licenses and permits. There is no guarantee that such portfolio companies will be able to secure such registrations, licenses and/or permits. The requirements to acquire and maintain these registrations, licenses and permits are generally complex and may result in a dispute over interpretation or enforceability, which may subject certain portfolio companies to monetary penalties or it may lose its rights to operate its business, or both. Additionally, such registrations, licenses and permits may cause certain portfolio companies to incur additional fees, costs and/or taxes.

Should the federal government legalize cannabis for medical or recreational use, it is likely that federal agencies, including the U.S. Food and Drug Administration ("FDA") (discussed in further detail in "Risks Relating to the Cannabis Industry – Regulatory Action and Approvals from the FDA" below), the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives, and/or the U.S. Drug Enforcement Administration, would seek to regulate it and issue rules and regulations related to the growth, cultivation, harvesting, processing, marketing and/or sale of cannabis. In the event that any federal rules or regulations are adopted, neither the General Partner nor the Adviser can project the impact of such rules or regulation on the cannabis industry and what costs, operating requirements and possible restrictions would be imposed on the portfolio companies.

Laws and regulations affecting the cannabis industry are continually changing, which could detrimentally affect the operations of the portfolio companies. Local, state and federal medicinal cannabis laws and regulations are broad in scope and subject to changing interpretations and may be conflicting among different states. These changes may require certain portfolio companies to incur substantial costs associated with legal and compliance fees and ultimately require certain portfolio companies to alter their business plans. Furthermore, actual or alleged violations of these laws could disrupt the businesses of a portfolio company and result in a material adverse effect on the returns of the Fund. The General Partner



cannot predict the nature of any future laws, regulations, interpretations or applications.

While each portfolio company will seek to comply with all laws, including federal, state and local laws and regulations, there is a possibility that governmental action to enforce any alleged violations may result in legal fees and damage awards that would adversely affect a portfolio company's business. The sale and use of cannabis remains illegal under federal law. Even in states that have legalized medicinal or recreational cannabis, its sale and use remain violations of federal law. The illegality of cannabis under federal law preempts state laws that legalize its use. Therefore, strict enforcement of federal law regarding cannabis would likely result in the inability of certain portfolio companies to proceed with their business plans. In addition, in states where cannabis is illegal and in states that have legalized cannabis but which have onerous or unclear regulations with respect to medicinal or recreational cannabis, state and local regulatory agencies have broad authority over the operations of cannabis-related businesses. Additionally, the federal laws in effect preclude any state-to-state cannabis commerce, even between states that have made cannabis activities legal.

***Regulatory Action and Approvals from the FDA.*** The Fund's portfolio companies are not approved by the FDA as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. The FDA has not approved cannabis as a safe and effective drug for any condition. FDA regulation of marijuana and the possible registration of facilities where marijuana is grown, manufactured or distributed could negatively affect the industry which would directly affect the financial condition of certain of the Fund's portfolio companies. In addition, the FDA may regard any promotion of cannabis-based products as the promotion of an unapproved drug in violation of the Food, Drug and Cosmetic Act of 1938, as amended (the "FDCA").

***FDA Regulation of Cannabis under the FDCA.*** FDA regulation of cannabis and the possible registration of facilities where cannabis is grown could negatively affect the cannabis industry, which would directly affect the Fund's financial condition. Should the federal government legalize cannabis, it is possible that the FDA, would seek to regulate it under the FDCA. Additionally, the FDA may issue rules and regulations including certified good manufacturing practices, related to the growth, cultivation, harvesting and processing of cannabis. Clinical trials may be needed to verify efficacy and safety of certain of the products of the Fund's portfolio companies. It is also possible that the FDA would require that facilities where cannabis is grown register with the FDA and comply with certain federally prescribed regulations. If some or all of these regulations are imposed, they may be subject to additional requirements and possible prohibitions. If the Fund's portfolio companies are unable to comply with the regulations or registration as prescribed by the FDA, they may be unable to continue to operate their businesses in their current form or at all.

***The Cannabis Industry Faces Significant Opposition.*** The Fund's investment strategy relies, in part, on the continued market acceptance, and the proliferation of consumers, of medical and recreational cannabis. It is possible that with further legalization, cannabis will become more accepted, resulting in a growth in consumer demand. However, neither the General Partner nor the Adviser can predict the future growth rate or future market potential, and any negative outlook on the cannabis industry may adversely affect operations of the portfolio companies and the Fund's profitability.

Large, well-funded business sectors may have strong economic reasons to oppose the development of the cannabis industry. For example, medical cannabis may adversely impact the existing market for the current "cannabis pill" sold by mainstream pharmaceutical companies. Should cannabis displace other drugs or products, the medical cannabis industry could face a material threat from the pharmaceutical

industry, which is well-funded and possesses a strong and experienced lobby. Any inroads that the pharmaceutical industry, or any other potentially displaced, industry or sector could make in halting or impeding the cannabis industry could have a detrimental impact on the portfolio companies and the Fund's profitability.

**Limited Access to the Federal Banking System.** The portfolio companies may face difficulty gaining access to financing, credit, and other banking services offered by federally chartered banks. Since the sale and use of cannabis is illegal under federal law, banking institutions face the risk of violating federal law by transacting with a cannabis-related business. In the absence of adequate and reliable financing, credit and other banking services from major financial institutions, there is no guarantee that the portfolio companies or the Fund will be able to sustain their cannabis-related businesses. Additionally, certain of the Fund's portfolio companies may be subject to a higher risk of theft given the cannabis market and the necessity to deal in cash due to restrictions on banking access for marijuana-related businesses. In the event that any of the Fund's portfolio companies are victims of theft, it could have a material adverse effect on their business, financial condition and results of operations, which could adversely impact the Fund.

**SAFE Banking Act.** The SAFE Banking Act has been adopted and approved by the U.S. House of Representatives and is currently awaiting approval by the U.S. Senate. If the SAFE Banking Act is enacted into law in substantially the form that was approved by the U.S. House of Representatives, banks that have depository insurance under the Federal Deposit Insurance Act or the Federal Credit Union Act would be able to conduct business with legal cannabis businesses, including providing financing to such companies without terminating or limiting their deposit insurance or share insurance. If this were to occur, the Fund could face a significant increase in competition that adversely affects the availability of investment opportunities and the terms upon which investment can be made. In particular, it is expected that banks will have a lower cost of capital than the Fund and it is expected that the yield on loans that the Fund may make will be substantially lower than if the SAFE Banking Act is not enacted.

**U.S. Insolvency Proceedings.** Portfolio companies that operate legal cannabis businesses in U.S. states or political subdivisions thereof are not currently permitted to file for bankruptcy protection in U.S. federal bankruptcy courts. The U.S. Bankruptcy Code provides debtors and creditors with a single set of statutes, rules, procedures and processes for addressing the insolvency of a debtor in the U.S. regardless of which state a debtor is organized or operates. The consistent and uniform nature of the "rule of law" of the U.S. Bankruptcy Code provides creditors with a certain degree of clarity regarding how their debt may be treated in the event that a debtor files for bankruptcy. Legally operated cannabis companies are currently only able address insolvency issues through the insolvency, receivership and conservatorship laws of the states in which they operate and such laws can vary significantly from U.S. state to U.S. state in both their substance and application. This fact creates significant uncertainty for how the Fund's investment in a portfolio company will be treated in the event that one or more of the Fund's portfolio companies becomes subject to an insolvency or liquidation proceeding in the state in which they are organized or operate. In addition, some portfolio companies in which the Fund may invest may operate lawfully in multiple states that could result in concurrent insolvency proceedings in such states. The inability of the Fund's portfolio companies to access the U.S. bankruptcy courts adds expense to the Fund because the Fund will need to research and understand, and be in a position address (whether contractually or otherwise), the insolvency laws in each state in which a portfolio company operates. In addition, if a portfolio company becomes subject to more than one state-level insolvency proceeding, the Fund may incur costs of enforcing its rights and recovering its investment beyond those which the Fund may otherwise occur had the portfolio company been eligible to file in U.S. bankruptcy courts. It is possible



that a portfolio company that has a registered office in Canada and is publicly listed on a Canadian exchange could seek protection to reorganize under the Companies Creditors Arrangement Act in Canada (“CCAA”), as an alternative to seeking relief under the U.S. Bankruptcy Code. Under U.S. bankruptcy law, however, the protections of the U.S. Bankruptcy Code do not apply to the U.S. assets of a foreign debtor unless the foreign insolvency proceeding is formally recognized by a U.S. bankruptcy court under Chapter 15 of the U.S. Bankruptcy Code. While it is doubtful, for public policy reasons, that a U.S. bankruptcy court would recognize a proceeding filed under the CCAA by a cannabis company with primarily U.S. assets, no U.S. bankruptcy court has ruled on this issue as of the date hereof.

**Limited Access to Insurance.** The portfolio companies may face increased costs for insurance that is otherwise readily available to traditional businesses, such as workers compensation, general liability, and directors and officers insurance. There are no guarantees that portfolio companies will be able to find such insurances in the future, or that the cost will be affordable. If a portfolio company is forced to go without such insurances, it may prevent such portfolio company from entering into certain profitable business sectors, may inhibit its growth, and may expose the portfolio company to additional risk and financial liabilities.

**Non-Deductibility of Business Expenses under Internal Revenue Code Section 280E.** Under Section 280E of the Code, normal business expenses incurred in the trafficking of cannabis and its derivatives are not deductible in calculating income tax liability. Therefore, a portfolio company may be precluded from claiming certain deductions otherwise available to non-cannabis businesses. As a result, an otherwise profitable cannabis company may in fact operate at a loss after taking into account its income tax expenses. In addition, a portfolio company may be required to disclose detailed information concerning its business activities as part of an audit by the U.S. Internal Revenue Service (the “Service”) of the portfolio company under this Code section.

**Portfolio Companies May Not Be Able to Protect Their Intellectual Property.** While certain of the Fund’s portfolio companies may be able to register trademarks in certain states and for certain uses with the U.S. Patent and Trademark Office, they currently are unable to obtain federal trademarks for marijuana and marijuana products. In addition, given the status of marijuana under the CSA, the Fund’s portfolio companies may have difficulty obtaining certain patents relating to certain intellectual property. The Fund’s portfolio companies’ current inability to adequately protect their marks and intellectual property at the federal level may have an adverse effect on the Fund and certain of its portfolio companies.

**Product Liability.** As manufacturers and retailers of products designed to be ingested by humans, certain of the Fund’s portfolio companies may face risk of exposure to product liability claims, regulatory action and litigation if any of the products are alleged to have caused significant loss or injury. In addition, the manufacturing and sale of marijuana and marijuana products may involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of marijuana alone or in combination with other medications or substances could occur. Certain of the Fund’s portfolio companies, in their individual roles as a cultivator, manufacturer and/or retailer of marijuana and marijuana products may be subject to various product liability claims, including, among others, that the marijuana product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against any of the Fund’s portfolio companies could result in increased costs, could adversely affect the Fund’s portfolio companies’ reputations with their clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of such portfolio companies and/or the Fund.

There can be no assurances that the Fund's portfolio companies will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability of the Fund's portfolio companies to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could adversely impact the Fund.

**Product Recalls.** Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention of the Fund's portfolio companies. Additionally, a product recall can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses. A product recall may adversely impact the business of the Fund's portfolio companies and their ability to operate profitably, which would adversely impact the Fund.

**Nature of Agricultural Businesses.** Certain portfolio companies may focus their business on the production of cannabis. Investments in agricultural businesses and service companies include risks that investments may not perform in accordance with expectations and drought, weather, political and local regulatory changes, and commodity market prices, margin compression due to oversupply, as well as general investment risks.

**Adverse Weather Conditions.** Adverse weather conditions represent a very significant operating risk affecting the cannabis industry. Adverse weather conditions, such as drought, high winds, excessive rains, or variations in temperature can also result in reduced the amount of cannabis produced and available for sale. A reduction in production and sales because of adverse weather conditions can have a material adverse effect on certain portfolio companies' financial results and financial condition.

#### **Item 9. Disciplinary Information**

There are no legal or disciplinary events that are material to an investor's or prospective investor's evaluation of our advisory business or our management.

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

As noted above, we are affiliated with each General Partner that serves as a general partner to the Funds. The General Partner and the Adviser operate as a single advisory business with common officers and employees.

##### *Other Affiliates*

The Funds and Co-Investment Funds, as well as the portfolio companies held by these vehicles, are expected to retain certain affiliated service providers.

##### FG Agency Lending LLC

The General Partner expects to utilize FG Agency Lending LLC to arrange loans and other investments with borrowers or issuers, provide certain loan, note and asset servicing and settlement activities and related

loan or note administration services in respect of client investments. The arrangements with FG Agency Lending LLC will contain terms at least as favorable to clients as are generally obtainable on an arm's-length basis from unrelated third parties and any arrangements will provide for compensation that is competitive with the compensation paid to third parties for comparable services which could reasonably be made available to clients. The fees paid to FG Agency Lending LLC in respect of services provided to clients and their portfolio investments are not borne by the client but are typically paid by the borrowers pursuant to the terms of the loans or other investments made by clients.

FG Agency Lending LLC will earn Service Fees (See Item 5. above). Service fees paid by a borrower or portfolio company held by clients for services rendered or to be rendered and include, but are not limited to, agency fees, fees for arranging, assignment fees, book running fees, management fees, servicing fees, sub-advisory fees or other fees for services earned by the loan seller or loan originator or by an underwriter, placement agent, lender, arranger, agent or similar person in connection with the issuance or funding of a loan or other investment, including, without limitation FG Agency Lending LLC. Commitment fees, upfront fees, anniversary fees, facility maintenance fees, discounts or any other similar "fees" that provide the borrower the "option" to borrow under a loan where such fees operate for tax purposes like option premium, original issue discount ("OID") or an interest-like return are not treated as Service Fees. For the avoidance of any doubt, fees and expenses paid by the Funds or Co-Investment Funds to any Adviser affiliate providing services to or on behalf of the Funds or Co-Investment Funds or with respect to any investment held by such vehicles, do not constitute Service Fees and are operating expenses of the Fund or Co-Investment Fund. Operating expenses will include any investment and transaction expenses of an Adviser affiliate attributable, as determined by the General Partner, to loans or other assets considered for investment, including, to the extent not paid by the sponsor of a potential borrower and/or from the borrower itself (whether through good faith deposits or otherwise), the costs and expenses of any loans or other assets (or interests therein) purchased by or transferred to the Fund and any broken-deal or failed transaction expenses incurred by an affiliate of the Adviser in respect of contemplated loans or other assets that would have been originated by or invested in by the Funds or Co-Investment Funds, and these expenses generally will not be borne or shared by potential syndicate partners, transferees or offerees including, without limitation, Non-Originating Funds (as defined in the Governing Documents).

#### FG Advisory LLC

The Adviser's Principals have established FG Advisory LLC for the purpose of providing investment advisory and consulting services to third parties (other than the Funds and Co-Investment Funds). Such advisory services include providing support in connection with investments in the cannabis industry through due diligence (including, without limitation, evaluating prospective investments, pre-qualification of transactions (including participating in meeting with target companies), industry networking and market evaluation) with respect to proposed investments and/or transactions.

In addition to the general conflicts that could arise in connection with FG Advisory LLC providing services to other market participants, there are a number of specific conflicts that may arise, including, but not limited to, the following: (a) certain Principals may not dedicate substantially all of their time to the Adviser, the General Partner or the Fund due to their obligations to FG Advisory LLC and the clients of FG Advisory LLC; and (b) FG Advisory LLC may work with (i) competitors to the Fund, the Adviser and the General Partner, (ii) companies that are competitors of the Fund's portfolio companies or (iii) companies in which the Fund is considering an investment.

To the extent that the Fund considers engaging any other service providers that have an affiliation with the Principals due to overlapping control or ownership, the Principals whose affiliation causes such conflict shall abstain from participating in the selection of such service provider. If a situation arises where the Principals determine that the conflicts with respect to a potential engagement of a service provider are too numerous for selected abstention to work, the General Partner may seek the consent of the Advisory Board to retain such affiliated service provider and the advice of counsel to the Fund.

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

##### *Code of Ethics Overview*

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

Our Code of Ethics governs personal trading by our employees, including certain preclearance and reporting requirements. In addition, the Code of Ethics sets forth the manner in which employees may report violations of law or our policies and procedures. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

In addition to the Code of Ethics, we have adopted policies and procedures to provide standards related to the giving or receiving of gifts and entertainment, employee political contributions, outside business activities, and other matters for our business.

##### *Personal Trading Policy*

Employees must obtain pre-clearance from the Chief Compliance Officer prior to engaging in any transactions in (i) private placements or limited offerings and (ii) initial public offerings. Additionally, employees will be required to provide our Chief Compliance Officer with periodic reporting relating to their trading activity and personal accounts. Our policies relating to personal trading will also generally apply to any account where an employee has beneficial ownership over such account. This includes an employee's spouse or minor child, or an immediate family member of an employee living in the same household as such employee.

Employees are prohibited from transacting in any issuers that are listed on the Restricted List maintained by the Chief Compliance Officer.

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

Our employees will make personal investments in the Funds. Investments made by employees are not charged a management fee or carried interest, but employees do pay their pro-rata portion of all expenses allocated to the Fund in which they have invested. Employees investments are otherwise made on the same terms and conditions as other investors in the Funds.

We do not anticipate engaging in principal transactions. However, if circumstances change in the future, we will not engage in any principal transactions unless we have determined that the transaction is in the relevant clients' best interests and have obtained client consent in accordance with our written procedures and applicable law.

**Item 12. Brokerage Practices***Selection of Brokers*

We have an obligation to seek to obtain “best execution” for the Funds with respect to their trading activity. While not defined by statute or regulation, best execution generally means the execution of client trades at the best net price considering all relevant circumstances. We will seek best execution with respect to all types of Fund transactions, taking into account various factors. Such factors include but are not limited to: pricing, expertise and abilities to perform execution services, ability to execute transactions in liquid and illiquid markets at competitive prices without disrupting the market for a particular security, range of services provided and products offered (including, but not limited to, research and brokerage services and corporate access), quality and timeliness of market information provided, ability to maintain confidentiality, creditworthiness and financial responsibility. In selecting brokers to execute transactions (or series of transactions) and determining the reasonableness of the brokers’ compensation, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost.

Our advisory business generally involves privately-negotiated transactions in which best execution obligations do not arise in the same context as transactions in publicly-traded securities. With respect to such private transactions, we believe we fulfill our best execution responsibilities through careful evaluation and negotiation of the terms of each such transaction.

The Funds may invest in public securities from time to time. If we are required to select a broker-dealer for a Fund transaction, we will seek “best execution” and will consider the factors outlined above.

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

*Research and Other Soft Dollar Benefits*

We do not currently have any formal soft dollar arrangements. If we determine to engage in soft dollar transactions in the future, we intend to comply with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended.

*Brokerage for Client Referrals*

To the extent that we trade in securities through brokers, we do not expect that we would direct client brokerage business to brokers that refer prospective investors to us.

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

It is the investment team’s responsibility to understand which investment restrictions apply to which Funds under its management, and to ensure that any transaction for a Fund is consistent with the investment restrictions applicable to that Fund. In addition to ensuring that each investment, including follow-on investments, made for a Fund is consistent with the Fund’s investment restrictions, each

investment team, in conjunction with the Chief Compliance Officer, is responsible for the periodic review of the holdings of the Funds they manage.

### *Reporting*

We will furnish investors in the Funds with periodic written unaudited performance reports as set forth in their Governing Documents. In addition, on an annual basis, we will provide investors with a copy of the relevant Fund's annual audited financial statements and, if applicable, a statement of taxable income (Schedule K-1).

In addition, investors are provided with certain information about us and the Funds in response to questions and requests. This information may not be distributed to other investors or prospective investors. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

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

We do not expect that we will receive any economic benefits from third parties in connection with the provision of investment advice to the Funds.

We do not compensate any third-party marketers for introductions to potential investors or clients.

### **Item 15. Custody**

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

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

We will have discretionary authority to manage securities and other investments on behalf of the Funds. The investors in the Funds generally will not be able to place any limits on our authority beyond the limitations set forth in their respective Governing Documents. Under certain circumstances, we may contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. We would negotiate such arrangements on a case-by-case basis.

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

To the extent that we trade in public securities for client accounts, we generally have voting discretion over such securities. Clients generally are not able to direct their votes in a particular situation. We have adopted proxy voting policies and procedures, which are summarized below.

In the absence of specific voting guidelines from the client or conflicts of interest, we will vote all proxies in the best interests of each client, which may result in different voting results for proxies for the same

issuer. In addition, we may determine to abstain from voting a proxy if we believe that such action is in the best interests of a particular client. We may take into account the following factors, among others, in determining if a specific proposal is in the best interests of a particular client: (a) management of the issuer's views and recommendations on such proposal; (b) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders' concerns (*e.g.*, instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure); and (c) whether we believe that the proposal will fairly compensate management for its and/or the issuer's performance. If we deem that the issue being voted upon is not material for us and our clients, we will not be obligated to vote on such matter.

The Funds will generally invest in private companies which typically do not issue proxies. Under certain limited circumstances, however, we may be required to vote proxies solicited by our Funds' portfolio companies. In these situations, we will vote proxies in the best interest of the Funds, which generally means voting to maximize the value of the portfolio companies for the Funds, including taking into account the considerations outlined above, as applicable.

Upon the request by an investor to the Chief Compliance Officer, we will disclose to such investor how we voted proxies for securities owned by such Fund. We will also provide a copy of our proxy voting policies and procedures to clients upon request.

**Item 18. Financial Information**

We do not collect management fees more than six months in advance. As such, we are not required to include our balance sheet for our most recent fiscal year with this Brochure.

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

We are not a state-registered adviser.