



## **SOUTHERN OAK CAPITAL, LLC**

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### **FORM ADV PART 2A: FIRM BROCHURE**

**March 22, 2023**

**This brochure provides information about the qualifications and business practices of Southern Oak Capital, LLC. If you have any questions about the contents of this brochure, please contact us by phone at (504) 250-9902. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Southern Oak Capital, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Southern Oak Capital, LLC’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

Southern Oak Capital, LLC has the following material changes to report. Material changes relate to Southern Oak Capital, LLC's policies, practices or conflicts of interests.

- Kevin Price is the sole owner of Southern Oak Capital, LLC
- Southern Oak Capital, LLC has updated their primary office address and phone number (Cover page).

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## **Item 4. Advisory Business**

### **A. Firm Description**

Southern Oak Capital, LLC (the “*Firm*”), which has a principal place of business in Birmingham, Alabama, was organized under the laws of the State of Delaware on June 24, 2020. The Firm was previously registered with the Alabama Securities Commission under the Alabama Securities Act, which registration was effective as of April 7, 2021. The Adviser has subsequently registered with the U.S. Securities and Exchange Commission pursuant to the Investment Advisers Act of 1940 and, as a result, with withdraw from registration with the Alabama Securities Commission.

The Firm is owned by Kevin A. Price. Mr. Price serves as Portfolio Manager and Chief Compliance Officer of the Firm.

### **B. Types of Advisory Services**

The Firm was established to provide investment advisory services (i) on discretionary bases, to privately offered investment funds for which the Firm also serves as the general partner (each a “*Fund Client*”); (ii) on discretionary bases, to certain special purpose vehicles or other entities for which the Firm does not also serve as the general partner or manager (each a “*Discretionary Client*”); (iii) on non-discretionary and one-off or limited bases, to certain high net worth individuals and special purpose vehicles or other entities for which the Firm does not also serve as the general partner or manager (each a “*Non-Discretionary Client*” and, collectively with the Fund Clients, Discretionary Clients and other investment advisory clients, the “*clients*”); (IV) The firm offers ongoing wealth management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. The firm creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) Portfolio management services include, but are not limited to, the following: Investment strategy, Personal investment policy, Asset allocation, Asset selection, Risk tolerance, and Regular portfolio monitoring The Firm evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client. The Firm seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of the Firm’s economic, investment or other financial interests. To meet its fiduciary obligations, the Firm attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and, accordingly, the Firm’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is the Firm’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent that might have a limited supply, among its clients on a fair and equitable basis over time; (V) Financial plans and financial planning may include, but are not limited to: investment planning; retirement planning; education planning; and debt/credit planning.

The Firm’s investment advisory services primarily focus on (i) investing across both traditional asset classes (e.g., publicly traded equity, commodities, ETFs, U.S. Treasuries and corporate debt) and alternative asset classes (e.g., private equity funds, hedge funds, private debt, debt traded on primary and secondary markets such as leveraged loans and high yield notes); and (ii) investing in commercial real estate, real estate debt instruments and other real estate-related instruments. The Firm may also, in the future, provide additional types of investment advisory services.

### **C. Availability of Customized Services**

The Firm tailors its advisory services to each client’s needs and investment mandates, which are specified

in the relevant offering materials, investment advisory agreements, organizational agreements and/or other governing documents governing such investment advisory relationship. Each client portfolio (other than for Non-Discretionary Clients) will be designed and monitored to meet the client's particular investment goals, which the Firm determines, in working with the client, to be suitable to such client's circumstances, including risk tolerance, investment duration and allocation parameters. For the avoidance of doubt, if a client has chosen to engage the Firm for non-discretionary services and, absent such Non-Discretionary Client's specific request, the Firm will not implement transactions for such Non-Discretionary Client.

***Fund Clients.*** The offering documents for each Fund Client describe the terms and conditions of the Fund Clients, including fees and risk factors, and should be read carefully prior to investment. The Firm provides discretionary investment advisory services to the Fund Clients via each such Fund Client's limited partnership agreement. Interests in Fund Clients are either appropriately registered or exempt from registration under the U.S. Securities Act of 1933, as amended (the "***Securities Act***"), and applicable state securities laws. No offer to sell interests in a Fund Client is or will be made by the descriptions in this Form ADV Part 2A firm brochure, and investments in Fund Clients are available only to investors that are properly qualified. While the Firm will render investment advice to each Fund Client with that Fund Client's objectives in mind, the Firm is under no obligation – and will not in any case consider – the individual objectives or risk profiles of the investors in a Fund Client.

***Discretionary Clients.*** The discretionary investment advisory agreement for each Discretionary Client describes the terms and conditions of the investment advisory services provided by the Firm to such Discretionary Client. While the Firm will render investment advice to each Discretionary Client with that Discretionary Client's objectives in mind, the Firm is under no obligation – and will not in any case consider – the individual objectives or risk profiles of the members, partners or other equity owners of a Discretionary Client that is a limited liability company, limited partnership or other entity.

***Non-Discretionary Clients.*** The non-discretionary investment advisory agreement for each Non-Discretionary Client describes the terms and conditions of the investment advisory services provided by the Firm to such Non-Discretionary Client. Such investment advisory services pertain to the advisability of investing in certain Fund Clients or Discretionary Clients. Such advice typically includes the terms of such investment, the risks involved and/or the potential returns. While the Firm will render investment advice to each Non-Discretionary Client with that Non-Discretionary Client's objectives in mind, the Firm is under no obligation – and will not in any case consider – the individual objectives or risk profiles of the members, partners or other equity owners of a Non-Discretionary Client that is a limited liability company, limited partnership or other entity.

While much of this Form ADV Part 2A firm brochure applies to all of the Firm's clients, certain information included herein applies to specific clients only. Thus, it is crucial for any client, prospective client, Fund Client investor or prospective Fund Client investor to closely review the applicable investment advisory agreement, offering document, organizational agreement or other governing documents with respect to, among other things, the terms, conditions and risks of investing.

#### **D. Wrap Fee Programs**

The Firm does not participate in wrap fee programs.

#### **E. Assets Under Management**

As of December 2022, the Firm managed approximately \$52,546,593.00, all of which amount was managed on a discretionary basis.

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

### **A. Compensation**

The Firm is compensated for investment advisory services it provides in the form of: (i) with respect to ongoing, regular discretionary account management services, (A) fees based on a percentage of the assets managed by the Firm on behalf of a client (“**Management Fees**”) and (B) under certain limited circumstances (*i.e.*, in connection with clients that are “qualified clients” under SEC Rule 205-3), performance-based compensation (“**Incentive Fees**”); and (ii) with respect to irregular or one-time engagements for non-discretionary services, one-time fees (each an “**Advisory Fee**”). Please note that the Firm will not receive from a single client an Advisory Fee, Management Fee and Incentive Fee.

**Fund Clients.** Compensation to the Firm for services provided to Fund Clients typically takes the form of (i) Management Fees of up to 2.0% of the fair market value of the assets of the Fund Client; and (ii) Incentive Fees of up to 20% of net profits, if any (including realized and unrealized gains and losses) for such relevant period subject to a preferred return of not less than 4% and loss carryforward provision. The Management Fee and Incentive Fee applicable to a particular Fund Client is specified in the investment advisory agreement between the Firm and such Fund Client. The Firm may waive, reduce or otherwise modify the Management Fee and/or Incentive Fee for any investor in a Fund Client, and do so for affiliates and personnel of the Firm. In addition, the Firm will likely occasionally enter into a side letter arrangement with certain investors in a Fund Client in which the Firm may grant such investors with preferential terms.

**Discretionary Clients.** Compensation to the Firm for services provided to Discretionary Clients typically takes the form of Management Fees of up to 2.0% of the fair market value of the assets managed on behalf of the Discretionary Client. In addition, the Firm may also receive Incentive Fees of up to 20% of net profits, if any (including realized and unrealized gains and losses) for such relevant period subject to a preferred return of not less than 4% and loss carryforward provision. The Management Fee and Incentive Fee applicable to a particular Discretionary Client is specified in the investment advisory agreement between the Firm and such Discretionary Client. Members, partners or other equity owners of a Discretionary Client that is a limited liability company, limited partnership or other entity will not be able to negotiate the Management Fee or Incentive Fee paid by the Discretionary Client.

**Non-Discretionary Clients.** Compensation to the Firm for services provided to Non-Discretionary Clients typically takes the form of Advisory Fees of up to \$15,000. Members, partners or other equity owners of a Non-Discretionary Client that is a limited liability company, limited partnership or other entity will not be able to negotiate the Advisory Fee paid by the Non-Discretionary Client.

**Clients that are not “qualified clients” under SEC Rule 205-3 and “qualified investors” under the Order of the Alabama Securities Commission dated December 19, 2012 shall under no circumstances be charged an Incentive Fee, and the Firm may not be compensated by such clients on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of such client.**

It is anticipated that compensation to the Firm for services provided to other clients may take the form of management fees or performance fees, carried interest or other incentive-based compensation related to the performance of such other client accounts. Such compensation may be paid to the Firm or an affiliate of the Firm. In some cases, it is possible that these fees may be negotiated with a client prior to engagement.

### ***Wealth Management Services.***

<b>Total Assets</b>	<b>Annual Fee</b>
\$0 - \$250,000	1.50%
\$250,001 - \$500,000	1.25%
\$500,001 - \$1,000,000	1.15%
\$1,000,001 and up	1.05%

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Lower fees for comparable services may be available from other sources.

The Firm utilizes the average balance in the client's account for the billing period to determine the market value of the assets upon which the advisory fee is based.

Clients may terminate the agreement without penalty, for full refund of the Firm's fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract with thirty days' written notice.

### ***Financial Planning Fees***

#### **Fixed Fees**

The rate for creating client financial plans is between \$15,000. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Southern Oak may waive the financial planning fee at their discretion.

## **B. Payment of Fees**

***Management Fees.*** Management Fees paid by Fund Clients and Discretionary Clients are typically based on the fair market value of the assets managed by the Firm and are paid quarterly in arrears. Unless agreed otherwise with a client, for purposes of determining the fair market value of such assets: (i) assets that are publicly-traded securities will be valued at the last reported sale price on the principal market in which they are traded (*i.e.*, the latest market price), provided actual transaction prices are publicly reported; and (ii) assets that are private securities or other investment instruments will be valued at cost until such time as a realization event occurs or a third-party appraisal is conducted with respect to such securities or instruments.

***Incentive Fees.*** Incentive Fees paid by Fund Clients and Discretionary Clients are typically calculated and deducted from such clients' account annually in arrears. Incentive Fees are based on the client's net profits, if any, including realized and unrealized gains and losses, for such relevant period. Incentive Fees are typically subject to a (i) "loss carryforward" provision whereby prior losses must be recouped by a client's account prior to any further payment of a performance-based fee; and (ii) "hurdle rate" whereby no performance-based compensation is paid with respect to a client's account until such client's threshold internal rate of return is met and, once met, the performance-based compensation is charged only against such excess profits. The loss carryforward balance for a client will typically be the sum of all prior net

losses allocated to such client that have not been subsequently offset by net profits; *provided, however*, that the loss carryforward balance will typically be reduced proportionately to reflect any withdrawals made by such client.

***Advisory Fees.*** Advisory Fees paid by Non-Discretionary Clients are typically paid at the time the investment advisory agreement between the Firm and such Non-Discretionary Client is entered into.

Although the foregoing is a brief summary of the management fee, incentive compensation arrangements and advisory fees applicable to the Firm's clients, please note that this brief summary is not a substitute for the detailed terms provided in the advisory agreement, offering document, organizational agreement or other governing documents of each of the Firm's clients. Clients, prospective clients, Fund Client investors and prospective Fund Client investors should therefore review the applicable advisory agreement, offering document, organizational agreement or other governing documents carefully because such documents, and not the summary in this Form ADV Part 2A firm brochure, describe more specifically the fees such client will pay.

***Wealth Management Fees.*** Wealth management fees are withdrawn directly from the client's accounts with client's written authorization. Fees are paid quarterly in arrears.

***Financial Planning Fees.*** Fixed Financial Planning fees are invoiced and billed directly to the client. Fees are paid in arrears upon completion of the financial plan.

### **C. Additional Expenses**

The expenses paid by the Firm's clients are set forth in detail in the advisory agreement, offering document, organizational agreement or other governing documents of the relevant client. Such expenses may differ among and within clients. Thus, although the following is a summary of expenses the Firm's clients may generally bear, it is not an exhaustive or complete list with respect to all clients. Clients, prospective clients, investors in Fund Clients and prospective investors in Fund Clients should therefore review the applicable advisory agreement, offering document, organizational agreement or other governing documents carefully because such documents, and not the summary in this Form ADV Part 2A firm brochure, describe more specifically the expenses such client will bear.

Generally, it is expected that each of the Firm's clients will bear (in each case as applicable) such client's own expenses and legal fees paid to third party service providers in connection with their investment program. These expenses and fees may include, but not be limited to, (i) legal, compliance, administrator, audit and accounting expenses (including third party accounting services); (ii) investment expenses; (iii) interest on indebtedness; (iv) custodial fees and expenses; (v) bank service fees and expenses; (vi) costs of insurance; and (vii) any other expenses related to the purchase, sale or transmittal of investments.

Expenses to be borne by more than one client will be allocated across the applicable clients in a manner determined by the Firm to be fair and equitable and consistent with its policies and procedures, generally *pro rata* based on the size of the applicable investment, client or account (as applicable).

### **D. Advance Payment of Fees**

Whether a Firm client pays fees in advance is set forth in detail in the advisory agreement, offering document, organizational agreement or other governing documents of the relevant client. As a general matter, the Firm's clients will pay Management Fees and Incentive Fees in arrears. If, however, any compensation paid by a client is payable in advance, then, to the extent the applicable investment advisory agreement is terminated prior to the period covered by such fee(s), the Firm would be entitled to keep only that portion of the fee(s) earned and would reimburse any remaining prepaid amount(s) within thirty days.

of such termination.

Although the foregoing is a brief summary of the timing of fees paid by the Firm's clients, please note that this brief summary is not a substitute for the detailed terms provided in the advisory agreement, offering document, organizational agreement or other governing documents of each of the Firm's clients. Clients, prospective clients, Fund Client investors and prospective Fund Client investors should therefore review the applicable advisory agreement, offering document, organizational agreement or other governing documents carefully because such documents, and not the summary in this Form ADV Part 2A firm brochure, describe more specifically the timing and related factors of the payment of fees by clients.

#### **E. Compensation for Sale of Securities or Other Investment Products**

Neither the Firm nor any of its supervised persons receives any transaction-based compensation for the sale of investment instruments.

A description of the brokerage and other transaction costs that are borne by Firm clients is in Item 12 of this Form ADV Part 2A firm brochure.

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

As described in Item 5 above, the Firm may receive compensation from clients in the form of performance-based compensation. However, such performance-based compensation may not be charged in the same amount or manner for all clients. The variation of performance-based compensation structures among clients may give rise to conflicts of interest. For example, variations create an incentive for the Firm to (i) disproportionately allocate time, services or functions to, (ii) direct the best investment ideas to, or (iii) allocate the sequence of trades in favor of, clients that have a performance-based compensation arrangement more favorable to the Firm. The Firm is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address such conflicts of interest. These policies and procedures are described in more detail in Item 11 of this Form ADV Part 2A firm brochure.

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

As described in Item 4 above, the Firm provides investment advisory services to Fund Clients (*i.e.*, privately offered investment funds for which the Firm also serves as the general partner), Discretionary Clients (*i.e.*, certain special purpose vehicles or other entities for which the Firm does not also serve as the general partner or manager) and Non-Discretionary Clients (*i.e.*, certain high net worth individuals and special purpose vehicles or other entities for which the Firm does not also serve as the general partner or manager). The Firm may also, in the future, provide investment advisory services to additional types of clients, including but not limited to, pension plans, endowments, foundations, corporations and other institutional investors.

The Fund Clients are pooled investment vehicles generally offered to investors that are, in the case of U.S. investors, "accredited investors" as defined in Regulation D under the Securities Act and "qualified purchasers" as defined in the Investment Company Act of 1940, as amended (the "***Investment Company Act***"). Minimum subscription or investment amounts (*e.g.*, \$500,000) applicable to investors in Fund Clients are disclosed in the relevant offering memorandum or other documentation. While the Firm will render investment advice to each Fund Client with that Fund Client's objectives in mind, the Firm is under no obligation – and will not in any case consider – the individual objectives or risk profiles of the investors in a Fund Client.

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

The descriptions set forth in this Form ADV Part 2A firm brochure of specific advisory services that the Firm offers to its clients, and investment strategies pursued and investments made on behalf of its clients, should not be understood to limit in any way the Firm's investment activities. The Firm may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Form ADV Part 2A firm brochure, that it considers appropriate, subject in each case to the relevant client's investment objectives and guidelines.

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

The Firm advises clients regarding the material terms, suitability, risks and potential benefits of investing in one or more investments. This advisory role involves evaluating potential investments, the permissibility of such investments in light of a client's particular investment goals and restrictions, and the risks and total returns of such investments. In some cases, the Firm may rely on third-party due diligence providers in assessing the risks and anticipated returns of one or more investments.

All investments involve risk, including the risk of potential loss of a client's entire investment. The assets for which the Firm may recommend investment may be highly illiquid (*i.e.*, investments of long duration) and vulnerable to changes in a local, regional or national economy – especially with respect to real estate – as well as ongoing changes in applicable laws and regulations. The Firm's methodologies are formulated upon a review and assessment of a client's (i) expectations; (ii) investment time horizon; (iii) risk tolerance level; (iv) present investment allocation; and (v) current and projected financial requirements.

While investment returns can never be guaranteed, the Firm strives to maximize the return of each client relative to what the Firm believes to be commensurately reasonable and prudent levels of risk. The Firm's approach with respect to investments provides clients with exposure to a wide range of investment opportunities in various markets. The Firm will also seek to ascertain the expected costs of administering and managing client assets for which it provides investment advisory services in order to keep such costs competitive and reasonably certain.

Prospective investors in Fund Clients should carefully read and consider the section entitled "*Risk Factors*" or similar disclosures set forth in the applicable private placement memorandum or other governing documents of such Fund Client prior to deciding to invest in such Fund Client.

Despite the Firm's methods, clients and investors in Fund Clients should be aware that investing in securities and other investment instruments involves risk of loss that clients and such investors should be prepared to bear.

The Firm's methods of analysis for its wealth management clients include charting analysis, fundamental analysis, technical analysis, cyclical analysis, quantitative analysis modern portfolio theory and macro market fundamental analysis.

**Charting analysis** involves the use of patterns in performance charts. THE FIRM uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

**Cyclical analysis** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Modern portfolio theory** is an investment approach that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets.

**Macro Market Fundamental Analysis** involves analyzing the outlook of key government policy variables, namely, foreign exchange and core interest rate, based on economic development, global events, policy makers' priorities and prerogatives. As such, macro market fundamental analysis forms an integral component, key to foreign exchange market analysis.

The firm generally uses long term trading however, the macroeconomic environment could cause the firm to reposition as they see fit given the state of the economy.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks of Investment Strategies**

The investment strategies the Firm uses entail substantial risks, including, but not limited to, those identified below. Further details regarding these risks and other applicable risk factors are included in the offering and/or other documents of the Fund Clients or in the advisory agreement or other documentation furnished to other clients. Clients, prospective clients, Fund Client investors and prospective Fund Client investors are advised to carefully review all risk factors described in such documents. The following is not intended to supersede the material contained in such documents.

***Dependence on Key Individual and Other Personnel.*** The success of the Firm's clients will depend upon the ability of the Firm, particularly those of Mr. Price, to develop and implement investment strategies that achieve the Firm's clients' investment objectives. If the Firm was to lose the services of Mr. Price, the consequences to its clients could be material and adverse. Furthermore, there can be no assurances that other Firm personnel will continue to provide services to the Firm and or otherwise continue to be able to carry on their current duties to the Firm. The loss of the services of one or more of these professionals could have an adverse impact on the ability of the Firm to perform its duties.

***Reliance Upon Relationships with Third Parties.*** The Firm depends on its relationships with various third parties, including but not limited to, investment banks, and clients will rely to a significant extent upon these relationships to provide them with potential investment opportunities. If the Firm fails to maintain its existing relationships or develop new relationships with other sources of investment opportunities, the Firm may not be able to grow its clients' investment portfolios. In addition, individuals with whom the Firm has relationships are not obligated to provide the Firm's clients with investment opportunities and, therefore, there is no assurance that such relationships will generate investment opportunities for clients.

***Business and Regulatory Risks.*** Legal, tax and regulatory changes could adversely affect the Firm's clients and/or Fund Client investors. The regulatory environment for private funds and similarly situated investment vehicles and accounts is evolving, and changes in such regulation may adversely affect the value of investments held by the Firm's clients. In addition, securities markets are subject to comprehensive statutes and regulations. The U.S. Securities and Exchange Commission (the "**SEC**"), other regulators, and

self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of any future regulatory change on the Firm's clients could be substantial and adverse.

***Conflicts of Interest.*** Various potential and actual conflicts of interest may arise between and among the Firm, its clients and each of their affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

#### Investments in Affiliated Investment Vehicles and Entities

The Firm and its or its affiliates' managers, members and officers operate other investment vehicles and entities, including but not limited to certain Discretionary Clients, and from time to time the Firm causes Fund Clients and Discretionary Clients to invest in such investment vehicles or entities. For example, the Firm may cause (i) a Fund Client to invest in another Fund Client or (ii) a Discretionary Client to invest in a Fund Client. In addition, the Firm provides recommendations to Non-Discretionary Clients to invest in such investment vehicles and entities. For example, the Firm may advise a Non-Discretionary Clients to invest in a Fund Client or a Discretionary Client. However, in no event will a single client pay two layers of Management Fees and/or Incentive Fees. For example, when the Firm causes a Fund Client to invest in another Fund Client, the Firm only earns one Management Fee and one Incentive Fee. However, when the Firm advises a Non-Discretionary Client to invest in a Fund Client or Discretionary Client, the Firm receives higher compensation. For example, the Firm earns an Advisory Fee in relation to making a recommendation for a Non-Discretionary Client to invest in a Fund Client plus a Management Fee and Incentive Fee from the Fund Client. This increased amount of fees creates a conflict of interest as compared to if the Firm did not recommend such investments.

#### Receipt and Permissible Use of Certain Market Information

The Firm and/or its affiliates have, and likely will again, from time to time, cause certain of their respective clients to invest in securities or other investment instruments that would be appropriate as investments to be acquired by one or more of the Firm's clients. The Firm and/or its affiliates will also have ongoing relationships with, render services to or engage in transactions, either directly and/or through one or more clients, that invest: (i) in assets of a similar nature to those of one or more of the Firm's clients; and (ii) with companies whose securities are acquired by one or more of the Firm's clients and may own equity or debt securities of such companies. As a result, certain principals, members, directors, officers, employees or affiliates of the Firm and its affiliates may possess information relating to issuers of investment instruments held in certain client accounts that is not known to the individuals at the Firm responsible for monitoring investments held in such accounts. Accordingly, there may be circumstances in which the Firm will be restricted from effecting purchases and/or sales of assets on behalf of one or more of its clients. At times, the Firm, in an effort to avoid such restrictions, may elect not to receive certain information that other market participants are eligible to receive or have received.

#### Differing Valuation Methodologies

Various of the Firm's clients may require the Firm to apply different valuation methodologies in valuing specific assets. As a result of such different methodologies, the assigned values of certain assets held in certain client accounts may differ from the value assigned to the same assets held by certain other client accounts which, in turn, could result in different calculations of compensation to the Firm from different clients holding the same assets.

#### Conflicting Investments or Roles Among Clients

The Firm, its affiliates, clients and personnel may invest, or have already invested, in securities or other financial instruments that are senior or junior to securities or financial instruments of the same issuer that

are held or may be acquired by one or more Firm clients. In addition, the Firm and/or its affiliates and their respective personnel may serve as a general partner, adviser, officer, director, sponsor or manager of funds and/or entities organized to pursue strategies similar to those of the Firm's clients or those pursued on behalf of other clients. In addition, certain of the Firm's affiliates' clients may, but are not required to, invest in investment vehicles managed by one or more of the Firm or its affiliates. The Firm recognizes that conflicts may arise under such circumstances and will endeavor to treat each of the Firm's clients fairly and equitably.

#### Conflicts Regarding Investment Allocations

It is the policy of the Firm to allocate investment opportunities among the Firm's clients so as to not unfairly favor one client account over another. However, the Firm may be unaware of, and will not generally take into account, investments made by or opportunities presented to other affiliates of the Firm. The Firm will have no obligation to purchase, sell or exchange any security or financial instrument for one Firm client that the Firm may purchase, sell or exchange for another client if the Firm believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for such other client. There is no assurance that the Firm's clients with strategies or investment objectives that are similar will hold the same assets or perform in a similar manner.

The Firm has adopted or will adopt policies and procedures relating to the acquisition, sale and allocation of investment opportunities among multiple clients. Generally, investments acquired for clients will be allocated among participating clients *pro rata* based on available cash (taking into account unfunded commitments), unless the investment involves an indivisible interest in which case allocations will be done on a rotating basis as fairly, reasonably and equitably as possible, determined in accordance with the Firm's policies and procedures. The allocation of investments and disposition opportunities among multiple clients generally will take into account, among other things: (i) variations in investment objectives; (ii) variations in investment parameters and/or restrictions; (iii) other investment opportunities that may be available to one client but not the others; (iv) portfolio limitations due to margin or credit facility requirements; (v) legal, regulatory or contractual limitations or requirements; (vi) tax considerations; (vii) liquidity needs; (viii) necessity of rebalancing investments; (ix) leverage constraints; (x) concentration limitations relative to a particular issuer, security, industry, sector or geographic region; (xi) timing considerations; (xii) *de minimis* order fill; (xiii) odd lots or excessive transactions costs relative to the size of a client's potential participation in an investment; (xiv) purchase or sale of an "information piece;" and/or (xv) any reason specifically pre-approved by the Firm in accordance with its policies and procedures. Any or all of the foregoing may result in a deviation from the Firm's general approach to allocation decisions.

In certain circumstances, the Firm may give special consideration to certain of its clients, such as new clients (including those in which the Firm and/or its affiliates or their personnel may have an interest) with a substantial amount of available cash. The investment decisions of the Firm and its affiliates may result in different investment decisions and allocations even with respect to the Firm's clients with similar investment objectives.

#### Conflicts Regarding Trade Execution

The Firm seeks to obtain the best execution for all orders placed with respect to any trade in a manner it believes to be in the best interests of the participating clients. In allocating brokerage business and placing orders purchase or sell securities for clients, the Firm may take into account a number of considerations, including but not limited to, (i) quality of execution; (ii) reputation, financial strength and stability; (iii) willingness to execute difficult transactions; (iv) willingness and ability to commit capital; (v) access to underwritten offerings and secondary markets; (vi) ongoing reliability; (vii) overall costs of a trade; (viii) nature of the security and the available market makers; (ix) desired timing of the transaction and size of trade; (x) confidentiality of trading activity; and (xi) market intelligence regarding trading activity. Although the Firm seeks competitive prices, it may not necessarily obtain the lowest price for a particular

transaction. Although the Firm will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The commission and/or transaction fees charged by a broker-dealer or intermediary maybe higher or lower than those charged by other broker-dealers or intermediaries.

Section 28(e) of the U.S. Securities Exchange Act of 1934 (as amended, the “**Exchange Act**”) provides investment advisers such as the Firm with a “safe harbor” that allows advisers to pay more than the lowest possible commission rates in return for the receipt of “brokerage and research services,” subject to certain conditions (the “**Safe Harbor**”). As a general matter, the Firm does not intend to enter into formal soft dollar arrangements in connection with client portfolio transactions. However, it is the Firm’s policy that, should it determine to do so, it will only enter into soft dollar arrangements with broker-dealers or intermediaries that are consistent with the Safe Harbor.

#### Conflicts Regarding Aggregate Investment Transactions

Orders for investments placed at the same time for two or more of the Firm’s clients may, but are not required to, be “batched” or placed as an aggregated order for execution. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will generally receive the average price with transaction costs allocated *pro rata* based on the size of each client’s participation in the order (or allocation in the event of a partial fill) as determined by the Firm. In the event of a partial fill, allocations may be modified on a basis that the Firm deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. The Firm may elect not to aggregate trades. In such cases where no orders are aggregated, trades are processed in the order they are placed with the broker or counterparty selected by the Firm. As a result, certain trades in the same security or investment instrument for one client (including a client in which an affiliate of the Firm or its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved. The Firm generally will not aggregate orders with, or otherwise coordinate the purchase or sale of, investments with affiliates of the Firm.

#### Conflicts Regarding Investment Decisions Among the Firm and its Affiliates

The Firm and its affiliates may have or establish relationships with companies, including acting as sponsor, equity investor, adviser, lender or agent bank, whose equity securities or debt obligations are assets held in one or more of the Firm’s client accounts, or may be considered for purchase by one or more of the Firm’s clients, and may now or in the future own or seek to acquire equity securities or debt obligations issued by issuers of assets held in one or more of the Firm’s client accounts, and such securities or obligations may have characteristics or interests different from or adverse to assets held in such client accounts. The Firm and its affiliates may buy, sell or hold securities or other instruments for themselves and/or on behalf of one or more clients (including a client in which an affiliate of the Firm or its personnel may have a direct or indirect interest) while the Firm is making different investment decisions with respect to one or more other clients and *vice versa*.

In addition, the Firm and its affiliates may engage in any other business and furnish investment management and advisory services to certain of the Firm’s clients, including persons that may have investment policies similar to those followed by the Firm with respect to other clients and which may own securities of the same class, or of the same type, as those owned by other clients. The Firm and its affiliates may buy, sell or hold securities or other instruments for themselves and/or on behalf of one or more accounts (including a client in which an affiliate of the Firm or its personnel may have a direct or indirect interest) while the Firm is making different investment decisions with respect to another client’s portfolio and *vice versa*. In addition, proprietary accounts of the Firm or its affiliates may buy, sell or hold securities or other

instruments that are of the same class, or of the same type, as those bought, sold or held by a client. The Firm will be free, in its sole discretion, to make recommendations to clients, or effect transactions on behalf of itself or for others, which may be the same as or different from those it effects or directs others to effect for other clients. Neither the Firm nor any of its affiliates will be under any obligation to offer investment opportunities of which it or they become aware to any Firm client or to account to any client or Fund Client investor (or share with any client or Fund Client investor, or inform any of them of) any such transaction or any benefit received by them from any such transaction or to inform any Firm client or Fund Client investor of any investments before offering such investments to any other Firm client(s). The Firm and its affiliates may make an investment on behalf of any client that they manage or advise without offering the investment opportunity to, or making any investment on behalf of, any other Firm client. Furthermore, the Firm and its affiliates may make an investment on their own behalf without offering the investment opportunity to any Firm client or the Firm on behalf of any Firm client. Affirmative obligations may exist or may arise in the future whereby the Firm and/or its affiliates are obligated to offer certain investments to certain Firm clients and/or Fund Client investors before or without the Firm offering those investments to other clients or Fund Client investors. The Firm may make investments on behalf of certain of its clients in securities or other assets that it has declined to invest in for its own account, the account of any Firm affiliates or the account of any other Firm client. The Firm will endeavor to resolve conflicts arising therefrom in a manner that it deems equitable to the extent possible under the prevailing facts and circumstances and applicable law.

#### Conflicts Regarding Time Commitments

Although the Firm and the personnel available to it will devote as much time to each of the Firm's clients as the Firm deems appropriate to perform its duties in accordance with the applicable investment management agreement and in accordance with reasonable commercial standards, such personnel may have conflicts in allocating time and services among the Firm's clients.

#### Conflicts Regarding Other Activities of the Firm and its Affiliates

There will be no limitation or restriction on the Firm or its affiliates with regard to acting as investment manager to multiple client accounts. This and other future activities of the Firm and its affiliates may give rise to additional conflicts of interest and/or intensify the conflicts of interest already described in this Form ADV Part 2A firm brochure.

#### Limited Ethical Screens or Information Barriers

The Firm and certain of its affiliates share a principal place of business and certain of the same principals. The Firm and such affiliates have endeavored to put into place ethical and information barriers among the Firm and such affiliates of the type that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. Nevertheless, if the Firm, its affiliates or any of their personnel were to receive material non-public information about an issuer of a security, the Firm might be prevented from causing the purchase or sale of such security or another investment instrument due to internal restrictions imposed on the Firm. Notwithstanding the maintenance of certain internal controls relating to the management of material non-public information, it is possible that such controls could fail and result in the Firm, or one of its investment professionals, buying or selling a security or other investment instrument while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on the Firm's reputation and/or result in the imposition of regulatory or financial sanctions on the Firm, its affiliates, its personnel and/or one or more of the Firm's clients and, as a consequence, negatively impact the Firm's ability to perform its investment management services for the Firm's clients.

### Other Potential Conflicts of Interest

Affiliates of the Firm may, in the future, provide other services to the Firm's clients and/or may receive fees from them in other capacities. Other present and future activities of the Firm and its affiliates may give rise to additional conflicts of interest.

***Lack of Diversification.*** The Firm's client accounts are limited in the types of investments the Firm acquires on their behalf. Such lack of diversification could increase volatility.

***Concentrated Portfolio.*** The Firm will only make a limited number of investments on behalf of its clients, and because certain investment strategies expected to be pursued by the Firm on behalf of its clients may involve a high degree of risk, poor performance by a few of the investments in a client account could severely affect the total returns to such clients or to Fund Client investors.

***Long Term Commitment.*** Capital and profits, if any, from a client's investment may not be realized until the redemption, repayment or other disposition of such investment. The Firm's clients and the Fund Client investors should generally expect to hold or remain committed with respect to investments for a number of years.

***Execution Risks and Investment Manager Error.*** The execution of the investment strategies employed by the Firm will often require the use of negotiated terms with counterparties. In each case, the Firm will seek to negotiate and execute such investments without miscommunication or other error. However, in light of the complexity involved, some miscommunications and other errors are likely and could result in losses to the Firm's clients.

***No Assurance of Investment Return.*** There is no assurance that the Firm will be able to generate returns for its clients or the Fund Client's investors or that the returns will be commensurate with the risks of investing in the type of assets expected to be pursued by the Firm's clients. An investment in a Fund Client should only be considered by persons who can afford a loss of their entire investment.

***Cybersecurity.*** The Firm, as well as service providers to the Firm and/or its clients, store and transmit large amounts of electronic information, including information relating to the Firm's clients' transactions and Fund Client investors. The computer systems, networks and devices used by the Firm and service providers to the Firm and/or its clients to carry out routine business operations employ a variety of protections that the Firm believes are reasonably designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices potentially can be breached. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. The Firm's clients and/or investors in the Fund Clients could be negatively impacted as a result of a cybersecurity breach, including but not limited to, (i) disruptions to business operations; (ii) interference with the ability to calculate the value of assets in client portfolios; (iii) impediments to trading; and (iv) the inability to transact business. Similarly, adverse consequences could result from cybersecurity breaches affecting (w) issuers of securities or other investment instruments in which the Firm's clients invest; (x) counterparties with which clients engage in transactions; (y) governmental and other regulatory authorities; and (z) exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions.

***Clients May be Subject to Third Party Litigation; the Fund Clients Have Limited Funds Available to Pay Expenses.*** The investment activities by the Firm on behalf of its clients may subject such clients to the risks of becoming involved in litigation by third parties. This risk may be greater where the Firm, on behalf of

one or more clients, exercises control or significant influence over a company's direction. The expense of defending claims against a client by third parties, including involuntary bankruptcy petitions, and paying any amounts pursuant to settlements or judgments would, except in the unlikely event that a client is indemnified for such amounts, be borne by such client and, in the case of a Fund Client, would reduce the funds available for distribution to a Fund Client's investors.

The funds available to the Fund Clients to pay certain fees and expenses will be limited. In the event that such funds are not sufficient to pay the expenses incurred by a Fund Client, the ability of such Fund Client to operate effectively may be impaired, and such Fund Client may not be able to defend or prosecute legal proceedings that may be brought against it or that they might otherwise bring to protect the interests of the Fund Client.

***Financial Markets and Regulatory Change.*** The laws and regulations affecting businesses in general continue to evolve in an unpredictable manner. Laws and regulations, particularly those involving taxation, investment and trade, applicable to the Firm's clients' activities can change quickly and unpredictably, and may at any time be amended, modified, repealed, or replaced in a manner adverse to the interests of the Firm's clients. The Firm, its affiliates and/or the Firm's clients may be, or may become, subject to unduly burdensome and restrictive regulation. In particular, in response to significant events in international financial markets, governmental intervention and certain regulatory measures have been or may be adopted in certain jurisdictions. The extent to which the underlying causes of these events are pervasive throughout global financial markets and have the potential to cause further instability is not yet clear. These events, and their underlying causes, are likely to continue to be the catalyst for changes in global financial regulation for some time, and may result in major and unavoidable losses to the Firm's clients.

***Political, Economic and Other Conditions.*** The Firm's clients' assets may be adversely affected by changes in economic conditions or political events, natural disasters (including epidemics and pandemics) and legislative developments that are beyond the Firm's control. The following briefly summarizes some of these conditions, but is not intended to be an exhaustive list.

#### Changes in Economic Conditions and Political Events

A stock market break, continued threats of terrorism, the outbreak of hostilities involving the United States or any other jurisdiction in which the Firm's clients invest, the death of a major political figure, or the overthrow or replacement of a current ruling body may have significant adverse effects on the Firm's clients' investment results.

#### Natural Disasters; Epidemics and Pandemics

A natural disaster, such as an earthquake, a hurricane, a tsunami or widespread fires, or an outbreak of epidemic, pandemic, or contagious diseases, such as the novel coronavirus (SARS-CoV 2) and related respiratory disease ("**COVID-19**") pandemic which, as of the date of this Form ADV Part 2A firm brochure, is continuing to develop and evolve, and past outbreaks such as the Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, or the H1N1 virus, could severely disrupt the global, national and/or regional economies and/or markets.

In particular, in late 2019 and continuing through the date of this Form ADV Part 2A firm brochure, COVID-19 has spread rapidly across the world, including to the United States. This outbreak has led, and for an unknown period of time will likely continue to lead, to disruptions in local, regional, national and global markets and economies affected thereby. With respect to the U.S. financial markets, this outbreak has resulted in, and until fully resolved is likely to continue to result in, the following, among other things: (i) government imposition of various forms of "stay at home" orders and the closing of "non-essential"

businesses, resulting in significant disruption to the businesses of many borrowers, including supply chains, demand and practical aspects of their operations, as well as in lay-offs of employees, and, while these effects are hoped to be temporary, some effects could be persistent or even permanent; (ii) increased draws by borrowers on revolving lines of credit; (iii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iv) downgrades in the credit rating of borrowers; (v) volatility and disruption of various financial markets including greater volatility in pricing and spreads and difficulty in valuing assets during periods of increased volatility, and liquidity issues; and (vi) rapidly evolving proposals and/or actions by local, state and federal governments to address problems being experienced by the markets and by businesses and the economy in general, which will not necessarily adequately address the problems facing businesses or the economy broadly. This outbreak is having, and any future outbreaks could have, an adverse impact on the markets and the economy in general. Additionally, variations of the SARS-CoV 2 virus could increase, as certain variations have increased, the rate at which the virus spreads and hamper vaccination efforts, leading to increased economic disruption. As of the date of this Form ADV Part 2A firm brochure, it is impossible to determine the scope of this outbreak, or any future outbreaks, how long any such outbreak, market disruption or uncertainties will last, the effect any governmental actions will have or the full potential impact on the Firm or its investment strategies, including the Firm's ability to make investments similar to those it has made in the past.

A "second wave" of COVID-19 began in the United States in the fourth quarter of 2020 and has continued into 2021, with new strains of the virus now being identified. It is unclear whether the mitigation or containment measures taken by various governments (including at the federal, state and local level) or private enterprises will be continued or re-implemented, or if different measures will be implemented, and what impact such measures will have on the national or global economy.

### Climate Change

A Firm client may invest in portfolio investments located in communities where its businesses, and the activities of its clients and customers, could be disrupted by climate change. Potential physical risks from climate change may include (among other things) altered distribution and intensity of rainfall, prolonged droughts or flooding, increased frequency of wildfires, extreme weather changes, rising sea levels and a rising heat index. In addition, these physical changes may prompt changes in regulations or consumer preferences which in turn could have negative consequences for the business models of client portfolio investments. These climate driven changes could have a negative impact on the economy, and business activity in any of the locations in which a client may invest and thereby adversely affect the performance of a client's portfolio investments.

### Environmental Liabilities

Certain investments are subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of the environment. The particular environmental laws which apply to any given community vary greatly according to the community site, the site's environmental conditions, and the present and former use of the site. Environmental laws may result in delays, may cause a client to incur substantial compliance expenses and other costs, and may prohibit or severely restrict development in certain environmentally sensitive regions or areas. Furthermore, under various federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose liability without regard to whether such owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and such owner's liability therefor as to any property are generally not limited under such laws and could exceed the value of such property and/or the aggregate assets of such owner. The presence of such substances, or the failure to properly remediate contamination

from such substances, may adversely affect an owner's ability to sell such real estate or to borrow using such property as collateral.

#### Legislative Developments

Legislative acts, rulemaking, adjudicatory or other activities of the United States Congress, the SEC, the Federal Reserve Board, the New York Stock Exchange, the Financial Industry Regulatory Authority or other U.S. or non-U.S. governmental or quasi-governmental bodies, agencies and regulatory organizations may make the Firm's investment strategy less attractive. A negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, and cause credit spreads to widen, each of which could have an adverse effect on a client's investment performance.

#### Credit Ratings; Credit Quality

Although some investments held by clients may have credit ratings assigned to them, credit ratings of debt obligations merely represent the applicable rating agency's opinions regarding their credit quality and are not a guarantee of quality. There is no assurance that a rating accorded to such investments will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant (which may include reasons unrelated to performance, such as a change in such rating agency's rating methodology or criteria, changes in economic conditions, changes in the loan markets, changes in the creditworthiness of the underlying borrower and a variety of other factors).

In addition, a rating agency may fail to make timely changes in credit ratings in response to subsequent events, so that the relevant issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings are only a preliminary indicator of investment quality. Investments in non-investment grade and comparable unrated obligations will be more dependent on the Firm's credit analysis than would be the case with investments in investment-grade debt obligations.

#### Lender Liability and Equitable Subordination

A number of judicial decisions have upheld judgments of borrowers against lending institutions on the basis of various legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the borrower or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders.

Loans to companies operating in workout modes or under Chapter 11 of the Bankruptcy Code are, in certain circumstances, subject to certain potential liabilities which may exceed the amount of such loan purchased by the Firm on behalf of a client. Under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of the loans, the loans may be subject to claims of subordination.

### Interest Rate Fluctuations

The prices of certain investments that may be held by a client can be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs of borrowed securities and leveraged investments. Further, a client may invest in both floating and fixed rate securities and interest rate movements will affect those respective securities differently. In particular, when interest rates rise significantly, the value of fixed interest rate securities often fall.

***Competition; Availability of Investments.*** The Firm may be unable to find a sufficient number of attractive opportunities to meet the Firm's clients' investment objectives or fully invest their assets and/or committed capital. Among other factors, competition for suitable investments from investment funds and other investors may reduce the availability of investment opportunities. There has been growth in the number of private funds and managed accounts organized to make investments similar or identical to the Firm's clients' investments, which may result in increased competition to the Firm's clients in obtaining suitable investments. There can be no assurance that the Firm will be able to identify or successfully pursue attractive investment opportunities in such an environment.

### ***Risk Relating to an Investment in a Fund Client.***

#### Absence of Regulatory Oversight

While the Fund Clients may be considered similar to investment companies, no Fund Client will be required to, nor will it, register as an investment company under the Investment Company Act or the laws of any jurisdiction and, accordingly, the provisions of such statutes (which may provide certain regulatory safeguards to Fund Client investors) will not be applicable.

#### "Master-Feeder" Structure

If a Fund Client invests through a "master-feeder" structure, certain unique risks to investors in such Fund Clients could arise. For example, a smaller feeder fund investing in the master fund may be materially affected by the actions of a larger feeder fund investing in the master fund.

#### Liquidity and Restrictions on Transfers

The interests in the Fund Clients will be illiquid and have significant limitations on transferability.

#### No Ability to Make Decisions

Investors in Fund Clients will have no authority to make investment decisions on behalf of the Fund Client.

#### Lack of Transparency

To protect the confidentiality of its positions, a Fund Client generally will not disclose its positions to Fund Client investors on an ongoing basis, although the Firm, in its sole discretion, may permit such disclosure on a select basis to certain Fund Client investors if it determines that there are sufficient confidentiality agreements and procedures in place.

#### Lack of Operating History

Each Fund Client will be a newly formed entity that does not have any prior operating history of its own

for prospective investors to evaluate prior to making an investment in the Fund Client. Although the principals of the Firm have prior investment management experience, the Firm is a newly formed enterprise without a prior history in managing or administering private investment funds. The Fund Clients' investment programs should be evaluated on the basis that there can be no assurance that the Firm's assessment of the short-term or long-term prospects of investments will prove accurate or that such Fund Client will achieve its investment objective.

#### Risk of Borrowing and Use of Subscription Line Facilities by a Fund Client

Certain Fund Clients may fund the making of investments and other capital needs with the proceeds from one or more subscription facilities and may incur further borrowings in accordance with the leverage restrictions applicable to such Fund Client. While the Firm will seek to incur and manage any such facilities and borrowings prudently, such debt would expose the Fund Client to refinancing, recourse and other risks. The security for a subscription facility is expected to be comprised of a security interest in the applicable Fund Client's rights and remedies to unfunded capital commitments including in relation to rights relating to defaulting limited partners and a charge over such Fund Client's bank accounts; such rights may differ for other borrowings and could be, for example, one or more assets of the Fund Client (*i.e.*, an asset-backed facility). There is likely to be no limitation on the amount of time any such borrowing may remain outstanding and the interest expense and other costs of any such borrowings would be operating expenses and, accordingly, may decrease net returns of the Fund Client. Certain Fund Clients may give certain covenants, representations, guarantees, provide preferential security interests in such Fund Clients' assets (including as set out above the Fund Clients' rights in relation to the capital commitments) to lenders, as well as indemnification agreements in connection with entering into such credit facilities, asset-backed facilities or other borrowing arrangements and the related agreements will include various events of default and mandatory prepayment events. Any breach or trigger of any such provisions or security arrangements or other agreements could cause adverse consequences to a Fund Client if it is unable to cure or otherwise mitigate such breach or trigger.

#### Resignation or Removal of the Firm; Successor General Partner

The Firm, in its capacity as the general partner of a Fund Client, may resign or be removed in certain circumstances. There can be no assurance that any successor to the Firm upon the resignation or removal of the Firm will have the same level of skill in performing the obligations of the Firm, which could have a material adverse effect on such Fund Client and its investors.

#### Restrictions on Transfers and Withdrawals

Interests in Fund Clients have not been and will not be registered under the Securities Act or applicable state securities laws and may not be resold unless an exemption from such registration is available. The Firm will be under no obligation to cause such an exemption (whether pursuant to Rule 144 under the Securities Act or otherwise) to be available. Accordingly, there will be no secondary market for interests in Fund Clients and such market is not expected to develop. Transfers of interests in Fund Clients will also be subject to numerous restrictions set forth in each Fund Client's organizational documents and subscription documents. Investors will not have any right to transfer their interests without consent except as set forth in a Fund Client's organizational documents and will not be permitted to withdraw from the Fund Client or require the Fund Client to redeem or repurchase their interests.

#### Illiquidity of Interests

No market exists for interests in the Fund Clients and none is expected to develop. Investment in a Fund Client requires a long-term commitment, with no certainty of return. Investors may not be able to liquidate their investments in a Fund Client. An investment in a Fund Client is suitable only for certain sophisticated

investors who have no need for liquidity in their investment in the Fund Client.

#### Carried Interest

The existence of a carried interest creates an incentive for the Firm to make riskier or more speculative investments on behalf of a client than would be the case in the absence of this arrangement. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property as determined by the Firm. An independent appraisal generally will not be required and is not expected to be obtained.

#### Diverse Investor Group

Investors in a Fund Client may have conflicting investment, tax and other interests with respect to their investments in such Fund Client. As a consequence, conflicts of interest may arise in connection with decisions made by the Firm, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund Client, the Firm will consider the investment and tax objectives of the Fund Client and its investors as a whole, not the investment, tax or other objectives of any investor individually.

#### Co-Investment Opportunities to Certain Clients and/or Fund Client Investors; Co-Investment Risks

The Firm may make available to certain of its clients and/or investors in Fund Clients, including affiliates of the Firm, in each case whom the Firm may select in its sole and absolute discretion, the opportunity to co-invest in certain investments. Such co-investments may be made under such circumstances and in such amounts as the Firm in its sole and absolute discretion determines. The terms of such co-investments may be different from the terms of the investment by a client. Fund Client investors will not have any right to determine or influence the terms of any co-investments. Depending on the structure of these co-investments, a client may share major decision-making responsibility with its co-investment partners and therefore may not have the ultimate control over material decisions with respect to these investments. As a result of this lack of ultimate control, co-investments may have a negative impact on a client's performance. A client may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-investor may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the client, or may be in a position to take (or block) action in a manner contrary to the client's investment objectives. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

#### Fewer than All Interests Offered May be Sold

If fewer than all interests offered are sold, a Fund Client's investments may be less diversified and the types of investments available to the Fund Client may be more limited than if a larger portion of the maximum offering proceeds (if any is established) is obtained. This may have an adverse impact on the ability of the Fund Client to achieve its investment objectives.

#### Contingent Liabilities Upon Disposition of Investments

In connection with the disposition of a portfolio investment, a client may be required to make representations about such investment. The client also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the Firm may establish reserves or escrow accounts. In that

regard, clients and Fund Client investors may be required to return amounts distributed to them to fund obligations of the client or Fund Client, respectively, including indemnity obligations.

#### Investors May be Required to Return Distributions

The Firm may require a Fund Client investor, including a former investor, to return any or all of the distributions made to such investor, subject to certain limitations, if the assets of a Fund Client are insufficient to satisfy its liabilities, including indemnification obligations.

#### Reserves

The Firm may cause a Fund Client to establish reserves for operating expenses (including fees payable to the Firm), fund liabilities and other matters. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which are directly tied to the success and capital needs of portfolio investments. Inadequate or excessive reserves could impair investment returns to Fund Client investors. If reserves are excessive, a Fund Client may decline attractive investment opportunities.

#### In Kind Distributions

The Firm may cause a Fund Client to distribute the proceeds of certain of such Fund Client's investments in kind. Any such distribution could put downward pressure on the price of the issuer's securities. An investor that receives assets other than cash from a Fund Client may incur costs and delays in converting those assets into cash.

#### Delayed Schedules K-1

Although the Firm will endeavor to provide a Schedule K-1 to each Fund Client investor prior to a set time each year (e.g., April 15), in the event that the Schedule K-1 is not available by such date, a Fund Client investor will have to pay taxes based on an estimated amount or file an extension.

***Lack of Certainty.*** The identification of investment opportunities in securities is a difficult task, and there can be no assurances that such opportunities will be successfully recognized or executed. While investments in securities offer opportunities for significant capital appreciation, such investments involve a high degree of financial risk and can result in substantial losses. Returns generated by investments may not adequately compensate for the relevant business and financial risks assumed. It is likely that major economic events could severely impact the value of investments in one or more assets. In addition, clients may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of a client's assets would be committed to the assets purchased and, thus, possibly preventing such client from investing in other assets.

***Combination or "Layering" of Multiple Risks May Significantly Increase Risk of Loss.*** Although the various risks discussed in this Form ADV Part 2A firm brochure are generally described separately, the potential effects of the interplay of multiple risk factors should be considered. Where more than one significant risk factor is present, the risk of loss to a Firm client or Fund Client investor may be significantly increased.

### **Material Risks for Wealth Management Clients:**

#### **Methods of Analysis**

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in using this method is that only past performance data is

considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles these investors are trying to exploit.

**Quantitative analysis.** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

**Modern Portfolio Theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

## **Investment Strategies**

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

### **C. Material Risks of Securities Used in Investment Strategies**

The following summary identifies the material risks related to certain types of investments expected to be made for the Firm's clients, but does not intend to identify all possible investments that may be made or all possible risks related to such investments. Further details regarding these risks and other applicable other risk factors may be included in the offering documents of the Fund Clients or in the advisory agreement or other documentation furnished to other clients. Clients, prospective clients, Fund Client investors and prospective Fund Client investors are advised to carefully review all risk factors described in such documents. The following is not intended to supersede the material contained in such documents.

**Private Investment Funds.** The risks of investing in a Fund Client set forth above in Item 8(B) under "Risk

Relating to an Investment in a Fund Client” and are also applicable to private investment funds for which the Firm does not also serve as the general partner or manager, including private investment funds in which the Firm causes a Fund Client or Discretionary Client to invest or to which the Firm may recommend Non-Discretionary Clients invest. In addition, certain private investment funds have substantial restrictions on liquidity of interests, and some have no withdrawal rights. Substantial withdrawals by investors in a private investment fund within a short period of time could require such fund to liquidate assets more rapidly than would otherwise be desirable, possibly reducing the value of the fund’s assets and/or disrupting the fund’s investment strategy. Reduction in the size of a private investment fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in such fund’s ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses. Many private investment funds provide the general partner or manager the authority to deny any withdrawal requests if it is in the best interest of the fund.

***Exchange-Traded Funds.*** Exchange-traded funds or “ETFs” are investment companies that may invest in any number of securities, bonds, commodities or other investment assets and are subject to Exchange Commission registration and regulations, primarily under the Investment Company Act, the Securities Act and the Exchange Act. Shares in an exchange-traded fund are generally not redeemable, meaning the issuing company has no obligation to redeem shares upon request by the shareholder. As shares of exchange-traded funds are traded publicly in the markets, the prices of such shares may vary widely from their net asset value, the risk being that once purchased, shares may never realize a price equal to or greater than their net asset value.

***Short Sales.*** Short sales are transactions where an investor sells a security it does not own in anticipation of a decline in the market value of that security. To complete such a transaction, the investor must borrow the security to make delivery to the buyer. The investor then is obligated to replace the security borrowed by purchasing it at the market price at the time of replacement. The price at such time may be more or less than the price at which the security was sold in an account. Until the security is replaced, the investor is required to pay to the lender of the security amounts equal to any dividends or interest which accrue during the period of the loan of the security. To borrow the security, the investor also may be required to pay a premium or fee to the broker from whom the account borrows the security sold short. The proceeds of the short sale will be retained by the broker, at least to the extent necessary to meet margin requirements, until the short position is closed out.

***Options.*** Clients may write, purchase and sell options, including “covered” and “naked” call options, the prices of which are often very volatile. Price movements of options contracts are influenced by, among other things, interest rates, changing supply and demand relationships, international trade, fiscal, monetary, and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options also depends in part upon the price of the securities underlying them. Accordingly, options on highly volatile securities may be more expensive than options on other securities. Put options and call options typically have similar structural characteristics and operational mechanics, regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index or other instrument at the exercise or “strike” price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the strike price. If a put or call option purchased by a client were permitted to expire without being sold or exercised, such client would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security caused by deteriorating fundamentals, rising interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold to the client at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security caused by declining interest rates

or other factors. If this occurred, the option could be exercised and the underlying security would then be sold by the client at a lower price than its current market value. Purchasing and writing put and call options – and, in particular, writing “uncovered” or “naked” options – are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. This risk is enhanced if the security being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the securities issued by many companies. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss for client of all or a substantial portion of its assets. Writing, purchasing and selling options are highly specialized activities and entail greater than ordinary investment risks. Options are subject to the risk of nonperformance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

***Derivatives.*** The value of derivative instruments are highly volatile. Market movements are difficult to predict and are influenced by, among other things (i) government trade, fiscal, monetary and exchange control programs and policies; (ii) changing supply and demand relationships; (iii) national and international political and economic events; (iv) changes in interest rates; and (v) the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of government intervention may be particularly significant at certain times in the global derivatives markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly, affecting global financial markets. Investments in derivatives and related financial instruments are also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

***Asset-Backed Securities.*** Asset-backed securities, including mortgage-backed securities, are fixed-income securities that are backed by cash-generating assets as collateral. Such securities are subject to interest rate risk, where the value of the assets fluctuates inversely with changes in interest rate levels. Additionally, default rates on loans used as collateral are highly unpredictable, making the value of asset-backed securities very volatile.

***Initial Public and Secondary Offerings.*** Special risks associated with securities of companies in initial public or secondary offerings may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for a client to buy or sell significant amounts of shares without unfavorable impact on prevailing market prices. Some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Additionally, some of these companies may be undercapitalized or regarded as developmental stage companies without revenues or operating income, or the near-term prospects of achieving them.

***Direct Investments in Public or Private Companies.*** Clients may invest directly in public or private companies of all sizes. Generally speaking, private companies are not subject to reporting obligations that apply to publicly-traded companies and reliable information concerning a private company’s financial position may be difficult or expensive to obtain. Although the Firm will use reasonable efforts to ascertain the financial condition of each such investment that it recommends, no guarantees can be made as to the accuracy of financial data produced by third-parties, which may be relied upon by the Firm when making private equity investment decisions on behalf of clients.

***Investments in Operating Businesses.*** Investments in securities issued by operating businesses are subject to some degree of risk, including the risk of adverse changes in local economic conditions. Additional risks include (i) zoning laws; (ii) management's ability to control costs; (iii) local, state and federal laws and regulations, (iv) property tax rate changes; and (v) the possible inability of an owner to provide for adequate maintenance of their property. Investments in such operating businesses involve additional risks because a client may not have any prior experience with respect to such investments. The identification of investment opportunities in private equity or private debt offerings is a difficult task and there can be no assurances that such opportunities will be successfully recognized or acquired by clients. While investments in private equity offer opportunities for significant capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from investments in operating businesses may not adequately compensate for the relevant business and financial risks assumed. Moreover, such investments may have to be held for a substantial period of time before their anticipated value is realized. During this period, otherwise investable funds would be committed to such investments, thus possibly preventing a client from investing in other opportunities or acquiring other investments.

***Private and/or Public Debt Instruments.*** Investments in private and/or public debt instruments are subject to a material degree of risk, including, without limitation, risks related to borrower defaults, bankruptcies and fraud. In the event of a default, those who invested in such instruments would bear the risk of loss of principal and non-payment of interest and fees. A client's inability to promptly foreclose on defaulted debt could further increase such client's risk of loss through additional unanticipated legal and enforcement costs. Loan origination activities, revenues and profits are limited by available funds. The private and public debt instrument market has been and will likely for the foreseeable future be a highly competitive market as the financial services industry continues to consolidate, producing larger, better capitalized and more geographically diverse companies with broad product and service offerings. Success of one or more such instruments will depend, in large part, on the Firm's ability to compete effectively and/or identify competitive investments. Many competitors will be substantially larger and have considerably greater financial, technical, marketing and other resources than what may be available with respect to the investments recommended by the Firm. In such an event, such instruments may be riskier and susceptible to loss. To the extent a client transfers, trades or sells a debt-related instrument, such client may be subject to risks associated with making certain representations and warranties which, if breached, may require client to repurchase such instrument and/or indemnify the harmed purchaser(s). Moreover, if the Firm overestimates the yields on one or more debt-related instrument and/or incorrectly values the collateral securing such debt, a client may experience significant losses. Assessments of one or more debt-related instruments may be inaccurate and circumstances relating to the underlying borrower and/or the collateral may change over time, which could lead to losses. For example, due diligence associated with one or more debt-related instruments may not reveal all of the underlying borrower's liabilities and may not reveal other weaknesses in their assets and/or business. Moreover, an increase in the rate of pre-payment of outstanding debt may have an adverse impact on the value of one or more debt-related instruments.

***Mining Operations.*** Investments in an active mining operations pose certain serious and unique risks, including operational, safety, environmental and business risks. Mining operations can be hazardous, noisy and cause environmental degradation. The permitting process may be time consuming and expensive and mining operations may not be able to obtain, or may lose, permits necessary to operate their mines. Furthermore, mining operations may be subject to lawsuits and regulatory actions for pollution and violations of environmental laws and regulations. Accidents at mining sites may be more common than in other business environments and mining operations may be required to obtain expensive liability insurance or risk lawsuits in the event of an injury suffered by employees or contractors on the worksite. Mining operations are frequently the target of strikes and work stoppages. Additionally, owners of real property with active mining activities are subject to increased risks of premises liability from persons, authorized or otherwise, entering such real property. Mining operations are also subject to the risk that the price of natural resources being mined may fluctuate, impacting cash flows or making such mining operations

uneconomical. Moreover, the cost of inputs, such as fuel, are a significant cost for any mining operation and a spike in energy prices may make mining operations uneconomical. Mining may be subject, to a great extent, to changes in the housing and construction industries, which means any slowdown in home construction and other construction projects may negatively impact the value of mined resources.

**Construction Projects.** Ventures that are still in pre-development or preconstruction phases are subject to certain risks that are beyond control. Such risks include (i) strikes; (ii) adverse weather; (iii) supply and price fluctuations in materials; and (iv) other unknown contingencies that could cause the cost of such projects and/or the time required to complete such projects to exceed their estimates. Because of such contingencies, the ability to complete a construction project is always subject to a certain level of uncertainty. Failure to complete a construction project in accordance with its terms could result in a delay or total loss of its expected investment benefits.

**Real Estate Development.** Investments in real estate development are subject to the multiple risks including, without limitation, (i) risks relating to the availability and timely receipt of zoning and other regulatory approvals; (ii) the cost and timely completion of construction (including risks beyond control, such as weather, labor conditions or material shortages); and (iii) the availability of both construction and permanent financing on favorable terms. If a client were unable to obtain necessary zoning and other regulatory approvals, anticipated returns from such investment may be greatly diminished. No assurance can be given that financing will be obtainable on acceptable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of such investment and on the amount of funds available to such client.

**Leveraged Loans.** Leveraged loans have significant liquidity, credit and market value risks because they are not generally traded on organized exchange markets, but rather, are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities. Historically, the trading volume in loan markets has been small relative to high yield debt securities markets. In addition, the relatively high debt-to-equity ratios of leveraged loans create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. Thus, leveraged loans have historically experienced greater default rates than has been the case for investment grade securities. There can be no assurance as to the levels of defaults and/or recoveries that may be experienced on leveraged loans, and an increase in default levels could have a material adverse effect on a client. Other risks associated with a leveraged loan include the possible invalidation of the underlying loan as a fraudulent conveyance under relevant creditors' rights laws and depreciation in the value of the collateral securing the obligations of such loan. Clients may suffer losses arising from these and other risks. Further, there may be less readily available and reliable information about most leveraged loans than is the case for many other types of investment instruments, including securities issued in transactions registered under the Securities Act or registered under the Commodity Exchange Act. The Firm will rely primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. Therefore, the Firm's clients will be particularly dependent on the analytical abilities of the Firm with respect to investments in leveraged loans.

A non-investment grade loan or debt obligation (or an interest therein) is generally considered speculative in nature and may become a defaulted obligation for a variety of reasons. A defaulted obligation may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted obligation. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted obligation. The liquidity for defaulted

obligations may be limited, and to the extent that defaulted obligations are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. Furthermore, there can be no assurance that the ultimate recovery on any defaulted obligation will not be lower than any recovery rate used in connection with any analysis of the Firm.

***Investments in Bank Loans and Participations.*** Bank loans may be acquired through assignments or participations. These obligations are subject to unique risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws; (ii) so-called “lender-liability” claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; (iv) declines in the value of collateral securing the obligations, if any; (v) declines in the enterprise value of the borrower; (vi) failure of restrictive covenants, if any, to adequately protect the interests of the creditor; (vii) the failure of the bankruptcy process (or other determination of creditors’ rights) to produce the outcome anticipated by the investor; and (viii) limitations on the ability of the Firm to directly enforce a client’s rights with respect to participations. In analyzing each bank loan or participation, the Firm will compare the relative significance of the risks against the expected benefits. Successful claims by third parties can adversely impact a client and its performance.

Interests in loans and other debt obligations may be acquired either directly (by way of novation or assignment from a lender under the related loan agreement) or indirectly (by purchasing a participation interest from a selling institution or through the acquisition of synthetic securities). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the loan or debt obligation and other operative agreements relating to the investment; *however*, its rights can be more restricted than those of the assigning institution. Holders of participation interests and synthetic securities are subject to additional risks not applicable to a holder of a direct interest in a loan.

In purchasing participations, the client will usually have a contractual relationship only with the selling institution, and not the borrower. The Firm generally will have no right to cause a client to directly enforce compliance by the borrower with the terms of the loan agreement, nor any voting rights or rights of set-off against the borrower, nor will the Firm have the right to object to certain changes to the loan agreement agreed to by the selling institution. A client may not directly benefit from the collateral supporting the related loan and may not be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of certain jurisdictions a client may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution’s interest in, or the collateral with respect to, the loan. Consequently, a client may be subject to the credit risk of the selling institution as well as of the borrower. In addition, the purchaser may purchase a participation interest from a selling institution that does not itself retain any beneficial interest in any portion of the applicable loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower.

When a purchaser holds a participation interest in a loan it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each selling institution will reserve the right to administer the loan sold by it as it sees fit and, subject to the terms of the participation agreement, to amend the documentation evidencing such loan in all respects. Selling institutions voting in connection with such matters may have interests different from those of the purchaser and may fail to consider the interests of the purchaser in connection with their votes.

Assignments are arranged through private negotiations between assignees and assignors, and in certain cases the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning selling institution. As a purchaser of an assignment, the purchaser generally will have the same voting rights as other lenders under the applicable loan agreement, including the right to vote to waive enforcement of breaches of covenants or to enforce compliance by the borrower

with the terms of the loan agreement, and the right to set-off claims against the borrower and to have recourse to collateral supporting the loan.

Assignments and participations are sold without recourse to the assignor or selling institution, as applicable, and the assignor or selling institution, as applicable, will generally make minimal or no representations or warranties about the underlying loan, the borrower, the documentation of the loans or any collateral securing the loans. In addition, the purchaser will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower.

***Unsecured Loans.*** Unsecured loans are subject to the same risks associated with leveraged loans in general described above. However, unsecured loans are unsecured obligations of the applicable borrower, may be subordinated to other obligations of the borrower and generally have greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations and secured obligations. Unsecured obligations will generally have lower rates of recovery than secured obligations following a default. Also, in the event of the insolvency of a borrower of any unsecured obligation, the holders of such unsecured obligation will be considered general, unsecured creditors of the borrower and will have fewer rights than secured creditors of the borrower and will be subordinate to the secured creditors with respect to the related collateral.

***Second Lien Loans.*** Second lien loans are subject to the same risks associated with leveraged loans in general described above. However, a second lien loan is subordinate in right of collateral and/or payment to one or more senior secured loans of the related borrower and therefore is subject to additional risk that the cash flow of the related borrower and the collateral securing the second lien loan may be insufficient to make the scheduled payments to the lender of record after giving effect to any senior secured loans of the related borrower. Due to the subordinated nature of second lien loans, they involve a higher degree of overall risk and illiquidity than the senior secured loans of the same borrower. Second lien loans are typically subject to intercreditor arrangements, the provisions of which may prohibit or restrict the ability of the holder of a second lien loan to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the borrower. In addition, during a bankruptcy of a borrower, the holder of a second lien loan may be required to give advance consent to (x) any use of cash collateral approved by the first lien creditors; (y) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (z) debtor-in-possession financings.

***Unfunded Loans.*** A loan commitment is a written agreement in which the lender commits itself to make a loan or loans up to a specified amount within a specified time period. The loan commitment sets out the terms and conditions of the lender's obligation to make the loans. The portion of the amount committed by a lender under a loan commitment that the borrower has not drawn down is referred to as "unfunded." A lender typically is obligated to advance the unfunded amount of a loan commitment at the borrower's request, subject to certain conditions regarding the creditworthiness of the borrower. Borrowers with deteriorating creditworthiness may continue to satisfy their contractual conditions and therefore be eligible to borrow at times when the lender might prefer not to lend. In addition, a lender may have assumptions as to when a company in which a client invests may draw on an unfunded loan commitment when the lender enters into the commitment. If the borrower does not draw as expected, the commitment may not prove as attractive an investment as originally anticipated. Further, any failure to advance requested funds to a

company in which the client invests could result in possible assertions of offsets against amounts previously lent.

**“Covenant-Lite” Loans.** “Cov-lite” loans typically do not require the borrower to comply with financial covenants that would be applicable during reporting periods, thereby offering more limited protection to lenders. Because the borrowers of “cov-lite” loans are subject to fewer covenants with respect to, among other things, other debt that such borrowers may incur. Cov-lite loans may expose a client to different risks, including with respect to liquidity, price volatility, ability to restructure loans and ultimate recoveries, than is the case with other loans that are not cov-lite. In addition, the lack of such financial covenants may make it more difficult to trigger a default in respect of such loans.

**Non-Investment Grade or “Junk” Debt.** Certain loans in which a client invests may be rated BB, B, or CCC or unrated, by nationally recognized rating agencies. Non-investment grade or “junk” securities are predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal when due and therefore involve a greater risk of default and higher price volatility than investment grade debt.

**Distressed Securities.** Certain clients may invest in instruments of companies that are experiencing significant financial or business difficulties, including companies involved in reorganization or restructuring. Although such investments may result in significant returns, they involve a substantial degree of risk. Any one or all of the issuers of such investment instruments may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond (fixed income) nature or stock (equity) nature, or a mix of multiple underlying security types.

**Private Equity Funds:** In addition to the risks associated with hedge funds, there are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences, including but not limited to a total loss of investment.

## **Item 9. Disciplinary Information**

Neither the Firm nor any of its managers, officers or principals has been involved in any criminal or civil action in a domestic, foreign or military court that is material to a client’s or prospective client’s evaluation of the Firm’s advisory business or the integrity of the Firm’s management.

Neither the Firm nor any of its managers, officers or principals has been involved in any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither the Firm nor any of its managers, officers or principals has been involved in any self-regulatory organization proceedings.

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

### **A. Broker-Dealer Registrations**

Neither the Firm nor any of its managers, officers or principals is registered, or has an application pending to register, as a broker-dealer.

### **B. CFTC Registrations**

Neither the Firm nor any of its managers, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator or commodity trading advisor, or is an associated person of any of the above.

### **C. Affiliates**

The Firm and its or its affiliates' managers, members and officers operate other investment vehicles and entities, including but not limited to certain Discretionary Clients, and from time to time the Firm causes Fund Clients and Discretionary Clients to invest in such investment vehicles or entities. For example, the Firm may cause (i) a Fund Client to invest in another Fund Client or (ii) a Discretionary Client to invest in a Fund Client. In addition, the Firm provides recommendations to Non-Discretionary Clients to invest in such investment vehicles and entities. For example, the Firm may advise a Non-Discretionary Clients to invest in a Fund Client or a Discretionary Client.

In no event will a single client pay two layers of Management Fees and/or Incentive Fees. For example, when the Firm causes a Fund Client to invest in another Fund Client, the Firm only earns one Management Fee and one Incentive Fee. However, when the Firm advises a Non-Discretionary Client to invest in a Fund Client or Discretionary Client, the Firm receives higher compensation. For example, the Firm earns an Advisory Fee in relation to making a recommendation for a Non-Discretionary Client to invest in a Fund Client plus a Management Fee and Incentive Fee from the Fund Client. This increased amount of fees creates a conflict of interest as compared to if the Firm did not recommend such investments.

The Firm recognizes the foregoing conflict and endeavors to treat each Firm client fairly and equitably. Prior to causing a client to make an investment or recommending that a client make an investment, the Firm takes into account the particular investment goals of the client and makes a determination as to whether any particular investment is suitable to such client's circumstances, including risk tolerance, investment duration and allocation parameters.

### **D. Other Investment Advisers**

The Firm does not recommend or select other investment advisers for its clients. However, the Firm may cause a Fund Client or Discretionary Client to invest in an investment vehicle managed by another investment adviser, which such other investment adviser could then cause an investment vehicle managed by it to invest in a Fund Client or Discretionary Client.

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

### **A. Code of Ethics**

The Firm has adopted a Code of Ethics, which is designed to comply with SEC requirements. The purpose of the Code of Ethics is to identify the ethical and legal framework in which the Firm and its personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding the Firm's standard of business conduct. The Firm's Code of Ethics is designed to ensure that all applicable

personnel are aware of and adhere to the Firm's policies and procedures. The description below is a summary only. The Firm will provide a complete copy of its Code of Ethics to clients and prospective clients.

***Standard of Business Conduct.*** The Firm and its personnel have a fiduciary duty to the Firm's clients, and in this fiduciary capacity, the Firm must place the interests of its clients before the Firm's own interests.

***Basic Principles.*** The Firm's Code of Ethics is based on a few basic principles: (i) the Firm and its personnel must place the interests of the Firm's clients above their own; (ii) the professional activities and personal investment activities of the Firm's personnel must be consistent with the Code of Ethics and avoid any actual or potential conflict between the interests of clients and those of the Firm or its personnel; (iii) the activities of the Firm's personnel must be conducted in a way that avoids any abuse of any such person's position of trust with and responsibility to the Firm and its clients; (iv) the Firm's personnel must not take any inappropriate advantage of their positions with the Firm; (v) the Firm must maintain independence in its investment decision-making process; and (vi) the Firm's personnel may not engage in any act, practice or course of conduct that would violate the provisions of Rule 204A-1 of the Advisers Act of 1940, as amended (the "*Advisers Act*"), and other applicable securities laws.

***Conflicts of Interest.*** As a fiduciary, the Firm has an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of its clients. The Firm makes every effort to avoid conflicts of interest and fully disclose all material facts concerning any conflict of interest that may arise with respect to any of its clients. The Firm stresses that individuals subject to its Code of Ethics must try to avoid situations that have even the appearance of conflict or impropriety.

***Insider Trading.*** The Firm's personnel may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. This policy applies to all of the Firm's personnel and extends to their activities both within and outside their duties for the Firm. The Firm has also implemented policies and procedures designed to detect and prevent insider trading.

***Personal Securities Transactions.*** All personnel must comply with the Firm's policy on personal trading. Except with respect to certain excepted personnel, securities (including, indices, mutual funds, exchange-traded funds and certain government securities) and/or accounts for which a person does not exercise investment discretion, personal securities transactions by the Firm's personnel must be pre-approved by the Firm's Chief Compliance Officer (the "*Chief Compliance Officer*").

***Holdings and Transactions Reports.*** Every employee and access person must submit both initial and annual holdings reports to the Chief Compliance Officer that disclose all covered securities held in any personal account. Every employee and access person must also submit a quarterly transaction report to the Chief Compliance Officer for each covered securities transaction in any personal account.

***Service as a Director.*** The Firm's personnel are prohibited from serving on the boards of directors of any outside company, unless the service (i) would be in the best interests of the Firm or its clients; and (ii) has been approved in writing by the Chief Compliance Officer; *provided*, that the Firm's personnel will not be required to obtain prior written approval for service on the boards of directors of charitable or civic organizations. In addition, any Firm personnel serving on the board of a private company which is about to go public may be required to resign either immediately or at the end of the current term.

***Reporting of Violations.*** The Firm has implemented policies and procedures whereby its personnel are required to report any violation, apparent violation or potential violation of the Firm's Code of Ethics to the Chief Compliance Officer.

**Review and Enforcement.** The Chief Compliance Officer is responsible for ensuring adequate supervision over the activities of all persons who act on the Firm's behalf in order to prevent and detect violations of the Firm's Code of Ethics by such persons.

## **B. Material Financial Interest in Client Transactions**

As noted in response to Item 10(C) above, the Firm and its or its affiliates' managers, members and officers operate other investment vehicles and entities, including but not limited to certain Discretionary Clients, and from time to time the Firm causes Fund Clients and Discretionary Clients to invest in such investment vehicles or entities. For example, the Firm may cause (i) a Fund Client to invest in another Fund Client or a Discretionary Client to invest in a Fund Client. In addition, the Firm provides recommendations to Non-Discretionary Clients to invest in such investment vehicles and entities. For example, the Firm may advise a Non-Discretionary Clients to invest in a Fund Client or a Discretionary Client.

In no event will a single client pay two layers of Management Fees and/or Incentive Fees. For example, when the Firm causes a Fund Client to invest in another Fund Client, the Firm only earns one Management Fee and one Incentive Fee. However, when the Firm advises a Non-Discretionary Client to invest in a Fund Client or Discretionary Client, the Firm receives higher compensation. For example, the Firm earns an Advisory Fee in relation to making a recommendation for a Non-Discretionary Client to invest in a Fund Client plus a Management Fee and Incentive Fee from the Fund Client. This increased amount of fees creates a conflict of interest as compared to if the Firm did not recommend such investments.

The Firm recognizes the foregoing conflict and endeavors to treat each Firm client fairly and equitably. Prior to causing a client to make an investment or recommending that a client make an investment, the Firm takes into account the particular investment goals of the client and makes a determination as to whether any particular investment is suitable to such client's circumstances, including risk tolerance, investment duration and allocation parameters.

## **C. Participation in Client Transactions**

The Firm and its affiliates, clients and their respective personnel may invest, or have already invested, in securities or other financial instruments that are senior or junior to securities or financial instruments of the same issuer that the Firm may cause a client to invest in. The Firm recognizes that conflicts may arise under such circumstances and will endeavor to treat each of the Firm's clients fairly and equitably. Prior to the Firm's causing a client to make such an investment, the Firm will review the potential investment to determine if an actual conflict of interest exists or is reasonably likely to occur in the near term. To address potential conflicts that may arise or to ensure that potential conflicts are not likely to occur, the Firm may take such actions as they deem appropriate under the circumstances. Among other things, the Firm may recommend (solely by way of example and not of limitation) (i) that each affected client be informed of the potential conflict; and (ii) that each client be offered the opportunity to approve the investment.

## **D. Transactions Simultaneous with Client Transactions**

Generally, neither the Firm nor any related persons of the Firm will recommend securities to the Firm's clients, or buy or sell securities for the Firm's clients, at or about the same time that the Firm or a related person buys or sells the same securities for the Firm's own (or the related person's own) account, except when exceptions are made under limited circumstances.

From time to time, subject to client or investment guidelines and restrictions, the Firm is expected to be authorized to direct one of its clients to sell investments to another of the Firm's clients through an internal cross transaction in which the Firm will receive no compensation. In most cases, an independent pricing mechanism will be used to ensure objectivity. However, there could be times in which that pricing

mechanism is not feasible or fair to the Firm's clients, in which case the Firm will seek some pricing mechanism that is fair to both such clients.

To the extent that any such transaction may be viewed as a principal transaction due to the ownership interest in the client by the Firm and its personnel, the Firm will comply with the requirements of Section 206(3) of the Advisers Act, and provide written notification to such client and obtain client consent either prior to the principal transaction or prior to its settlement.

In addition, the Firm may give advice or take action with respect to investments of one or more of its clients that may not be given or taken with respect to other clients with similar investment programs, objectives and strategies. Accordingly, the Firm's clients with similar investment strategies may not hold the same investments or achieve the same performance. The Firm may also advise clients with conflicting programs, objectives or strategies. These activities may adversely affect the prices and availability of other investments held or potentially considered for one or more clients.

From time to time, the Firm may acquire securities or other financial instruments of an issuer for one of its clients which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired by, another of the Firm's clients. The Firm recognizes that conflicts may arise under such circumstances and will endeavor to treat all of its clients fairly and equitably.

## **Item 12. Brokerage Practices**

### **A. Selection of Broker-Dealers**

The Firm has full authority to select broker-dealers to execute certain of its clients investment transactions, including the Fund Clients and Discretionary Clients. If applicable, the Firm may allocate a portion of each client's brokerage business to such brokers on the basis of certain considerations, which may include:

- The amount of commission;
- The quality of execution;
- Reputation, financial strength and stability;
- Block trading and block positioning capabilities;
- Willingness to execute difficult transactions;
- Willingness and ability to commit capital;
- Access to underwritten offerings and secondary markets;
- Ongoing reliability;
- Overall costs of a trade;
- Nature of the security and the available market makers;
- Desired timing of the transaction and size of trade;
- Confidentiality of trading activity; and/or
- Market intelligence regarding trading activity.

Although the Firm will seek competitive rates, it may not necessarily obtain the lowest possible commission for client account transactions. The commissions and/or transaction fees charged by a broker-dealer may be higher or lower than those charged by other broker-dealers.

Neither the Firm nor any related person is expected to receive client referrals from any broker-dealer or third party that provides brokerage services to the Firm's clients.

At this time the Firm is not a party to, and does not anticipate entering into, any formal "soft dollar" arrangements. However, one or more of the Firm's clients may permit the Firm to use "soft dollars" generated by such clients to pay for the research related services. In the event that the Firm utilizes allocations of commission dollars, it would do so solely to pay for products or services that qualify as "research and brokerage services" within the Safe Harbor.

#### **For Wealth Management Clients:**

Custodians/broker-dealers will be recommended based on the Firm's duty to seek "best execution," which is the obligation to seek to execute securities transactions for a client on terms that are the most favorable to the client under the circumstances. The client will not necessarily pay the lowest commission or commission equivalent, and the Firm may also consider the market expertise and research access provided by the payment of commissions, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers to aid in the research efforts of the Firm. The Firm will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

The Firm recommends Charles Schwab & Co., Inc. Advisor Services.

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

THE FIRM has access to research, products, or other services from its broker/dealer in connection with client securities transactions ("soft dollar benefits") consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended, and may consider these benefits in recommending brokers. There can be no assurance that any particular client will benefit from any particular soft dollar research or other benefits. THE FIRM benefits by not having to produce or pay for the research, products or services, and THE FIRM will have an incentive to recommend a broker dealer based on receiving research or services. Clients should be aware that THE FIRM's acceptance of soft dollar benefits may result in higher commissions charged to the client.

#### **2. Brokerage for Client Referrals**

THE FIRM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

THE FIRM may permit clients to direct it to execute transactions through a specified broker-dealer. Clients must refer to their advisory agreements for a complete understanding of how they may be permitted to direct brokerage. If a client directs brokerage, the client will be required to acknowledge in writing that the client's direction with respect to the use of brokers supersedes any authority granted to THE FIRM to select brokers; this direction may result in higher commissions, which may result in a disparity between free and directed accounts; and trades for the client and other directed accounts may be executed after trades for free accounts, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions. Not all investment advisers allow their

clients to direct brokerage.

## **B. Aggregation of Orders**

The Firm may place, as an aggregated order for execution, orders for publicly traded securities at the same time for the accounts of two or more of its clients. This practice will enable the Firm's clients to seek more favorable executions and net prices for the combined order. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day are generally allocated *pro rata* among the participating clients in accordance with the initial amounts ordered by each client. However, the *pro rata* allocation may be adjusted, such as to avoid having odd amounts of shares held in any client's account, to avoid deviations from any pre-determined minimum/maximum holdings limits established for any client, or to facilitate the ramping of a new client account. Each client that participated in the order would do so at the average price for all the transactions and share in commissions or other transaction costs on a *pro rata* basis.

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

Mr. Price, in his capacity as the Firm's Portfolio Manager, will review client portfolios on a continuous basis.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Mr. Price, the Firm's Portfolio Manager. There is only one level of review for financial plans, and that is the total review conducted to create the financial plan. Each financial planning client will receive the financial plan upon completion.

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

### **A. Non-Client Economic Benefits**

Charles Schwab & Co., Inc. Advisor Services provides THE FIRM with access to Charles Schwab & Co., Inc. Advisor Services' institutional trading and custody services, which are typically not available to Charles Schwab & Co., Inc. Advisor Services retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Charles Schwab & Co., Inc. Advisor Services. Charles Schwab & Co., Inc. Advisor Services includes brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For THE FIRM client accounts maintained in its custody, Charles Schwab & Co., Inc. Advisor Services generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Charles Schwab & Co., Inc. Advisor Services or that settle into Charles Schwab & Co., Inc. Advisor Services accounts.

Charles Schwab & Co., Inc. Advisor Services also makes available to THE FIRM other products and services that benefit THE FIRM but may not benefit its clients' accounts. These benefits may include national, regional or THE FIRM specific educational events organized and/or sponsored by Charles Schwab & Co., Inc. Advisor Services. Other potential benefits may include occasional business entertainment of personnel of THE FIRM by Charles Schwab & Co., Inc. Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist THE FIRM in managing and administering clients' accounts. These include software and other technology (and related

technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of THE FIRM's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of THE FIRM's accounts. Charles Schwab & Co., Inc. Advisor Services also makes available to THE FIRM other services intended to help THE FIRM manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. In addition, Charles Schwab & Co., Inc. Advisor Services may make available, arrange and/or pay vendors for these types of services rendered to THE FIRM by independent third parties. Charles Schwab & Co., Inc. Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to THE FIRM. THE FIRM is independently owned and operated and not affiliated with Charles Schwab & Co., Inc. Advisor Services.

#### **B. Compensation for Client Referrals**

At this time the Firm is not a party to an arrangement to pay a third party for the referral or solicitation of clients or investors in the Fund Clients.

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

Although the Firm does not expect to have custody of certificated securities (which are typically custodied by the Firm's clients' third-party custodian), the Firm may be deemed to have custody over the assets of certain of its clients according to the custody rule set forth in Rule 206(4)-2 under the Advisers Act. The Firm intends to comply with the custody rule by providing audited financial statements of each Fund Client to investors in such Fund Client within 120 days of the end of the fiscal year to satisfy the reporting requirement.

When it deducts fees directly from client accounts at a selected custodian, the Firm will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

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

The Firm has been provided with discretionary authority to manage certain client accounts as set forth in, and limited by, the terms and conditions of the relevant advisory agreement, offering document, organizational agreement or other governing documents of such clients.

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

The Firm has authority to vote proxies relating to securities in certain client accounts. Accordingly, the Firm has adopted policies and procedures governing the voting of proxies that include the elements set forth below.

**General Policy.** The general policy is to vote proxies, which includes proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any, in a manner that serves the best interests of the investing client(s), as determined by the Firm in its discretion, and taking into account relevant factors, including, but not limited to:

- The impact on the value of the securities;
- The anticipated costs and benefits associated with the proposal;
- The effect on liquidity; and
- Customary industry and business practices.

**Specific Policies.** Specific policies set forth in the Firm's policies and procedures include:

- Routine matters are typically proposed by company's management, directors, general partners, managing members or trustees and (i) do not measurably change the structure, management, control or operation of the company; (ii) do not measurably change the terms of, or fees or expenses associated with, an investment in the company; and (iii) are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company. For routine matters, the Firm will vote in accordance with the recommendation of the company's management, directors, general partners, managing members or trustees, as applicable, unless, in our opinion, such recommendation is not in the best interests of the investing client(s).
- Non-routine matters involve a variety of issues and may be proposed by a company's management or beneficial owners, and may involve (i) a measurable change in the structure, management, control or operation of the company; (ii) a measurable change in the terms of, or fees or expenses associated with, an investment in the company; or (iii) a change that is inconsistent with industry standards and/or the laws of the state of incorporation applicable to the company. The Firm has specific proxy voting policies for non-routine matters, and in some cases, the Firm votes on a case-by-case basis.

**Abstaining from Voting or Affirmatively Not Voting.** The Firm will abstain from voting (which generally requires submission of a proxy voting card) or affirmatively decide not to vote if the Firm determines that abstaining or not voting is in the best interests of the investing client(s). In making such a determination, we will consider various factors including, but not limited to, (i) the costs associated with exercising the proxy (e.g., translation or travel costs); and (ii) any legal restrictions on trading resulting from the exercise of a proxy. Furthermore, the Firm will not abstain from voting or affirmatively decide not to vote merely to avoid a conflict of interest.

**Conflicts of Interest.** At times, conflicts may arise between the interests of the investing client(s), on the one hand, and the interests of the Firm or its affiliates, on the other hand. If the Firm determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, we will address matters involving such conflicts of interest as follows:

- If a conflict arises because two or more investing clients have invested in different portions of an issuer's capital structure, or because one client holds a control position while another client holds a minority position, the Firm will delegate the voting decision to an independent committee of partners, members, directors and/or other representatives of the investing clients, as applicable.
- If a proposal is addressed by the specific policies in these procedures, the Firm will vote in accordance with such policies.
- If we believe it is in the best interest of the investing client(s) to depart from the specific policies provided for in these procedures, the Firm will be subject to the requirements of the third and fourth bullet points below, as applicable.
- If the proxy proposal is (i) not addressed by the specific policies or (ii) requires a case-by-case determination by the Firm, we may vote such proxy as we determine to be in the best interest of the investing client(s), without taking any action described in the fourth bullet point below, provided that such vote would be against the Firm's own interest in the matter (*i.e.*, against the perceived or actual conflict).
- If the proxy proposal is (i) not addressed by the specific policies or (ii) requires a case-by-case determination by the Firm, and (iii) we believe we should vote in a way that may also benefit, or be perceived to benefit, the Firm's own interest, then the Firm must take one of the following actions in voting such proxy:
  - Delegate the voting decision for such proxy proposal to an independent third party;
  - Delegate the voting decision to an independent committee of partners, members, directors or other representatives of the investing client, as applicable;
  - Inform the investing client of the conflict of interest and obtain consent to vote the proxy as recommended by the Firm; or
  - Obtain approval of the decision from the Chief Compliance Officer and third-party legal advisors.

A complete copy of the Firm's policies and procedures governing the voting of proxies, together with information regarding how we voted particular proxies, will be provided to clients and prospective clients upon request.

## **Item 18. Financial Information**

The Firm does not require, nor does it solicit, prepayment of more than \$1,200 in fees per client, six months or more in advance.

The Firm has never been the subject of a bankruptcy petition.